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UPDATE

SWITZERLAND IMPOSES SANCTIONS TARGETING RUSSIA

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In response to Russia's military aggression against Ukraine and following the adoption by the European Union of sanctions targeting Russia, the Federal Council of Switzerland introduced a [first package of sanctions](#) on 28 February 2022 severely restricting economic relations with Russia, and with selected Russian entities and persons.

On 4 March 2022, Switzerland approved a [second package of sanctions](#), which was further [updated](#) with additional targeted sanctions on 16 March 2022. Subsequent additional sanctions, including new targeted sanctions, were adopted on [25 March](#), [13 April](#), [27 April](#), [3 May](#), [10 June](#) and [29 June 2022](#). On 3 August 2022, Switzerland introduced the latest [package of sanctions](#) and, on 16 August 2022, imposed [additional targeted sanctions](#).

The applicable Swiss sanctions are set out in the Ordinance on measures related to the situation in Ukraine ([SR 946.231.176.72](#)) ("Russia Sanctions Ordinance"). Sanctions imposed by Switzerland generally fall within one of the four broad categories: trade restrictions, measures related to specific areas, financial sanctions and other restrictions.

The sanctions adopted by Switzerland largely follow those adopted in recent months by the European Union but are not identical. For the applicable EU sanctions, see our [Client Alert](#) of 29 July 2022.

This Client Alert provides an overview of the relevant sanctions imposed by Switzerland as of 17 August 2022.

TRADE RESTRICTIONS

Restrictions on exports of special military goods

The sale, delivery, export, transit or transport of special military goods listed in [Annex 3](#) to the [Goods Control Ordinance](#) ("GCO Ordinance") to or intended for use in Russia or Ukraine is prohibited. The provision of services of all kinds (e.g., brokerage, financing, and maintenance) relating to such goods is also prohibited. The prohibition does not apply when such goods and services are procured as assistance from Switzerland by the Organization for the Prohibition of Chemical Weapons.

Restrictions on exports of dual-use goods and goods intended for military and technological reinforcement or development of the defence and security sector

Switzerland prohibits the sale, delivery, export, transit or transport of dual-use goods listed in [Annex 2](#) of the GCO Ordinance, when such goods are: (i) destined for or intended for use in Russia or (ii) destined for or intended for military use, or for military end users, in Ukraine. The provision of services of all kinds is prohibited for dual-use goods destined for or intended for use in Russia and subject to authorisation for dual-use goods destined for or intended for use in Ukraine.

The sale, delivery, export, transit or transport of **goods intended for military and technological reinforcement or development of the defence and security sector** listed in [Annex 1](#) to the Russia Sanctions Ordinance is (i) prohibited, when the goods are destined for or intended for use in

Russia, and (ii) subject to authorisation, when the goods are destined for or intended for use in Ukraine.

The above-described export restrictions do not apply where the goods are intended for one of the legitimate uses listed in [Article 6](#) of the Russia Sanctions Ordinance. In addition, the Swiss State Secretariat for Economic Affairs ("SECO") may authorise derogations in limited cases relating to civilian uses.

Restrictions on exports of goods intended for use in the aerospace industry

The sale, delivery, export, and transit of goods intended for use in the aerospace industry, listed in [Annex 3](#) to the Russia Sanctions Ordinance, to a person or entity in Russia, or for use in Russia, is prohibited. It is also prohibited to provide services (including insurance or reinsurance services) in relation to such goods, with the exception of pre-flight inspection services. Authorisations are possible for the execution of air lease contracts concluded before 5 March 2022.

Restrictions on goods and technologies for maritime navigation

The sale, provision, delivery, export, transit and transport of goods and technologies for maritime navigation, listed in new [Annex 16](#) to the Russia Sanctions Ordinance, to or intended for use in Russia or on a vessel flying the flag of the Russian Federation is prohibited. The sale, provision, delivery, export, transit and transport of the same goods and technologies to or for use in Ukraine, or on vessels flying the flag of Ukraine, is subject to authorisation. The same rules apply to all related services.

Limited exceptions are available on humanitarian and few other public policy grounds. SECO may also authorise derogations in limited cases relating to civilian uses, in particular for maritime safety.

Restrictions on exports of jet fuel and fuel additives

The sale, delivery, export, and transit of jet fuel and fuel additives listed in [Annex 19](#) to the Russia Sanctions Ordinance, to or intended for use in Russia, is prohibited. The sale, delivery, export, and transit of the same goods to or intended for use in Ukraine is subject to authorisation. The same rules apply to services of all kinds related to these goods. SECO will refuse authorizations if the goods and related services are intended for military purposes or for military end recipients.

Restrictions on exports of goods intended for use in the oil refining, liquefaction of natural gas and on goods and services in the energy sector

The sale, delivery, export, and transit of goods listed in [Annex 4](#) to the Russia Sanctions Ordinance that are intended for use in the oil refining and for liquefaction of natural gas to any person or entity in Russia, or for use in Russia, as well as related services and provision of financial resources related to the listed actions, is prohibited. Limited exceptions and authorisation by SECO are available.

The sale, provision, delivery, export, transit and transport of goods used in the energy sector that are listed in [Annex 5](#) to the Russia Sanctions Ordinance, such as certain line, casings and tubing pipes, to or intended for use in Russia, including in the exclusive economic zone and the continental shelf of Russia, as well as the provision of related services, is also prohibited. Limited exceptions and authorisation by SECO are available. The prohibition does not apply to transactions contractually

agreed upon before 26 March 2022 and performed by 17 September 2022 pursuant to the wind-down (saving) clause. The Russia Sanctions Ordinance also imposes restrictions to investment in the Russian energy sector, which are addressed below.

Restrictions on imports of certain iron and steel products

The import, transport and purchase of iron and steel products listed in [Annex 17](#) to the Russia Sanctions Ordinance, when these products originate in or are exported from Russia, are prohibited. It is also prohibited to provide, directly or indirectly, certain services related to those goods.

Restrictions on imports of certain goods that are economically significant for the Russian economy

The purchase, import, transit and transportation in and through Switzerland of goods important for the Russian economy listed in [Annex 20](#) to the Russia Sanctions Ordinance, when these goods originate in or are exported from Russia, is prohibited. The covered products include, inter alia, chemicals, seafood, wood and wood products, glass products, rubber tires, silver, aluminium, and liquor products. It is also prohibited to provide, directly or indirectly, services of all kinds in relation to those goods. These prohibitions do not apply to import quotas in accordance with [Annex 21](#) to the Russia Sanctions Ordinance.

Restrictions on imports of gold and gold products

The purchase of gold according to [Annex 26](#) to the Russia Sanctions Ordinance, originating in Russia, that was exported from Russia after 4 August 2022, and the import, transit and transportation of such gold into and through Switzerland is prohibited. The purchase, import, transit and transportation in or through Switzerland of gold that was produced in a third country using gold originating in Russia, that was exported from Russia after 4 August 2022, is also prohibited. It is also prohibited to purchase gold products listed in [Annex 27](#) to the Russia Sanctions Ordinance, originating in Russia, that were exported into Switzerland after 4 August 2022, as well as to import and transport such gold products, including in transit, in or through Switzerland. Furthermore, provision of services of all kinds as well as the granting of funds in connection with the purchase, import, transit and transportation in and through Switzerland, and with the provision, manufacture, repair or the use of such gold and gold products is prohibited.

The prohibition does not apply to gold and gold products that are required for the official activities of diplomatic or consular representations of Switzerland and international organizations as well as to gold products intended for personal use. In addition, SECO may grant authorisations for the import or transport of cultural goods from Russia within the framework of official cultural cooperation.

TRADE RESTRICTIONS RELATED TO SPECIFIC AREAS

Imports from Russia-controlled areas

Goods imported from Crimea, Sevastopol and the parts of the Donetsk and Luhansk that are not controlled by the Ukrainian government ("Russia-controlled areas") may enter Switzerland only if accompanied with a certificate of origin issued by the Ukrainian authorities. It is also prohibited to provide financial, insurance and re-insurance services in respect of imports from those areas if not accompanied by the origin certificate issued by the Ukrainian authorities.

Exports to Russia-controlled areas

Selling, supplying, exporting or transporting goods listed in [Annex 7](#) to the Russia Sanctions Ordinance, as well as supplying related technical, construction, engineering, brokering and financial assistance to persons and entities in Russia-controlled areas of Ukraine is prohibited. The prohibition does not apply, among others, to goods destined for hospitals and schools in these areas. SECO may authorize restricted exports, in limited circumstances, including on public health and environmental grounds.

Restrictions on financing, investment in companies and provision of certain services

The (i) granting of loans and credits to enterprises and organisations in the Russia-controlled areas, and participation in the granting of such loans and credits; (ii) the acquisition and expansion of shareholdings in enterprises and real estate as well as the establishment of joint ventures together with enterprises or organisations in the Russia-controlled areas; (iii) the provision of services regarding securities in relation to the aforementioned activities are prohibited. Limited exemptions are available. Furthermore, the provision of services in connection with tourism-related activities in the Russia-controlled areas is prohibited.

FINANCIAL SANCTIONS

Targeted financial sanctions

Switzerland has ordered the freezing of assets and economic resources of persons and entities listed in [Annex 8](#) to the Russia Sanctions Ordinance. It is also prohibited to provide or make any funds or economic resources available, directly or indirectly, to the listed persons and entities, as well as to conduct any economic transactions with them. Limited exceptions apply, including where the transfer or provision of funds or economic resources is necessary for humanitarian activities or for official activities of the diplomatic or consular missions of Switzerland. SECO may authorise derogations to enable humanitarian activities and support of civilians in relation to the situation in Ukraine. SECO may also authorize payments from frozen accounts, transfers of frozen assets and the release of frozen economic resources. Similarly, SECO may authorize the release or the making available of certain funds, assets or economic resources to the listed persons or entities in limited cases, including to allow the sale or transfer of property rights in legal entities, companies or organizations established in Switzerland, or in the EEA, and where it is deemed necessary to terminate any business, contract, or other agreement, including related banking relationships, entered into with certain listed organizations. These authorizations are subject to time limitations.

Swiss entities and institutions that hold or manage assets or are aware of economic resources that are likely to be subject to these targeted sanctions, must notify SECO without delay.

SECO provides an [online tool](#) for searching subjects of sanctions, including those listed in Annex 8.

Prohibition on public financing

The Russia Sanctions Ordinance prohibits public financing and financial assistance in connection with international trade with Russia or investments in Russia. Binding obligations entered into before 5 March 2022, financing not exceeding 10 million Swiss Francs per project for small and medium-sized enterprises established in Switzerland and financing in connection with trade in

food for agricultural, medical or humanitarian purposes are exempted from this prohibition.

Restrictions on dealings with securities and money-market instruments

The Russia Sanctions Ordinance imposes restrictions on providing assistance in the issuance, trade and provision of transferable securities and money-market instruments issued (i) by or on behalf of the Russian Federation, its Government or the Central Bank, or (ii) by or on behalf of the entities listed in Annexes [9](#), [10](#), [11](#), [12](#), or [13](#). Trading platforms registered or recognized in Switzerland are prohibited from listing and providing trading services for transferable securities of any bank or other entities established in Russia and publicly majority-owned.

Furthermore, Swiss central securities depositories are prohibited from providing services to Russian nationals or residents or entities established in Russia in relation to securities issued after 12 April 2022.

Sales of securities denominated in Swiss Francs or Euro and units in collective investment schemes with access to such securities to Russian nationals, residents and banks, enterprises and other entities established in Russia are also prohibited. According to the [SECO Guidelines](#), existing shares are also covered, as they cannot generally be distinguished from those issued after 12 April. An exception applies in the case of new ISINs, where such a distinction can be made.

These prohibitions do not apply to Swiss and EEA nationals and permanent residents. Limited exemptions under the wind-down clause are available.

Prohibition on transactions with the Russian central bank and state-owned enterprises

Transactions in connection with the management of the reserves and assets of the Russian central bank, including transactions with other entities acting on behalf of or on instructions from the Russian central bank, such as the Russian National Wealth Fund, are prohibited. SECO may authorize such transactions in limited circumstances.

It is also prohibited to do business, directly or indirectly, with entities listed in [Annex 15](#) and based in Russia, entities that are majority-owned by the entities listed in [Annex 15](#), and entities acting on behalf or at the direction of the listed entities and majority-owned entities. There are limited exemptions from this prohibition, and a wind-down clause. In limited circumstances, SECO may also authorise derogations.

Restrictions on granting loans

Switzerland prohibits, subject to limited exceptions, the granting of loans (i) to the Russian Federation, its Government, its Central Bank and entities acting on behalf or at the direction of the latter; as well as (ii) to the entities listed in Annexes [9](#), [10](#), [11](#), [12](#) or [13](#), entities that are majority-owned by the listed entities and entities acting on behalf or at the direction of the listed entities and majority-owned entities. The prohibition does not apply to transactions that were contractually agreed upon before 18.00 on 28 February 2022.

Prohibition on deposits and crypto-currency services

The Russia Sanctions Ordinance prohibits entities and institutions, which accept deposits and grant loans on a commercial basis, from accepting deposits made by Russian nationals or residents and banks, enterprises and other entities established in Russia if the total value of the deposits of the

individual, bank, company or organization per person or entity exceeds 100'000 Swiss Francs. By 3 June 2022, individuals and entities that accept deposits and grant loans on a commercial basis were required to provide SECO with a list of deposits exceeding 100'000 Swiss Francs of Russian nationals and residents, as well as banks and other entities established in Russia. They must provide SECO with up-to-date information on the amount of such deposits every 12 months.

Additionally, individuals and entities that provide services in connection with crypto-wallets, cryptocurrency accounts, or the custody of crypto-based assets on a commercial basis are prohibited from providing such services to Russian nationals or residents, or to legal entities established in Russia, if the total value of the crypto-based assets of the individual, legal entity, company or organization per wallet, account or custody service provider exceeds 10'000 Swiss francs.

[SECO Guidelines](#) further clarify the scope of these prohibitions, the reporting obligation, and calculation of the threshold values.

These prohibitions do not apply to Swiss nationals, nationals of an EEA country and natural persons who hold a temporary or permanent residence permit issued by Switzerland or an EEA country. They further do not apply to deposits required for non-prohibited cross-border trade in goods and services between Switzerland and Russia, Switzerland and the EEA, or the EEA and Russia. Such exempted transactions do not have to be reported to SECO. SECO may also authorize exceptions in certain cases, including on humanitarian grounds, to pay fees or costs for the routine holding or maintenance of frozen funds or economic resources, or to safeguard Swiss interests.

Prohibition of contributions to the Russian Direct Investment Fund

Investments in the Russian Direct Investment Fund, participation in its projects or any other contribution to that fund are prohibited unless SECO has authorized such activity to permit compliance with contracts concluded before 5 March 2022.

Exclusion of Russian entities from SWIFT

As of 12 March 2022, it is prohibited to provide specialized financial messaging services (i.e. SWIFT) to Russian banks, enterprises and other entities listed in [Annex 14](#) as well as to banks, enterprises and other entities based in Russia and which are majority-owned by any entities listed in [Annex 14](#).

Restrictions on supplying banknotes

Swiss Francs or Euro banknotes, or any other official currency of EU Member States, may not be sold, supplied, transferred or exported to or in Russia, or to any natural or legal person, entity or enterprise in Russia, including the Russian Government or the Russian Central Bank. Swiss Francs and Euro banknotes, or any other official currency of EU Member States, may still be sold, supplied, transferred and exported for personal use by individuals or for official activities of diplomatic and consular representations, and international organizations.

Restrictions on the provision of credit rating services

The Russia Sanctions Ordinance prohibits providing rating services and granting access to subscription services related to rating services to Russian nationals and residents, as well as entities based in Russia.

This prohibition does not apply to nationals or permanent residents of Switzerland or EEA countries

Restrictions on investment in the Russian energy sector

The Russia Sanctions Ordinance prohibits a number of activities related to investments in the Russian energy sector. For instance, it is prohibited to acquire new or to expand existing investments in or to establish joint ventures with companies that are not established or registered in Switzerland or in an EEA country and that operate in the energy sector in Russia. In limited circumstances, SECO may, upon consultation with other relevant federal departments, authorise derogations from this prohibition.

Restrictions concerning trusts

The establishment of a trust or a similar legal structure, and the provision of a registered office, business or administrative address or administrative services for trusts are prohibited, when the settlor or the beneficiary are (i) Russian nationals or residents, (ii) legal entities, companies or organizations established in Russia, (iii) entities in which involvement of (i) or (ii) is more than 50%, (iv) entities controlled by (i) – (iii), or (v) entities acting on behalf of (i)–(iv). It is immaterial whether the trust or a similar legal structure were established before or after the entry into force of the prohibition.

These prohibitions do not apply to trusts or similar legal structures, when the settlor or the beneficiary is a Swiss national, national of an EEA country or a natural person who holds a temporary or permanent residence permit issued by Switzerland or an EEA country. SECO may also authorize derogations from this prohibition, for example based on humanitarian considerations.

[SECO Guidelines](#) provide clarifications regarding the scope of the prohibition, the applicable exceptions, and modalities of the transitional period

Restrictions on financial support from Swiss public institutions

It is prohibited to provide direct or indirect financial or other forms of support under a Swiss national programme to any legal person, company or entity established in Russia that is either controlled by a governmental entity or in which a governmental entity's involvement is more than 50 %. The prohibition is subject to limited exceptions such as humanitarian considerations. Under the wind-down clause, contracts concluded before 28 April 2022 may still be executed until 29 October 2022.

Restrictions on the provision of audit services

The direct and indirect provision of audit services, including auditing, accounting and tax consultancy, as well as business and public relations consultancy to the Russian Government or legal entities, companies or organizations established in the Russia is prohibited. The prohibition does not apply to services necessary for the exercise of the right of defence in legal proceedings or the right to an effective appeal, nor to services intended for the exclusive use of legal entities, companies or organizations established in Russia that are owned or controlled solely or jointly by a legal entity, company or organization incorporated or registered under the laws of Switzerland or the laws of an EEA Member State. SECO may authorize exceptions from this prohibition, for instance on humanitarian grounds.

OTHER RESTRICTIONS

Travel ban

The persons listed in [Annex 8](#) to the Russia Sanctions Ordinance may no longer enter or transit through Switzerland. Derogations may be granted in limited circumstances, such as for humanitarian reasons.

Air traffic ban

Aircrafts of Russian airlines, or aircrafts that are registered in Russia or owned, chartered or otherwise controlled by natural or legal persons, entities or bodies in Russia, are prohibited from landing and taking off on the territory of Switzerland as well as from flying over Swiss territory. This prohibition is subject to exceptions, such as for humanitarian flights. The Swiss Federal Office of Civil Aviation may grant further exceptions, for instance, in order to safeguard Swiss interests.

Ban on advertising in certain Russian media

It is prohibited to commission or arrange for advertising of products or services to be transmitted or disseminated in radio or television programs or other electronic content, created or broadcasted by a legal entity, organization or body listed in [Annex 25](#) to the Russia Sanctions Ordinance.

Satisfaction of claims based on prohibited transactions

Claims arising from contracts or other transactions the execution of which is directly or indirectly prevented or impaired by the Russia Sanctions Ordinance, as well as earlier Ordinances of 27 August 2014 and 2 April 2014, must not be satisfied if the person entitled to the claim is:

- a legal entity, enterprise or organisation listed in the annexes to the Russia Sanctions Ordinance;
- a legal entity, enterprise or organisation located outside Switzerland and EEA that are majority owned or controlled by an aforementioned entity;
- any other natural Russian person or Russian enterprise or organisation;
- any natural person, enterprise or organisation acting on behalf or at the direction of an aforementioned entity.

ENFORCEMENT AND PENALTIES

SECO oversees the enforcement of the above sanctions, except for the travel ban, the air traffic ban and the ban on advertising in certain Russian media, the enforcement of which is overseen by the Swiss State Secretariat for Migration (SEM), Federal Office of Civil Aviation (FOCA) and Federal Office of Communications (OFCOM) respectively. Failure to comply with the Russia Sanctions Ordinance is subject to penalties, such as imprisonment, detention and fine, pursuant to Articles 9 and 10 of the [Federal Act on the Implementation of International Sanctions](#).

IMPACT ON BUSINESSES

Imposition of the above sanctions by Switzerland is unprecedented in terms of their scope and will have a major impact on businesses in Switzerland.

Considering significant legal and reputational costs of non-compliance, businesses are advised to screen and identify all current and future transactions or operations involving the sanctioned jurisdiction and entities.

Whereas the alignment of the Swiss and the EU sanctions targeting Russia should reduce compliance costs, businesses should pay close attention to remaining differences between the two sanctions. With further expansion of the EU sanctions, similar expansion of the Swiss sanctions can be expected.

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