

Overview of EU, Swiss and UK sanctions on Russia and Belarus

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1 INTRODUCTION

- 1 In response to the emerging conflict in Ukraine following the recognition by Russia of the non-governmental controlled areas of Donetsk and Luhansk and the subsequent military invasion by Russian troops on 24 February 2022, governments across the globe including the European Union, Switzerland, the United Kingdom and United States of America imposed sweeping sanctions on Russian individuals, businesses and assets as well as export controls and finance restrictions.
- 2 The following provides an overview of the sanctions adopted by the European Union (EU), Switzerland and the United Kingdom (UK) and assesses the practical implications for businesses affected by these new sanctions.

2 OVERVIEW OF THE SANCTIONS

2.1 EU Sanctions

- 3 The EU first adopted restrictive measures against Russia in March 2014 in response to the illegal annexation of Crimea. The consolidated version of the initial Council Decision 2014/145/CFSP of 17 March 2014 in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine can be found [here](#). The corresponding Council Regulation No 269/2014 (concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine) can be found [here](#) and Council Regulation No 833/2014 (concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine) can be found [here](#), which include a list of sanctioned individuals and entities. These restrictive measures initially entailed an asset freeze and travel ban applicable to the designated persons.
- 4 On 23 February 2022, the European Council agreed to sanctions following the recognition by Russia of the non-government-controlled areas of Donetsk and

Luhansk in Ukraine as independent entities. These restrictive measures include:¹

- 1) **Targeted restrictive measures** against specific individuals and entities, imposing an asset freeze and a prohibition from making funds available to the listed individuals and entities, as well as a travel ban against the listed individuals within the EU;
 - 2) **Economic sanctions**, in particular an import ban on goods from the non-government-controlled areas of Donetsk and Luhansk oblasts, restrictions on trade and investments related to certain economic sectors, a prohibition to supply tourism services, and an export ban for certain goods and technologies (in particular high-tech items and oil refinery equipment); and
 - 3) **Financial restrictions** on Russia's access to the capital and financial markets of the EU.
- 5 With this sanctions package, the European Council amended the existing Council Regulations No 269/2014 (financial sanctions) and No 833/2014 (dual-goods) and adopted the new Council Regulation 2022/263 (economic boycott of the occupied territories of Donetsk and Luhansk). The sanctions list criteria, as well as the list of sanctioned individuals was extended on 25 February 2022. The restrictive measures currently target a total of 670 individuals, including Russian President Vladimir Putin, Foreign Minister Sergey Lavrov and all the 351 members of the Russian State, as well as 52 entities. The European assets and economic resources of these sanctioned individuals and entities will be subject to an asset freeze under these new measures, which will impact business activities and payment transactions.
- 6 Following continued military escalation by Russia, EU leaders agreed on 24 February 2022 to additional sanctions targeting the financial, energy and transport sectors, dual-use goods, export controls and financing and visa policy.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2022:042I:TOC>

- 7 On 25 February 2022, the EU announced a third wave of sanctions, additional economic sanctions in the finance, energy, transport and technology sectors. These new measures introduced asset freezes and travel bans against listed individuals, additional restrictions on exports on goods, technology and related services and corresponding authorization requirements. In addition, the EU placed restrictions on capital access for a number of state-owned and private financial institutions and companies. Furthermore, the Council has decided to suspend the application of the Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas for Russian officials.
- 8 On 27 February 2022, EU President von der Leyen announced additional measures, including air space restrictions and a ban of state-owned Russian media outlets including Russia Today and Sputnik and their subsidiaries. The EU announced that it will also target Belarus and imposing complementary sanctions on the Lukashenko regime.² The measures were also expanded to include asset freezes on the Bank of Russia and certain Russian oligarchs.
- 9 On 28 February 2022 the Council amended Regulation 833/2014 prohibiting transactions with the Central Bank of Russia. Furthermore, the EU prohibited aircraft owned, operated or registered by Russian persons or entities from operating in EU airspace. Moreover, the EU Council took the decision to provide financial support the Ukrainian armed forces.

2.2 Swiss Sanctions

- 10 As a non-EU state, Switzerland is not bound the restrictive measures imposed by the EU. However, Switzerland may enact compulsory measures to implement sanctions adopted by international organisations or its main trading partners, such as the United Nations or the EU, in order to ensure compliance with international law, in particular respect for human rights. Such measures may include trade embargoes, financial sanctions or travel bans (Art. 1 of the Federal Act on the Implementation of International Sanctions).

² The consolidated EU Council Decision No 2012/642/CFSP concerning restrictive measures against Belarus including a list of sanctioned individuals and entities is available [here](#).

- 11 On 25 and 28 February 2022 the State Secretariat of Economic Affairs amended the existing Ordinance on Measures to prevent the Circumvention of International Sanctions in connection with the Situation in Ukraine. This amendment includes an immediate blocking of assets belonging to the listed individuals and entities sanctioned by the EU, including Russian President Vladimir Putin, Prime Minister Mikhail Mishustin and Foreign Minister Sergey Lavrov. The sanctions currently restrict the opening of new business relationships with listed persons and require that current relationships be reported to the State Secretariat.
- 12 On 28 February 2022, the Swiss Federal Council announced it will adopt the EU sanctions in the framework of its own sanctions regime. Switzerland plans to extend the **bans on imports, exports and investments** concerning Crimea and Sevastopol, which were introduced in 2014, to the Donetsk and Luhansk Oblasts. **Entry bans** will be imposed on individuals close to the Russian president and the agreement with Russia on visa facilitation will be suspended in part. Finally, the Swiss government announced that **Swiss airspace will be closed** to all flights from Russia and to all Russian aircraft and is preparing to restrict flights to and from Russia.³

2.3 UK Sanctions

- 13 Since Brexit, the UK is no longer bound by the measures imposed by the EU. However, to ensure the effective implementation of EU sanctions, the UK has adopted these measures with a sanctions regime of its own (with the Russia (Sanctions) (EU Exit) Regulations 2019, which came into force on 31 December 2020). These measures include financial sanctions targeting specific individuals and entities, such as asset freezes, travel bans, immigration measures and trade sanctions and embargoes.
- 14 On 24 February 2022 the UK extended its **financial sanctions** against Russia by amending the list of concerned persons. The updated list of individuals and entities targeted by these UK sanctions, in particular the asset freezes, can be found [here](#).

³ <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-87386.html>

- 15 The Prime Minister also announced that the UK will impose an asset freeze on additional individuals and entities, including all major Russian banks in the UK financial system, and a number of Russian business and oligarchs. The UK will adopt legislation preventing Russian companies and the state from raising finance or borrowing money on UK markets, in addition to **economic and trade sanctions**.⁴
- 16 On 27 February 2022, the UK further stated that it will restrict all transactions with Russian financial institutions involving the Russian Central Bank, the Russian National Wealth funds and the Russian Ministry of Finance. In addition, it announced preventive measures relating to transferable securities and money market instruments, and tightened export prohibitions, in particular in the electronics, telecommunications and aerospace sectors. In reaction to the EU's sanctions, it also declared a **ban on Aeroflot and all other Russian commercial and private jets from the UK airspace**.⁵ These additional sanctions have yet to be formally adopted.

2.4 US Sanctions (Summary)

- 17 The U.S. introduced a sanctions regime against Russia in March 2014.⁶ These measures include blocking, sectoral and trade sanctions, and have been swiftly updated in reaction to recent events.
- 18 In response to Russia's recognition of the Donetsk People's Republic (DNR) or Luhansk People's Republic (LNR) regions, U.S. President Joe Biden issued an Executive Order on 21 February 2021 prohibiting trade, investment or import/export with these regions.
- 19 On 24 February 2022, the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) adopted expansive **economic and financial**

⁴ <https://www.gov.uk/government/news/foreign-secretary-imposes-uks-most-punishing-sanctions-to-inflict-maximum-and-lasting-pain-on-russia>.

⁵ <https://www.gov.uk/government/news/uk-statement-on-further-economic-sanctions-targeted-at-the-central-bank-of-the-russian-federation>.

⁶ <https://www.federalregister.gov/documents/2014/03/10/2014-05323/blocking-property-of-certain-persons-contributing-to-the-situation-in-ukraine>.

measures. These measures include the targeted sanctioning of Vladimir Putin, Russian oligarchs and their families as well as two of Russia's largest banks (Sberbank and VTB Bank) and other major financial institutions and state owned entities.⁷ The newly sanctioned individuals and entities can be found [here](#), while the consolidated list of designated individuals and entities (including Belarus) can be found [here](#).

2.5 Exclusion from SWIFT and freeze of central bank's assets

- 20 On 26 February 2022, the U.S., the UK, Canada and the EU decided to exclude Russian banks from the international payments system SWIFT. This concerted action aims to isolate Russia from the global financial network and disrupting access to smooth and instant payment transactions for the Russian state and sanctioned individuals and entities. An announcement detailing the implementation measures, including a list of Russian banks which will be excluded from SWIFT, is expected in the coming days.
- 21 In conjunction with the exclusion from SWIFT, these nations agreed to impose an asset freeze on Russian Central Bank reserves abroad and prohibit any financial transactions with the Russian central bank.

3 IMPLICATIONS FOR BUSINESSES

- 22 Currently the following banks are listed as sanctioned by the EU: Bank Rossiya, Promsvyazbank and VEB.RF. While VTB Bank is not listed as an entity in Council Regulation No 269/2014, some individuals in connection with VTB Bank appear on this list. However, it cannot be excluded that VTB Bank will be listed by the EU-sanctions in the future. Sberbank is also not listed as a sanctioned entity by the EU and is also not mentioned in connection with any sanctioned individuals.
- 23 According to Article 2 of Council Regulation No 269/2014, all funds and economic resources of listed persons and entities are generally frozen. However, according to Articles 4 to 6 of Council Regulation No 269/2014, member

⁷ <https://home.treasury.gov/news/press-releases/jy0608>

states can authorize the usage of frozen assets and economic resources. In particular, member states can authorize the unfreezing of assets of listed persons or entities, in order to fulfill contractual obligations which arose prior to the sanctions (Article 6 para. 1).

- 24 Thus, should VTB Bank be sanctioned, exceptional releases under Council Regulation No 269/2014 may be possible.
- 25 However, it should be noted that both Sberbank and VTB Bank are listed under Council Regulation No 833/2014. According to Article 5 thereof, it is prohibited to: directly or indirectly purchase, sell, provide brokering or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments with a maturity exceeding 90 days, issued after 1 August 2014 by listed banks.
- 26 Both VTB Bank and Sberbank have also been sanctioned by the OFAC in the U.S.⁸ Any payments that Sberbank or VTB Bank will attempt to process in US dollars for its clients will be disrupted and rejected upon payment to a US financial institution. US financial institutions are also prohibited from opening or maintaining accounts and processing transactions in relation with these entities. These prohibitions come into effect as of 26 March 2022. For Sberbank, certain exemptions remain possible upon authorization of the OFAC. VTB Bank is subject to full blocking sanctions with immediate effect.⁹
- 27 In order to reduce unintended consequences and to facilitate the winding down of accounts, OFAC has issued general licenses which do not prevent banks from processing payments to licensed entities. These general licenses relate to specific transactions, including in the energy sector or relating to dealings in certain debt or equity instruments (all licenses can be found [here](#)).¹⁰

⁸ <https://home.treasury.gov/news/press-releases/jy0608>.

⁹ <https://home.treasury.gov/news/press-releases/jy0608>

¹⁰ <https://home.treasury.gov/news/press-releases/jy0608>

- 28 While VTB Bank has also been sanctioned by the **UK**, Sberbank was not included on the UK sanctions list.¹¹ However, pursuant to Chapter 7 of the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#), limited exceptions to the asset freezes and trade restrictions are permitted. Licenses may be requested from the UK Office of Financial Sanctions Implementation (OFSI) for authorisation of the exceptional release of frozen funds, for example for the payment of prior obligations or extraordinary expenses (Articles 66 to 68), or in relation to certain trade activities (Articles 64 and 65).
- 29 The **exclusion of Russian banks from SWIFT** could have far reaching affects across important business sectors in Russia, in particular, as this will delay payments to Russia for oil and gas exports. While the U.S. and the EU have declared their intention to spare the energy sector, these financial measures could result in significant damage to the Russian economy resulting from its inability to import and export goods. Furthermore, the freezing of the Russian Central Bank's assets will severely constrain its access to overseas reserves and ability to mitigate the domestic effects of these unprecedented international financial sanctions.

¹¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057261/Russia.pdf