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

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1 INTRODUCTION

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 of Russian troops on 24 February 2022, the international community-imposed sanctions on Russian individuals, businesses and assets.

The EU, Switzerland and the United Kingdom, among others, acted quickly to impose dynamic, far-reaching restrictions targeting the assets of Russian individuals, including Russian leaders, business executives and oligarchs, and entities, including numerous Russian financial institutions, as well restricting their access to international financial markets. These governments also imposed restrictions on the trade of dual-use goods and the travel of targeted individuals and vessels.

While these sanctions regimes continue to evolve, the following provides an overview of the financial and trade sanctions currently imposed by the European Union (EU), Switzerland and the United Kingdom (UK) and assesses the practical implications for businesses affected by these new sanctions. Given the rapid developments over the past week and continuing escalation of the war in Ukraine, it seems certain that further measures will be imposed in the weeks ahead.

2 OVERVIEW OF THE SANCTIONS

2.1 EU Sanctions

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.¹ These restrictive measures include:

- 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; and
- 3) **Financial restrictions** on Russia's access to the capital and financial markets of the EU.

Following the military escalation, the EU leaders agreed on 24 February 2022 to further **sanctions targeting the finance, defense, energy, aviation, and space sectors, expanding financial restrictions**, including those on access by listed Russian entities to capital markets, as well as restrictions on exports of **dual-use goods** and introducing new **export controls**.² In addition, they extended the sanctions to include Russian individuals and defined new listing criteria.³ On 25 February 2022, the EU announced a third wave of sanctions, including the freezing of the European assets of Russian President Vladimir Putin and Foreign Minister Sergey Lavrov.

On 28 February, 1 March 2022 and 2 March 2022, the EU adopted new restrictive measures, namely:

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

² Council Decision (CFSP) 2022/327 implemented by Council Regulation 2022/328.

³ <https://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>.

- a) ban on transactions with the Russian Central Bank;
- b) a ban on the overflight of EU airspace and on access to EU airports by Russian carriers of all kinds;
- c) the list of sanctioned persons and entities was extended;
- d) a ban for the supply of euro banknotes to any natural or legal person Russia, unless for the personal use of persons travelling to Russia or for official purposes (e.g., diplomatic missions).
- e) suspension of the broadcasting activities in the EU of certain Russian state-owned outlets; and
- f) ban on the provision of specialized financial messaging services to certain Russian credit institutions and their Russian subsidiaries, which prohibits the Worldwide Interbank Financial Telecommunication “SWIFT” for seven Russian banks.⁴

With these sanctions packages, the European Council amended the existing Council Regulations Nr. 269/2014 and Nr. 833/2014, and adopted the new Council Regulation 2022/263⁵. In addition to these measures, the EU has also suspended, in relation to certain categories of Russian citizens, its Agreement with Russia providing for facilitations of the issuance of short-term visas.⁶ In relation to Belarus, the EU has introduced further restrictions in the trade of goods.⁷

⁴ <https://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>; The concerned Russian banks are Bank Otkritie, Novikombank, Promsvyazbank, Bank Rossiya, Sovcombank, VNESHECONOMBANK (VEB) VTB, BANK, as well as every legal entity established in Russia directly or indirectly owned for more than 50% by the mentioned banks.

⁵ Council Regulations Nrs 2022/259, 2022/262, 2022/263 and Council Implementing Regulations Nrs 2022/260 and 2022/261 of 23 February; Council Regulations Nrs 2022/328 and 2022/330 and Council Implementing Regulation Nr 2022/332 of 25 February 2022; Council Regulation Nr. 2022/334 and Council Implementing Regulation Nr. 2022/336 of 28 February 2022; Council Regulation 2022/345 of 1 March 2022; Council Implementing Regulation Nr. 2022/353 of 2 March 2022 are accessible [here](#).

⁶ Council Decision Nr. 2022/333.

⁷ <https://www.consilium.europa.eu/en/press/press-releases/2022/03/02/belarus-role-in-the-russian-military-aggression-of-ukraine-council-imposes-sanctions-on-additional-22-individuals-and-further-restrictions-on-trade/>.

These current restrictive measures target a total of 702 individuals, including all the 351 members of the Russian State Duma and 22 high ranked members of Belarusian military personnel, and 53 entities.⁸ The lists of individuals and entities can be found [here](#). However, countless business activities and payment transactions are impacted by the extended and newly adopted EU-sanctions.

2.2 Swiss Sanctions

As a non-EU state, Switzerland is not bound by 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).

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.

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

⁸ <https://www.consilium.europa.eu/en/press/press-releases/2022/03/02/belarus-role-in-the-russian-military-aggression-of-ukraine-council-imposes-sanctions-on-additional-22-individuals-and-further-restrictions-on-trade/>.

from Russia and to all Russian aircraft and is preparing to restrict flights to and from Russia.

On 4 March 2022, the Swiss Federal Council approved the total revision of the Ordinance on Measures connected with the Situation in Ukraine, thereby adopting further packages of European Union sanctions against Russia, in particular the following measures:⁹

- a) Export of all dual-use items to Russia is now prohibited, regardless of their end-use or end-user;
- b) Export of goods that could contribute to Russia's military, technological enhancement of the defence and security sector is prohibited, as well as the provision of technical assistance, brokering services or financing;
- c) The export to Russia of certain goods and services in the oil sector, aviation and space industry is no longer permitted. The prohibition includes respective insurance, repair work, inspections, brokering services and financial assistance;
- d) The provision of public financing or financial assistance for the purpose of trade or investment in Russia is prohibited. Transactions with the Russian Central Bank are also no longer permitted;
- e) Exclusion of SWIFT in accordance with the EU regulation adopted on 1 March 2022; and
- f) Extension of the sanctions list.

The newly adopted restrictive measures should not impede humanitarian activities. The Federal Council has therefore provided for humanitarian exemptions to sanctions that could affect them.

2.3 UK Sanctions

The UK is no longer bound by the restrictive measures imposed by the EU following Brexit. However, the UK has adopted sanctions that are broadly aligned with those of its EU and U.S. counterparts. These measures include

⁹ <https://www.seco.admin.ch/seco/en/home/seco/nsb-news.msg-id-87474.html>

financial sanctions targeting specific individuals and entities, such as asset freezes, travel bans, immigration measures, as well as trade and export restrictions.

On 24 February 2022, the UK extended its existing **financial sanctions** against Russia by amending the list of Russian entities and individuals. The current list of individuals and entities targeted by these UK sanctions, in particular the asset freezes, can be found [here](#).

The Prime Minister subsequently announced that the UK will impose an asset freeze on additional individuals and state-owned entities, including major Russian banks active in the UK financial system. In a joint statement with its international partners, the UK pledged to remove certain Russian banks from the SWIFT messaging system and impose restrictions against the Russian Central Bank.¹⁰

The UK government adopted sweeping financial, trade and export sanctions with effect from 1 March 2022. The measures prohibit persons from dealing with individuals or entities owned by, acting on behalf of or otherwise controlled by those deemed connected with Russia or its government in transferable securities, money-market instrument or providing loans.¹¹ Furthermore, the measures prohibit UK persons or entities from providing financial services, including foreign exchange and asset management, to the Russian Central Bank, the Russian National Wealth Fund or the Russian Ministry of Finance.¹²

In addition to financial sanctions, the UK government expanded its export controls and trade restrictions on the export, supply and delivery and making available of military goods to include dual-use goods and critical-industry goods and technology.¹³ These trade sanctions also extend the prohibitions on the provision of technical assistance, financial services, funds and brokering services to include dual-use goods and technology and critical-industry goods and technology. To ease the implementation of certain provisions, the UK

¹⁰ <https://www.gov.uk/government/news/joint-statement-on-further-restrictive-economic-measures-26-february-2022>.

¹¹ <https://www.legislation.gov.uk/uksi/2022/194/contents/made>.

¹² <https://www.legislation.gov.uk/uksi/2022/205/contents/made>.

¹³ <https://www.legislation.gov.uk/uksi/2022/195/contents/made>.

government included the provision of general licenses for the winding down of certain specified transactions.

The UK further amended these sanctions to bar Russian and other specified ships from entering UK ports. The measures also extend the powers of the Secretary of State to control movement of Russian or otherwise specified ships by ordering them to depart or enter specified ports, direct their movement or remain in port. Furthermore, the regulations authorize the Secretary of State and harbour authorities to detain Russian ships or specified ships at ports or anchorages.¹⁴

In response to these sanctions and market conditions, the London Stock Exchange suspended trading in 27 Russian firms, including Sberbank, VTB, Gazprom, Rosneft and Lukoil.¹⁵

3 IMPLICATIONS FOR BUSINESSES

3.1 Banking, Finance, and Payment

Under the current EU sanctions, the following banks will be subject to asset freezes and it will be prohibited to make funds and economic resources available to them: Bank Rossiya, PROMSVYAZBANK, VEB.RF. While VTB Bank is not listed as an entity subject to this sanction, some individuals in connection with VTB Bank appear on this list. As of 12 March 2022, these banks, including VTB Bank, along with Bank Otkritie, Sovcombank, Novikombank will no longer be able to access the SWIFT platform.¹⁶ Sberbank is not currently listed as a sanctioned entity by the EU and is also not mentioned in connection with any sanctioned individuals, subject to these measures. A number of Russian banks, including VTB Bank and Sberbank, have been sanctioned by the UK¹⁷ as well as the United States Department of the Treasury's Office of Foreign Assets Control (OFAC).¹⁸

¹⁴ <https://www.legislation.gov.uk/ukxi/2022/203/contents/made>.

¹⁵ <https://www.ft.com/content/0d792382-dfae-4fe6-952b-dc9bdcad08f8>.

¹⁶ Council Regulation Nr. 2022/833 (Art. 5h).

¹⁷ <https://www.legislation.gov.uk/ukxi/2019/855/schedule/2>.

¹⁸ <https://home.treasury.gov/news/press-releases/jy0608>.

According to Articles 4 to 6b of Council Regulation Nr. 269/2014, member 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). In the case of Bank Rossiya, PROMSVYAZBANK, VEB.RF such an authorisation will only be granted where the unfreezing is also necessary for the termination of banking relations by 24 August 2022 (Article 6b).

Thus, should VTB Bank be sanctioned, exceptional releases under Council Regulation Nr. 269/2014 may be possible.

However, it should be noted that both Sberbank and VTB Bank are subject to other measures under Council Regulation Nr. 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, depending on their maturities, issued by listed entities and banks. As of 25 February 2022, the following banks, and their subsidiaries, have also been included: Alfa Bank, Bank Otkritie, Bank Rossiya, and Promsvyazbank. Prohibitions on making new loans or extending credit to, *inter alia*, these four banks and Sberbank and VTB Bank have also been introduced (Art. 5.6).

In addition, Council Regulation Nr. 833/2014 now prohibits credit institutions from accepting deposits exceeding EUR 100'000 from Russian nationals and residents, and Russian entities, as well as the supply of euro banknotes to any natural or legal person Russia, unless for the personal use of persons travelling to Russia or for official purposes (e.g., diplomatic missions) (Arts. 5b and 5i).

The exclusion by the EU of seven Russian banks from the bank messaging system SWIFT – with Switzerland following suit – will have far reaching consequences. Even though no money is transferred via SWIFT, banks almost exclusively use SWIFT to exchange money transfer instructions. With a ban to SWIFT money transfers are not per se impossible, banks will most likely refrain from doing business with banks with no access to SWIFT.

3.2 Export bans and trade restrictions

Council Regulation Nr. 833/2014 provides for restrictions on the sale, supply, transfer or export to Russia (or for use in Russia) of dual-use goods and technology, as well as on listed goods and technology which might contribute to Russia's technological enhancement of its defence and security sector. Among others, Council Regulation Nr. 833/2014 targets goods and technology for use in oil refining, and the aviation and space industry, as well as semiconductors. Restrictions also apply, *inter alia*, to the provision of related technical or financial assistance and financing.

EU member states may authorise the sale, supply, transfer, or export in limited instances, including – at certain conditions – for categories of goods and technology due under contracts concluded before 26 February 2022, however such an authorisation must be sought before **1 May 2022**.

Similarly, the UK has expanded its export controls and trade restrictions, and Switzerland is in the process of adopting measures in this regard.

The sanctions related to the situation in Ukraine are the result of unprecedented coordination by the international community, including the EU, Switzerland and the UK. LALIVE will continue to monitor these changing sanctions and their effects as the situation develops.
