



DISPUTE RESOLUTION WEBINAR

The Ukraine conflict: International sanctions and what they mean for financial institutions

8 March 2022

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Speakers



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UK sanctions

TRANSFERABLE SECURITIES OR MONEY-MARKET INSTRUMENTS

The 2014 trading restrictions

Prohibition on direct or indirect dealing with transferable security or money-market instruments:

1. with a maturity exceeding **30 days** and issued **after 1 August 2014** by any of **Sberbank, VTB bank, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank**, any non-UK entity and/or any entity acting on their behalf / at their direction
2. with a maturity exceeding **30 days** and is issued **after 12 September 2014** by six **Russian defence companies** (OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft) and any subsidiaries etc.

UK sanctions

TRANSFERABLE SECURITIES OR MONEY-MARKET INSTRUMENTS

The 2022 trading restriction changes (from 1 March 2022)

Extension of 2014 restrictions - prohibition on direct or indirect dealing with:

1. a transferable security or money-market instrument with a maturity exceeding **30 days** and is issued **on or after 1 March 2022** by a UK entity owned by any of the 2014 entities or an entity acting on their behalf / at their direction etc.
2. any transferable security or money-market instrument issued **on or after 1 March 2022** by “*a person connected with Russia*”, subject to certain exceptions.
3. any transferable security or money-market instrument issued **on or after 1 March 2022** by, or on behalf of, the Government of Russia.

Ownership is 50% or more

GENERAL LICENCE: Grants an exemption until **23:59 on 08 March 2022** for the above and any related GBP payments.

UK sanctions

“ DEALING ”

“**dealing with**” includes purchasing or selling or providing investment services relating to it or assisting in issuance.

“**investment services**” means:

the reception and transmission of orders,

- execution of orders on behalf of clients,
- dealing on own account,
- portfolio management,
- the provision of investment advice,
- the underwriting or placing on a firm commitment basis,
- placing without a firm commitment basis, or
- any service in relation to the admission to trading on a regulated market or trading on a MTF.

UK sanctions

LOANS AND CREDIT

Existing 2014 prohibitions extended – prohibition on directly or indirectly granting a “**relevant loan**” or directly or indirectly entering into any arrangement to grant a relevant loan.

A “**relevant loan**” is:

- Category 1 loan - a loan or credit with a maturity **exceeding 30 days**, made to any of the **2014 entities**, any non UK subsidiary, or any entity acting on the behalf or at the direction of either, and which is first made or granted after **31 December 2020**;
- Category 2 loan - a loan or credit with a maturity **exceeding 30 days**, made to a **UK subsidiary of any of the 2014 entities**, and which made **on or after 1 March 2022**;
- Category 3 loan - a loan or credit with a maturity **exceeding 30 days**, made to an entity “**connected with Russia**”, owned by such entity or acting on their behalf/at their direction made **on or after 1 March 2022**, subject to certain exceptions
- Category 4 loan - a loan or credit made or granted **to the Government of Russia**, which is first made or granted **on or after 1 March 2022**

GENERAL LICENCE: Grants an exemption until **23:59 on 08 March 2022** for category 1, 2 and 3 loans and any related GBP payments.

No exemption for category 4 loans.

UK sanctions

CORRESPONDENT BANKING RELATIONSHIPS ETC.

The 2022 trading restriction changes (from 1 March 2022)

New prohibition on UK credit/financial institutions:

- having a **correspondent banking relationship** with; or
- **processing sterling payments** to/from/via

any designated person or any credit/financial institutions owned/controlled by a designated person.

Note: Currently, these restrictions apply only to **Sberbank** (but it is not subject to an asset-freeze).

“**correspondent banking relationship**” includes providing a current or other liability account and related services, such as cash management, international funds transfers, cheque clearing, providing customers of the respondent with direct access to accounts with the correspondent (and vice versa) and providing foreign exchange services.

GENERAL LICENCE: Grants an exemption for **Sberbank** until **23:59 on 31 March 2022**.

US imposed similar restrictions on Sberbank and its 25 subsidiaries on 24 February 2022 (effective from 26 March 2022).

UK sanctions

FINANCIAL SERVICES RELATING TO FOREIGN EXCHANGE RESERVE AND ASSET MANAGEMENT

Prohibition on the provision of financial services where they are for the purpose of foreign exchange reserve and asset management to:

- a) the **Central Bank** of the Russian Federation,
- b) the **National Wealth Fund** of the Russian Federation,
- c) the **Ministry of Finance** of the Russian Federation,
- d) a person owned or controlled directly or indirectly by any of them or a person acting on behalf of or at their direction.

GENERAL LICENCE: Grants an exemption for **Sberbank** until **3 April 2022** to wind down activity which would be caught by the above restriction.

UK sanctions

ASSET-FREEZE PROVISIONS

Prohibition on:

- **dealing with funds or economic resources** owned, held or controlled by a designated person.
- making **funds or economic resources** available directly or indirectly **to** a designated person
- making **funds or economic resources** available to any person **for the benefit of** a designated person

NOTE: Includes making funds/economic resources available to a person who is **owned or controlled** directly or indirectly by the designated person.

Designated banks include: Bank Otkritie, Promsvyazbank, Sovcombank, Vnesheconombank (VEB), VTB, Bank Rossiya and some others, not Sberbank or Gazprombank.

US designated VEB (and its 25 subsidiaries), Prominvestbank, Eximbank, Promsvyazbank (including 17 subsidiaries and 5 vessels), Otkritie, Sovkombank, VTB, Novikombank and their 54 subsidiaries as SDNs with full blocking / secondary sanctions implications.

GENERAL LICENCES:

- exemption until **3 April 2022** to wind-down transactions with Bank Otkritie, Promsvyazbank, Bank Rossiya, Sovcombank, Vnesheconombank (VEB), Novikombank, or any subsidiary
- exemption until **27 March 2022** to wind down any transactions **with VTB/any UK subsidiary**, including closing out any positions

EU sanctions

TRANSFERABLE SECURITIES AND MONEY-MARKET INSTRUMENTS

2014 trading restrictions

Prohibition on dealing directly or indirectly with transferable securities and money-market instruments with:

- a maturity exceeding **90 days**, issued after **1 August 2014 to 12 September 2014** , or
- with a maturity exceeding **30 days**, issued **after 12 September 2014** by:

Sberbank, VTB bank, Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank or any non-EU subsidiaries (owned 50%+) or an entity or body acting their behalf or at direction

Similar restrictions on six **defence companies** (OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft)

EU sanctions

TRANSFERABLE SECURITIES AND MONEY-MARKET INSTRUMENTS

The 2022 trading restriction changes

Extended the 2014 prohibitions – from **12 April 2022** there is a prohibition on dealing directly or indirectly with any transferable securities and money-market instruments issued by:

- **the 2014 entities** / their non-EU 50%+ subsidiaries / persons acting on their behalf etc
- **Alfa Bank, Bank Otkritie, Bank Rossiya, and Promsvyazbank**, or any non-EU entity owned (more than 50%) by, or acting at the direction of them
- Eight further **Russian defence companies** or any non-EU entity owned (more than 50%) by, or acting at the direction of them

Prohibition includes:

1. direct or indirect, purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money-market instruments
2. the listing by any trading venues in the EU of any transferrable securities by any Russian entity with more than 50 per cent public ownership

EU sanctions

LOANS / CREDIT

The 2022 restrictions

A prohibition on being part of any arrangement to make:

- new loans or credit with a maturity exceeding **30 days**, to the 2014 entities and the new 2022 banks, **after 12 September 2014 to 26 February 2022**; and
- any new loans or credit to any entity subject to the trading restrictions **after 26 February 2022**,

Prohibition is subject to certain – very specific – exceptions, including some in respect of pre-26 February 2022 contracts.

EU sanctions

GOVERNMENT OF RUSSIA / CENTRAL BANK

Prohibition on dealings with **transferable securities and money-market** instruments issued **after 9 March 2022** by:

- Russia and its **government**; and/or
- the **Central Bank** of Russia,

and/or any new loans/credit to those entities **after 23 February 2022**.

Other new measures include **prohibitions** on:

- the provision of public financing or financial assistance for trade with, or investment in, Russia
- transactions related to the management of reserves as well as of assets of the Central Bank of Russia, including with any person/entity acting on its behalf
- investment, participation or other contribution to projects co-financed by the Russian Direct Investment Fund

EU sanctions

DEPOSIT-TAKING

Prohibition on the following for Russian nationals / individuals residing in Russia, or Russian entities

- accepting any deposits if the total value of deposits **exceeds 100 000 EUR**
- the provision of services for **transferable securities** after 12 April 2022.
- the sale of sell **euro denominated transferable securities** issued after 12 April 2022 or units in collective investment undertakings providing exposure to such securities.

Some exceptions / authorisations may be available, e.g. for basic needs.

Credit institutions are required to provide to the relevant authority in their Member States a **list of a list of deposits exceeding 100 000 EUR** held by Russian nationals/residents or entities established in Russia, including details of any natural persons who have acquired Member State nationality/residency.

EU sanctions

OTHER FINANCIAL RESTRICTIONS

Access to SWIFT

Prohibition from **12 March 2022** for seven specified banks:

1. Bank Otkritie
2. Novikombank
3. Promsvyazbank
4. Bank Rossiya
5. Sovcombank
6. Vnesheconombank (VEB)
7. VTB Bank

Sberbank and Gazprombank are not included in these restrictions

US, Japan, South Korea and Taiwan will also follow suit.

Provision of Euro-denominated banknotes

Prohibition on the provision of **euro denominated banknotes to Russia** or to any person/entity in Russia, including the Government and the Central Bank of Russia, or **for use in Russia**.

Exceptions: Personal use for individuals travelling to Russia/their families, and diplomatic/consular purposes.

EU sanctions

ASSET FREEZE PROVISION

1. Requirement to **freeze funds and economic resources** belonging to, owned, held or controlled by any designated persons.
2. Prohibition on **making funds or economic resources available**, directly or indirectly, to or for the benefit of any designated persons.

Prohibition will extend to entities owned or controlled by the designated person.

Authorisations may be obtained from member State authorities in some circumstances, e.g. basic needs.

Funds can be credited to frozen accounts and interest can accrue.

Designated banks include: Bank Rossiya, Vnesheconombank (VEB) and PROMSVYAZBANK (PSB)

Potential Russian countermeasures

Restrictions on **cross-border transfers**

Defaults on (interest payments on) bonds or payment in **Russian roubles**

Freezing or **nationalizing foreign assets** (from “hostile” jurisdictions which imposed sanctions)

Russian courts having jurisdiction over any dispute involving a Russian sanctioned party (regardless of the contractual dispute resolution clause)

Practical impact of the new sanctions

ISSUES IN THE MARKET

1

Sale / disposal of securities issued by Russian entities

2

Settlement of rouble-denominated transactions / transactions with a Russian nexus

3

Taking on new Russian clients

4

Closing-down existing relationships with Russian clients

How to keep track?

TRACKING THE DEVELOPMENTS

UK (OFSI)	EU (European Commission)
Consolidated list of financial sanctions targets – here	Consolidated list of sanctions targets – here
List of investment ban targets – here	New designations / new sanctions: daily Official Journal – here
New designations: OFSI notices - here	Sanctions guidance - here
General licences – here	EU sanctions map - here
New sanctions/restrictions: statutory instruments - here	No consolidated versions of legislation yet
Sanctions guidance: General and Russia-specific	

THE ASHURST RUSSIA SANCTIONS TRACKER



Questions?

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Russia Sanctions Tracker

The Russian invasion of Ukraine has triggered a swift international response. The US, EU, UK, Canada, Australia and others have imposed a series of sanctions (many joint and coordinated) against Russia.

Our [tracker](#) aims to keep you up to date with the latest developments in relation to sanctions and other developments that may impact your business.

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