

CLIENT ALERT

UK Issues First Tranche of Russian Sanctions

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On 22 February 2022, the UK designated five Russian banks and three individuals with close ties to the Kremlin in response to Russia's recognition of the independence of the Donetsk and Luhansk regions in Eastern Ukraine.¹

These measures have been described by Foreign Secretary Liz Truss as a "*first wave of sanctions*".² These are the first sanctions to be implemented against Russia following the UK's amendments to its designation criteria on 10 February 2022, which have paved the way for yet more sanctions on individuals and entities in the coming days and weeks as the situation in Ukraine escalates further. The UK government has suggested that it will announce further sanctions measures and we will issue further updates.

The three individuals who have been designated are Gennady Timchenko, Boris Rotenberg and Igor Rotenberg, each viewed as having close ties to President Vladimir Putin.

The five banks which have been designated are Bank Rossiya, the Black Sea Bank for Development and Reconstruction, IS Bank, Genbank and Promsvyazbank. All except Promsvyazbank were already designated under the US sanctions regime and Promsvyazbank has now also been designated by the US.³ In a further demonstration of coordination between the UK and the US, the US has also designated Vnesheconombank (VEB), which is already subject to financial restrictions under the UK sanctions regime.

¹ OFSI Financial Sanctions Notice – 22 February 2022, available [here](#).

² UK hits Russian oligarchs and banks with targeted sanctions: Foreign Secretary's statement – 22 February 2022, available [here](#).

³ U.S. Treasury Imposes Immediate Economic Costs in Response to Actions in the Donetsk and Luhansk Regions – 22 February 2022, available [here](#).

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Since Brexit, the UK government has implemented an autonomous Russian sanctions regime which has been effective since the start of 2021. Therefore, UK businesses with interests or connections with or linked to Russia should consider whether they have any touchpoints to these individuals or entities, or those owned or controlled by them, including through customer, supplier or banking arrangements.

Existing UK sanctions targeting Russia remain in place

The existing UK sanctions regime targeting Russia also remains in place and is unchanged by the additional designations set out above. As a reminder, in addition to asset freezes for designated persons, the UK restricts access to capital markets for several Russian state-owned financial institutions.⁴ This includes a prohibition on dealing in certain transferable securities and restrictions on entering into a loan or credit arrangement with various Russian state companies.⁵

The UK also prohibits the import of arms and the export of military goods and technology⁶, and there are restrictions on the export of dual-use goods and technology⁷ and the export of energy-related goods and the provision of any related financial services and funds. There are also specific financial and trade restrictions in relation to Crimea.⁸

What's next?

There are a number of further designations and amendments to the UK restrictions that the UK has announced it will implement in the coming days. These include:

- The addition of members of the Russian Duma and Federation Council who voted to recognise the independence of Donetsk and Luhansk to the UK's Consolidated List, freezing their assets and, in effect, preventing UK individuals and companies from engaging in business with them, or businesses owned or controlled by them. Those with interests in or connected to Russia should review those touchpoints to identify any nexus to these individuals, once the names are announced. This would also include connections with any non-Russian entity which is "*owned or controlled*" by these individuals as per the interpretative rules set out in the Russia (Sanctions) (EU Exit) Regulations 2019.⁹

⁴ See Regulations 16 and 17 of the Russia (Sanctions) (EU Exit) Regulations 2019.

⁵ See Schedule 2 of the Russia (Sanctions) (EU Exit) Regulations 2019, which lists the following Russian state banks and companies: Sberbank; VTB bank; Gazprombank; Vnesheconombank (VEB); Rosselkhozbank; OPK Oboronprom; United Aircraft Corporation; Uralvagonzavod; Rosneft; Transneft; Gazprom; and Neft.

⁶ See Regulations 22-30 of the Russia (Sanctions) (EU Exit) Regulations 2019.

⁷ See Regulations 31-38 of the Russia (Sanctions) (EU Exit) Regulations 2019.

⁸ See Regulations 18, 47-54 of the Russia (Sanctions) (EU Exit) Regulations 2019.

⁹ The definition of "ownership and control" is set out in Reg 7(2) and Schedule 1 of Russia (Sanctions) (EU Exit) Regulations 2019.

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- The UK has said that in the coming weeks, it will expand the territorial sanctions currently imposed on Crimea to the Donetsk and Luhansk regions. The UK's existing sanctions on Crimea broadly prohibit investments into and participation in businesses located in Crimea, imports from Crimea, and the export of infrastructure-related goods and related services such as financial services, covering the transport, telecoms, energy and oil, gas and mineral sectors. Although comprehensive, the UK restrictions may not go quite as far as the US restrictions set out in President Biden's Executive Order issued on 21 February 2022, which imposed comprehensive sanctions on the Donetsk and Luhansk regions. To read our previous alert, click [here](#).

The political situation in Ukraine is dynamic and it is expected that further escalation by Russia will lead to additional tranches of sanctions being introduced. The UK's recently amended designation criteria under the Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 ("**Amendment Regulations**") issued earlier this month gives an indication of the areas that the UK government is most likely to target. It is now able to designate any person or entity "*involved in obtaining a benefit from or supporting the Government of Russia*".¹⁰ The Amendment Regulations define being "*involved in obtaining a benefit from or supporting the Government of Russia*" to include, among other things, any person or entity that is carrying on business "*in a sector of strategic significance*"¹¹ to the Government of Russia. This covers carrying on a business in the following sectors (none of which is precisely defined):

- A. Chemicals;
- B. Construction;
- C. Defence;
- D. Electronics;
- E. Energy;
- F. Extractives;
- G. Financial Services;
- H. Information, Communication and Digital Technologies; or
- I. Transport.

¹⁰ Regulation 6(2)(a)(ii) of the Russia (Sanctions) (EU Exit) Regulations 2019.

¹¹ Regulation 6(4)(c) of the Russia (Sanctions) (EU Exit) Regulations 2019.

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Therefore, the sectors identified in the amended designation criteria should give an indication of the types of businesses that could be exposed to both further designations and potentially sectoral trade sanctions in the event that the UK takes further action.

The UK has stated that if Russia does not de-escalate the situation, the UK will bring forward legislation in short order that would prevent Russia from issuing sovereign debt in UK markets.

Given the pace at which the situation is evolving, companies should start to assess their exposure in relation to their business operations with Russia, particularly if they operate in the economic sectors identified above, helping them to consider any touchpoints to designated individuals and Russian banks.

Please call Peter Burrell or Simon Osborn-King if you would like to discuss this alert or have any sanctions-related questions. More information on sanctions and Willkie's capabilities can be found [here](#) on the Willkie Compliance Concourse.

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