

Russia Guidance

Guidance for the financial and investment restrictions in Russia (Sanctions) (EU Exit) Regulations 2019



HM Treasury
Office of Financial
Sanctions Implementation



Russia (Sanctions)(EU Exit) regulations 2019

The Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, is responsible for improving the understanding, implementation and enforcement of financial sanctions in the UK. We publish a list of individuals and organisations subject to financial sanctions as well as general guidance to help you comply. This is available on the government website – see back page.

The Russia (Sanctions) (EU Exit) Regulations 2019 (the Regulations) impose financial, trade, transport and immigration sanctions to encourage Russia to cease actions which destabilise Ukraine, including actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

OFSI guidance on Russia regulations

While there are different sanctions outlined in the regulations, this guidance produced by OFSI, expands specifically on financial and investment restrictions. In addition to asset freezes common among other sanctions regimes, these restrictions include unique measures that seek to prevent access to capital markets for Russian state-owned financial institutions.

They also detail restrictions on investments in relation to the Republic of Crimea and the city of Sevastopol.

Any exceptions related to each restriction, including instances where you may be able to apply for a licence from OFSI, are also outlined.

This guidance details instances involving both trade and financial sanctions separately, and

also where they overlap. In addition, there is guidance available on the other restrictions detailed in the regulations, affecting transport, immigration, and trade sanctions in respect of Russia.

That additional guidance is published by other UK government departments including the Department for International Trade, Home Office and the Foreign and Commonwealth Office.

To achieve their purposes, the Regulations impose a number of prohibitions and requirements. The Regulations establish penalties and offences to enforce these, which are set out in detail in the corresponding report under section 18 of the Sanctions and Anti-Money Laundering Act 2018 (SAMPLA).

Asset Freezes

The Regulations detail financial prohibitions in relation to designated persons (DPs). DPs are persons (natural or legal) who are subject to financial sanctions. These sanctions include but are not limited to: asset freezes, restrictions on making funds and/or economic resources available to, or for the benefit of, DPs, either directly or indirectly.

There are exceptions to some of the asset freezing provisions which apply within certain defined circumstances. Additionally, where a DP's assets have been frozen, the person or representative may apply for a licence from OFSI to be able to utilise their funds or economic resources in certain circumstances. For further information on asset freezes, see OFSI's General Guidance on Financial Sanctions.

Financial services – processing payments

The Regulations set out how to prevent a DP benefitting from procuring financial services. Where the provision of financial services is prohibited, this includes the provision of processing payments. This comprises payment and money transmission services, including credit, charge and debit cards, travellers' cheques and bankers' drafts.

Other restrictions: financial services and investments

Transferable securities or money-market instruments

The Regulations detail prohibitions on dealing in certain transferable securities and money market instruments. They prohibit dealing with, directly or indirectly, a transferable security or money market instrument if it has a maturity exceeding 30 days and was issued after 1 August 2014 by the following list in the box below:

- Sberbank
- VTB Bank
- Gazprombank
- Vnesheconombank (VEB)
- Rosselkhozbank
- An entity incorporated or constituted in a country other than the UK which is owned directly or indirectly by one or more of the banks listed above

They also prohibit dealing, directly or indirectly, with a transferable security or money market instrument if it has a maturity exceeding 30 days and was issued after 12 September 2014 by the following again set out in the box below:

- OPK Oboronprom
- United Aircraft Corporation
- Uralvagonzavod
- Rosneft
- Transneft
- Gazprom Neft
- An entity incorporated or constituted in a country other than the UK which is owned, directly or indirectly, by one of these entities.

These prohibitions also apply to any entity that is acting on behalf of, or taking direction from, any of the entities listed above.

Prohibitions on dealing with certain transferable securities and money market instruments apply to subsidiaries established

in a country other than the UK and owned by the entities listed above (see Schedule 2 to the Regulations). This means that subsidiaries incorporated or established in the UK are not subject to these prohibitions. This differs from the EU sanctions regime.

There are no grounds under which a licence can be granted in relation to these prohibitions. There is an exception for acts done for the purposes of national security or the prevention of serious crime.

Loan and credit arrangements

You must not, directly or indirectly, grant, or enter into any arrangement to grant a new loan or credit with a maturity exceeding 30 days to:

- Sberbank
- VTB Bank
- Gazprombank
- Vnesheconombank (VEB)
- Rosselkhozbank
- OPK Oboronprom
- United Aircraft Corporation
- Uralvagonzavod
- Rosneft
- Transneft
- Gazprom Neft
- An entity incorporated or constituted in a country other than the UK which is owned, directly or indirectly, by one of the abovementioned entities.

The 11 entities listed immediately above, which appear in Schedule 2 to the Regulations, **are not subject to an asset freeze**.

Exceptions

The prohibitions outlined above in relation to loans and credit arrangements are not breached if any of the following are granted:

- A relevant loan which makes funds available for a non-restricted trade.
“Non-restricted trade” refers to any

trade that is not prohibited under Part 5 of the Regulations.

- A relevant loan that makes emergency funds available to meet applicable solvency or liquidity criteria for a relevant subsidiary, as defined in the Regulations
- A relevant loan consisting of a drawdown or disbursement made under an arrangement that was entered into before 15th September 2014, as detailed in the Regulations.

The national security or prevention of serious crime exception applies to all prohibitions.

Investments in relation to Crimea

Any reference to Crimea in the Regulations means the Autonomous Republic of Crimea and the city of Sevastopol.

Under the Regulations, it is prohibited to, directly or indirectly, extend a participation, or acquire any ownership interest, in land located in Crimea. The same restrictions also apply when it comes to acquiring any ownership interest in an entity which has a place of business located in Crimea (a “relevant entity”).

There is also a prohibition on granting any loan or credit to a relevant entity. This prohibition includes entering into any arrangement to grant a loan or credit, or otherwise provide funds, including equity capital, to a relevant entity, or for the purpose of financing any such entity.

It is prohibited to establish a joint venture in Crimea or with a relevant entity.

It is also prohibited to provide any investment services directly related to any of the activities listed above.

Exceptions

Provided that a person notifies HM Treasury no later than five working days before the day on which an act is carried out, no prohibition relating to investments in Crimea are contravened by a person meeting an obligation under a contract that concluded before 20 December 2014. This includes an

ancillary contract necessary to satisfy such a contract. Additionally, the prohibitions on investments in Crimea are not contravened by a person operating outside Crimea where the related investment is not destined for an entity in Crimea.

Additionally, where an activity would otherwise be prohibited in relation to investments in Crimea, a person or their representative may apply for [a licence from OFSI](#) to carry out those activities in certain circumstances. OFSI expects that legal and professional advisers will have fully considered the relevant law and formed a view about an application before approaching OFSI for guidance or submitting an application. All applications are assessed against the relevant regulations and are done so on a case by case basis.

Contact OFSI

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<https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation>

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