

SANCTIONS REGIME

RECENT DEVELOPMENTS

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The UK's principal Russia sanctions legislation is the Russia (Sanctions) (EU Exit) Regulations 2019 (the "Russia Regulations").

Recent amendments made to the Russia Regulations include the Russia (Sanctions) (EU Exit) (Amendment) (No.15) Regulations 2022 (the "No.15 Regulations"), the majority of which came into force on 29 October 2022, and the Russia (Sanctions) (EU Exit) (Amendment) (No. 16) Regulations 2022 (the "No. 16 Regulations") , which will enter into force on 5 December 2022.

No. 15 Regulations



Loans and credit arrangements

Regulation 3 effectively replaces category 3 loans with a new, wider class of "category 5 loans". "Category 3 loans" were loans with a maturity exceeding 30 days made or granted at any time on or after 1 March 2022

to: (i) a person connected with Russia (a "PCWR"), (ii) a person owned by a PCWR, or (iii) a person acting on behalf of or at the direction of (i) or (ii) above. Category 5 loans restrict making certain loans or credit available to persons connected with Russia and therefore bring companies outside Russia owned by a person connected with Russia into scope, including UK companies.

General Licence INT/2022/2305324³ allows for the continued granting of category 5 loans (or entering into arrangements to grant category 5 loans) to Gazprom Germania (otherwise known as Securing Energy for Europe) and/or its subsidiaries. The General Licence expires on 29 October 2023 and permits UK financial institutions to process payments in connection with certain loans.



Restriction on LNG imports

Regulation 6 introduces a prohibition on the import of liquefied natural gas ("LNG") originating in or consigned from Russia, with the intention of LNG entering the UK. This measure also restricts technical assistance, brokering services, financial services and funds relating to such import or acquisition. This restriction will come into force on 1 January 2023.

1 <https://www.legislation.gov.uk/uksi/2022/1110/contents/made>

2 <https://www.legislation.gov.uk/uksi/2022/1122/contents/made>

3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1114576/General_Licence_INT20222305324.pdf



Other amendments to trade sanctions

Regulation 5 introduces provisions relating to the import of gold jewellery and “relevant processed gold”; Regulation 6 introduces new export and sale restrictions in relation to “Russia’s vulnerable goods”; and amendments have been made to a number of the existing schedules of restricted goods, including the insertion of a new list of products into the “G7 Dependency and Further Goods” list.

No. 16 Regulations



Maritime transportation of certain oil and oil products

Regulation 4 prohibits the direct or indirect supply or delivery by ships of certain oil and oil products falling within commodity codes 2709 and 2710, from a place in Russia to a third country, or from one third country to another third country. It prohibits UK persons from providing financial services or brokering services respectively to facilitate the supply or delivery of 2709 and 2710 oil and oil products from a place in Russia to a third country, or from one third country to another third country.

Regulations 5 and 6 introduce exceptions such that Regulation 4 is not contravened by:

- a. activity in which: (i) 2709 and 2710 oil and oil products originate in a country that is not Russia; (ii) are not owned by a person connected with Russia; and (iii) are only being loaded in, departing from or transiting through Russia.

- b. any act done by a person, where they provide justification to the Treasury within 5 working days beginning with the day on which the act is done that the act is dealing with an emergency.

Regulation 3 has amended the implementation date for the prohibitions relating to the import of all Russian oil and oil products into the UK from 31 December 2022 to 5 December 2022.



Reporting Obligations

Regulation 9 applies to persons involved in the supply or delivery of oil and oil products, or the provision of financial services or funds or brokering services relating to the supply or delivery of oil and oil products.

Such persons must inform the Treasury as soon as practicable if they know or have reasonable cause to suspect that a person has committed an offence and the information or other matter on which the knowledge or cause for suspicion is based came to them in the course of carrying on their business. They must state the nature, amount, value, or quantity of any goods or services related to the suspected offence at the time when they first had the knowledge or suspicion.

OFSI General Licence for legal fees

The OFSI General Licence under the Russia Regulations and the Belarus Regulations INT/2022/2252300⁴ (the “General Licence”) took effect on 28 October 2022 and expires on 28 April 2023.

The General Licence relates to the payment of legal fees owed by individuals and entities designated under the Russia and Belarus sanctions regimes, and may enable a UK legal firm or counsel who has provided legal advice to a designated person to receive payment without having a specific OFSI licence.

For payment owed for legal work carried out in satisfaction of an obligation entered into pre-designation, there

is a £500,000 cap (including VAT if applicable) on the amount that can be claimed over the duration of the licence.

For post-designation work, there is also a £500,000 cap (including VAT if applicable) in total for the duration of the licence. The hourly rates for provision of professional legal fees by a Legal Adviser must not exceed those rates listed in paragraph 12 of the General Licence and the hourly rates to be charged by Counsel must not exceed £1,500 per hour (including VAT).

A specific licence will need to be sought from OFSI when fees (combined where applicable) are above these caps.

OFSI enforcement powers

Regulation 2 of the Economic Crime (Transparency and Enforcement) Act 2022 (Commencement No.2 and Saving Provision) Regulations 2022⁵ entered into force on 15 June 2022 and:

- i. Enables OFSI to impose civil monetary penalties on a strict liability basis for breaches of financial sanctions.
- ii. Removes the requirement for a review of a decision by the Treasury to impose a monetary penalty to be carried out by the Minister personally.
- iii. Allows the Treasury to publish notices detailing violations by persons of financial sanctions in cases where the Treasury have decided not to impose a penalty.

