

# EU Sanctions against Russia

BRIEFING

## The EU Sanctions Regime: General

The EU applies sanctions within the framework of the Common Foreign and Security Policy (the “CFSP”) on an autonomous EU basis or by implementing binding resolutions of the UN Security Council. Generally speaking, the sanctions target governments and non-State entities and comprise measures such as arms embargoes, financial restrictions and restrictions on admission (visa or travel ban). EU sanctions apply to all persons (including bodies corporate) located within the EU, irrespective of the person’s or the company’s nationality.

Russia’s annexation of Crimea in March 2014 and the situation of unrest in the wider Ukraine have prompted a range of EU sanctions which have been revised – typically to make them more onerous – on a number of occasions since then. This briefing note outlines the sanctions imposed to date and considers how they are likely to affect financial institutions in particular.

## EU Sanctions against Russia

Apart from diplomatic measures, the EU has imposed a number of restrictive measures, including asset freezes and visa bans, on specified persons and entities and further restrictions on the export of arms and dual-use goods<sup>1</sup> and on certain items for use in oil exploration and extraction. Imports from the annexed territories of

Crimea and Sevastopol are also restricted, unless accompanied by a certificate of origin from the Ukrainian authorities.

Economic sanctions have sought to limit the capacity of certain people and entities associated with the Russian government to undertake business in the EU, in particular by restricting access to EU capital markets. These sanctions include bans on:

- the direct or indirect purchase, sale, brokering and assistance in the issuance of, or other dealings with, transferable securities and money-market instruments with a maturity exceeding:
  - 90 days (if issued after 1 August 2014 and before 12 September 2014), and
  - 30 days (if issued after 12 September 2014)<sup>2</sup>,

issued by any major state-controlled Russian bank<sup>3</sup>, development bank, any subsidiary of either outside the EU or by those acting on their behalf or under their control;

- the provision of services to named entities and connected persons<sup>4</sup>, related to the issuing of such financial instruments (eg brokering and investment services) with a maturity exceeding 30 days (if issued after 12 September 2014)<sup>5</sup>; and

<sup>1</sup> *ie* goods and material that may have either a civilian or innocuous use and a military use.

<sup>2</sup> Article 5(1) of Regulation (EU) No 960/2014, amending Regulation (EU) No 833/2014.

<sup>3</sup> The specific banks listed include Sberbank, VTB Bank, Gazprombank, Nvesheconobank (VEB) and Rosselkhozbank.

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(continued)

- whether directly or indirectly, making or being part of an arrangement to make new loans or credit with a maturity exceeding 30 days available to certain Russian entities<sup>6</sup> or to any more than 50% owned non-EU subsidiary of them. This prohibition applies in relation to new loans issued after 12 September 2014, subject to a number of stated exceptions<sup>7</sup>.
- any legal person, entity or body established outside the EU whose proprietary rights are directly or indirectly owned for more than 50% by an entity listed in Annex V or Annex VI (see footnote 4, above).

### Review

EU sanctions against Russia are due to be reviewed at the end of October 2014.

### Application of Sanctions to Groups

It is important to note that the restrictions above apply not only to the specific banks and entities that are mentioned. They also apply to:

- the non-EU subsidiaries of the named banks where the listed bank directly or indirectly owns more than 50% of the proprietary rights of the issuing entity, and

### Further information is available from:

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*Alternatively, your usual contact in McCann FitzGerald will be happy to help you further.*

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4 At the date of publication of this note, the relevant sanctions list includes (A) entities listed in Annex V (OPK Oboronprom, United Aircraft Corporation and Uralvagonzavod), (B) entities listed in Annex VI (Rosneft, Transneft and Gazprom Neft), (C) all legal persons, entities and bodies established outside the EU who or which are owned, directly or indirectly, more than 50% by an entity listed in point (A) or (B) and (D) any legal person, entity or body acting on behalf or at the direction of an entity referred to in points (A), (B) or (C).

5 Article 5(2) of Regulation (EU) No 960/2014, amending Regulation (EU) No 833/2014.

6 At the date of publication of this note the entities are Sberbank, VTB Bank, Gazprombank, Nvesheconobank (VEB), Rosselkhozbank, OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft and Gazprom Neft.

7 Article 5(3) of Regulation (EU) No 960/2014, amending Regulation (EU) No 833/2014.

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This document is for general guidance only and should not be regarded as a substitute for professional advice. Such advice should always be taken before acting on any of the matters discussed.

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