

Russia Sanctions – Compliance Guide

FAQ FOR NGOS



UNITED KINGDOM

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Since the Russian invasion of Ukraine, countries and regional organisations around the world have imposed sanctions on Russia and Belarus, as a means of putting pressure on Russia’s government to end the invasion. These sanctions take different forms and have different targets (sectors/individuals/companies etc.).

While the objective of these sanctions is not to affect organisations such as NGOs who operate in or have links with Russia, inevitably these sanctions might have a direct or indirect impact on them.

The following questionnaire has been created to collect legal research, that will in turn help NGOs understand how sanctions regimes might impact them and to understand how some of these risks could be managed.

Jurisdiction	United Kingdom
Date Last Updated	1st April 2022

Public regulatory/executive body responsible for Sanctions

The [Foreign, Commonwealth and Development Office](#) is responsible for sanctions policy in the UK including negotiating international sanctions and making destinations under sanctions regimes.

The [Office for Sanctions Implementation \(“OFSI”\)](#) implements financial sanctions on behalf of HM Treasury. Other bodies are involved in implementing and administering sanctions in the UK, including the Department of International Trade (through the Export Control Joint Unit (ECJU)), which implements trade sanctions and embargoes; the Department for Transport, which implements transport sanctions, including controlling movement of ships and aircraft in UK waters and airspace; the Home Office, which implements travel bans; the HM Revenue & Customs (HMRC) in charge of enforcing breaches of trade sanctions and the National Crime Agency (NCA), which investigates and enforces breaches of financial sanctions.

Consolidated List

OFSI maintains a Consolidated List of individuals and entities subject to asset freezes under UK sanctions. See:

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

Relevant Guidance

OFSI has issued a number of separate guidance notes which will be of relevance:

- [General Guidance](#) – includes guidance on the scope of sanctions provisions in general and on license applications.
- [Russia Guidance](#)
- [Charity Sector Guidance](#)
- [Guidance for the Import and Export Sector](#)

The UK Government has also issued [Statutory Guidance](#) on Russia sanctions.

Key Points to note

Do the Russia Sanctions apply to you?

Is there any reason to think that you have any connection to Russia or Russians?

If a UK charity or NGO carries out activities in Russia (including indirectly through sub-contracted partners), those activities in Russia will need to be carried out in accordance with UK sanctions. UK nationals working in Russia will need to comply with UK sanctions as well.

With which sanctions regimes may you and/or your employees need to comply as a matter of law?

UK sanctions in respect of Russia are set out in [The Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#). The Regulations have been amended several times, so it is important to review an updated version. A list of the amending legislation is available on OFSI's website. OFSI's [website](#) also sets out the guidance and general licenses that have been issued in respect of Russia. See also a list of relevant guidance on the first page of this tracker.

The Regulations apply to everyone within the territory of the UK and to all UK nationals and entities established under UK law (including branches) wherever they are located or wherever their activities take place.

Have you agreed to comply with sanctions with which you would not be required to comply as a matter of law by contractual agreements (e.g. with lenders, in donor agreements)?

It is possible that you will have agreed to carry out operations in accordance with other sanctions regimes that you are not obliged under legislation to comply with (commonly, this will be with US sanctions). You may have agreed to do this in contracts with, for example, lenders or donors. It is therefore important that you review your contracts to determine the extent of your sanctions obligations. If you have agreed to comply with other sanctions regimes, it doesn't mean that you are actually subject to those sanctions regimes, so you would not breach those other sanctions if your operations were not carried out in accordance with those regimes. However, it might lead to a breach of contractual terms, which creates a risk of contractual termination or suspension.

Connections with Russian Individuals and Businesses

Are you engaging with any person specifically targeted by any of these sanctions?

Hundreds of individuals and entities have been designated under asset freeze provisions in the Russia sanctions (known as designated persons ("DPs")). You should therefore check whether any Russian individuals and businesses that you are dealing with are listed on OFSI's [Consolidated List](#). The Consolidated List is updated on a regular basis.

It is a criminal offense to knowingly (or reasonably suspecting) take the following steps in relation to a DP:

To deal with funds or economic resources owned, held, or controlled by a DP.

- To make funds or economic resources available directly or indirectly to a DP, including to a person who is owned or controlled directly or indirectly by a DP.
- To make funds or economic resources available to any person for the benefit of a DP if the DP thereby

gains a significant financial benefit (including the discharge (or partial discharge) of a financial obligation).

Some exceptions apply to the above activities and licenses may be obtained to allow those activities in certain circumstances (see question 12 below).

'Funds' means financial assets and benefits of every kind including money, debt, credit, letters of credit, shares and other securities, dividends, and interest.

'Economic resources' means assets of every kind – tangible or intangible, movable or immovable – which are not funds, but may be used to obtain funds, goods or services (e.g. property or vehicles).

'Dealing' is widely defined. For funds, it includes using, moving, transferring and allowing access to funds, and also any conduct which would result in any change to the features (e.g. volume or location) of funds. For economic resources, dealing means exchanging those resources for funds, goods or services, or using the resources by, for example, pledging them as security.

Funds and economic resources are 'owned, held or controlled' by a DP including where:

- A DP has any legal or equitable interest, regardless of whether the interest is held jointly with any other person or if any other person holds an interest in the funds or economic resources. This will therefore apply to shareholdings that a DP holds in a legal entity.
- A DP possesses any tangible property (other than real property), or bearer security, that is comprised in funds or economic resources.

See question 5 for further detail on ownership and control.

Are you engaging with any entity owned or controlled by any of these sanctions?

Depending upon the size of a DP's investment, some entities which are owned or controlled (directly or indirectly) by a DP will need to be treated as if they are also designated under asset freeze provisions as well. The criminal offenses set out in question 4 above will apply equally to activities involving entities owned or controlled by a DP.

Not all entities owned or controlled (within the meaning of the sanctions) will be separately designated and listed in the Consolidated List. When you are dealing with a Russian entity, it is, therefore, necessary to screen not only the entity's name but also its owners and controllers.

Under UK sanctions, an entity is considered to be owned or controlled by a DP, in the following circumstances:

- A DP holds (directly or indirectly) more than 50% of the shares or voting rights in an entity, or
- A DP holds the right (directly or indirectly) to appoint or remove a majority of the board of directors of an entity.

When considering control, it will also be necessary to determine whether it is reasonable, taking into account the circumstances, to expect that a DP would (if the DP chose to) be able, in most cases (or in significant respects) to achieve the result that the affairs of an entity are conducted in accordance with the DP's wishes. Such control could operate through whatever means and do so directly or indirectly through others.

Further detail is set out in the sanctions and also in OFSI's [General Guidance](#) to assist with interpretation of these provisions. It should be noted that, under UK sanctions (which differs to other regimes), if more than one shareholder in an entity is a DP and their shareholdings collectively total more than 50%, but individually less than 50%, the entity should not be treated as if it is also a DP (unless other ownership or control factors are present).

Are you importing or exporting any goods that may be subject to import/export restrictions?

Wide-ranging import and export restrictions have been imposed in relation to Russia. In summary, the restrictions include the following goods and sectors:

- The export of restricted goods to, or for use in, Russia is prohibited. Restricted goods include:
 - Critical-industry goods, such as specified electronic devices and components, equipment used to manufacture or test such components, computer components, telecommunications equipment, sensors, lasers, diesel engines, gas turbine components;
 - Dual-use goods as specified in the Dual-Use Regulation;
 - Military goods as specified in the Export Control Order 2008;
 - Aviation and space goods as specified in chapter 88 of the Goods Classification Table.

The prohibitions cover the supply or delivery of restricted goods from another country to Russia, making them available to a person connected with Russia or for use in Russia. The provision of technical assistance, financial services or funding in relation to the restricted goods is also prohibited.

- The provision of certain technology (including software) is also restricted. Restricted technology includes:
 - Critical-industry technology, as specified in Schedule 2A of UK sanctions;
 - Dual-use technology as specified in the Dual-Use Regulation;
 - Military technology the Export Control Order 2008;
 - Aviation and space technology as specified in chapter 88 of the Goods Classification Table.

The prohibitions cover making the restricted technology available to a person connected with Russia, for use in Russia, transferring them to a place in Russia or to a person connected with Russia. The provision of technical assistance, financial services or funding in relation to the restricted technology is also prohibited.

- Exports of energy-related goods (as specified in Schedule 3 of the UK sanctions) for use in Russia are prohibited. The prohibitions cover the supply or delivery of such goods or making them available for use in Russia. The provision of technical assistance, financial services or funds in relation to those goods is also prohibited.
- Restrictions have also been placed on the provision of brokering services (and the funding of such services) relating to the supply, delivery or transfer of restricted goods or technology or energy-related goods from other countries to Russia or a person connected with Russia.
- There are also restrictions on the supply or delivery of military goods or technology from Russia to other countries, on the acquisition of such goods or technology from a person connected with Russia, on the transfer of military technology.

It is a criminal offense to undertake any of the prohibited activities without a valid license or exception.

Further guidance on the scope of the restrictions can be found in the Government's [Statutory Guidance](#) on the Russia sanctions. Further information on controlled goods can be found on the ECJU's [website](#).

Some exceptions apply to the above activities and licenses may be obtained to allow those activities in certain circumstances (see question 12 below).

Do you have any involvement with activities in the Donetsk, Luhansk and Crimea regions, which are subject to specific regimes?

Restrictions have been placed on activities relating to non-government-controlled Ukrainian territory. Currently, these restrictions cover the region of Crimea, the City of Sevastopol, and the areas of Luhansk and Donetsk ("the restricted areas"). In summary, the following activities in relation to the restricted areas are prohibited:

- Importing goods originating in the restricted areas.
- Exporting infrastructure-related goods to, or for use in, the restricted areas. The restricted infrastructure-related goods are set out in Schedule 3 of the UK sanctions. The prohibition also covers the supply or delivery of such goods from other countries to the restricted areas, or making them available to a person connected with, or for use in, the restricted areas. The provision of technical assistance, financial services or funds in relation to those goods is also prohibited. Providing brokering services in relation to any of these prohibited acts is also prohibited.

It is a criminal offense to undertake any of the prohibited activities without a valid license or exception.

Payments and Investments

Do you have a charitable trust or foundation that might involve dealing with equity/debt instruments issued by, or making loans available to Russian state owned companies, persons connected with Russia, or the Government of Russia?

It is prohibited to deal in certain securities and instruments issued by specified entities. The securities and instruments covered by the restrictions include shares, bonds (and other types of debt instruments), certificates of deposit, and commercial papers. These investment restrictions have been in place since August 2014 but have been expanded in 2022 to cover a far greater range of issuers. Breaching the restrictions without a valid license is a criminal offense.

It is prohibited to deal with (for example, purchasing or selling) securities and instruments issued by the following entities:

- Named Russian banks specified in the sanctions (for example, VTB Bank and Sberbank) – applies to securities and instruments issued after 1 August 2014 and which have a maturity exceeding 30 days. The restriction also applies to non-UK subsidiaries of those named entities and any entities acting on behalf of or at the direction of one of the named banks.
- Named Russian companies specified in the sanctions (for example, Gazprom Neft and Rosneft) – applies to securities and instruments issued after 12 September 2014 and which have a maturity exceeding 30 days. The restriction also applies to non-UK subsidiaries of those named entities and any entities acting on behalf of or at the direction of one of the named companies.
- UK subsidiaries of the named Russian banks and companies – applies to securities and instruments issued on or after 1 March 2022 and which have a maturity exceeding 30 days. The restriction also applies any entities acting on behalf of or at the direction of one of the subsidiary entities.
- Individuals who are ordinarily resident or located in Russia, Russian entities (except those

domiciled outside of Russia) and their branches and subsidiaries (except those which have parent companies domiciled outside of Russia), and any entities (wherever they are located) which are owned by any of these companies – applies to securities and instruments issued on or after 1 March 2022 and which have a maturity exceeding 30 days. The restriction also any entities acting on behalf of or at the direction of one of the named banks.

- The Government of Russia (which includes the Presidency and the Central Bank of Russia) – applies to securities and instruments issued on or after 1 March 2022.

The extension of certain loan and credit arrangements (that have a maturity exceeding 30 days) is also prohibited without a valid license or exception to any of the entities subject to investment restrictions as set out above. Arrangements entered into before 15 September 2014 with the named banks and companies (and their non-UK subsidiaries) are exempt. For the other entities subject to the restrictions, loans are exempt if arrangements were entered into before 1 March 2022.

Note that the provision of services in arrears where payment falls beyond 30 days is likely to be a prohibited form of loan or extension of credit.

Are you affected by restrictions on processing funds (e.g. making payments where Russian banks have been removed from SWIFT)?

As a result of the removal of a number of Russian banks from SWIFT (including VEB and VTB Bank), you may face significant practical challenges in processing funds for operations in Russia, for example, relating to the payment of staff members located in Russia, paying supplier invoices, or taxes.

It is important to note that some Russian banks (for example, Alpha- Bank Russia) have been designated under asset freeze measures. That means that it is prohibited to make any payments to those banks, even if the payment is being made into a non-DP's account for use by that individual or entity, and not ultimately the bank which is designated.

It is a criminal offense to participate in activities knowing that their object or effect is to circumvent prohibitions or to enable or facilitate a contravention of sanctions. It is very important to bear that in mind when seeking to put in place alternative arrangements for payments.

Are you affected by restrictions on access by Russian individuals to local bank accounts?

Other than in respect of accounts held by DPs, there are currently no restrictions in the UK which limit access to bank accounts by Russian individuals.

Are there any sanctions that apply to using or trading cryptoassets?

OFSI is very clear in its [General Guidance](#) that the definitions of funds and economic resources are broad enough to cover cryptoassets. That means that it is prohibited to deal with cryptoassets owned, held or belonging to a DP, or to make cryptoassets available to, or for the benefit of, a DP.

Exemptions and Other Points to Note

To the extent there are restrictions which apply, can you apply to relevant authorities for licences, e.g. “in connection with the performance of any humanitarian assistance activity”

Some activities are permissible under exceptions set out in the sanctions. For example, the asset freeze measures are not infringed if a payment is made to a frozen bank account held or controlled by a DP, where the funds are transferred in discharge of an obligation which arose prior to the DP's designation.

OFSI operates two license regimes. It has the power to issue general licenses to allow for certain activities with specified DP's to be carried out within a certain time period. So far, 15 general licenses have been issued under the Russia sanctions regime. See OFSI's general licenses [webpage](#) for more details. OFSI may also issue specific licenses following an application submitted under one of a number of grounds set out in the sanctions. Those grounds include enabling anything to be done in connection with:

- The performance of any humanitarian assistance activity.
- The provision of medical goods or services for the benefit of the civilian population of a country.
- The import, export, or use of medical goods.
- The production or distribution of food for the benefit of the civilian population of a country.

The available license grounds are set out in OFSI's [Russia Guidance](#). See OFSI's [General Guidance](#) for information on the license application process. The ECJU also operates a license regime in relation to controlled goods. The ECJU's website includes a controlled goods [search tool](#) that assists with determining whether an export license is required.

Other points to consider

It is important to remember that, as with all UK sanctions regimes, under Russia sanctions, it is a criminal offense to participate in activities knowing that their object or effect is to circumvent prohibitions or to enable or facilitate a contravention of sanctions.

The UK imposes other sanctions regimes which are relevant to the war in Ukraine. For example, a separate regime is in place in relation to Belarus under which numerous individuals and entities have been designated under asset freeze provisions. The Belarus sanctions are similar in scope to the Russia sanctions. Further information can be found on OFSI's website [here](#). Russian individuals and entities have also been designated under asset freeze measures under Cyber sanctions. Details are set out on OFSI's [website](#). As with designations under Russia sanctions, DPs under other regimes are also set out on OFSI's [Consolidated List](#)