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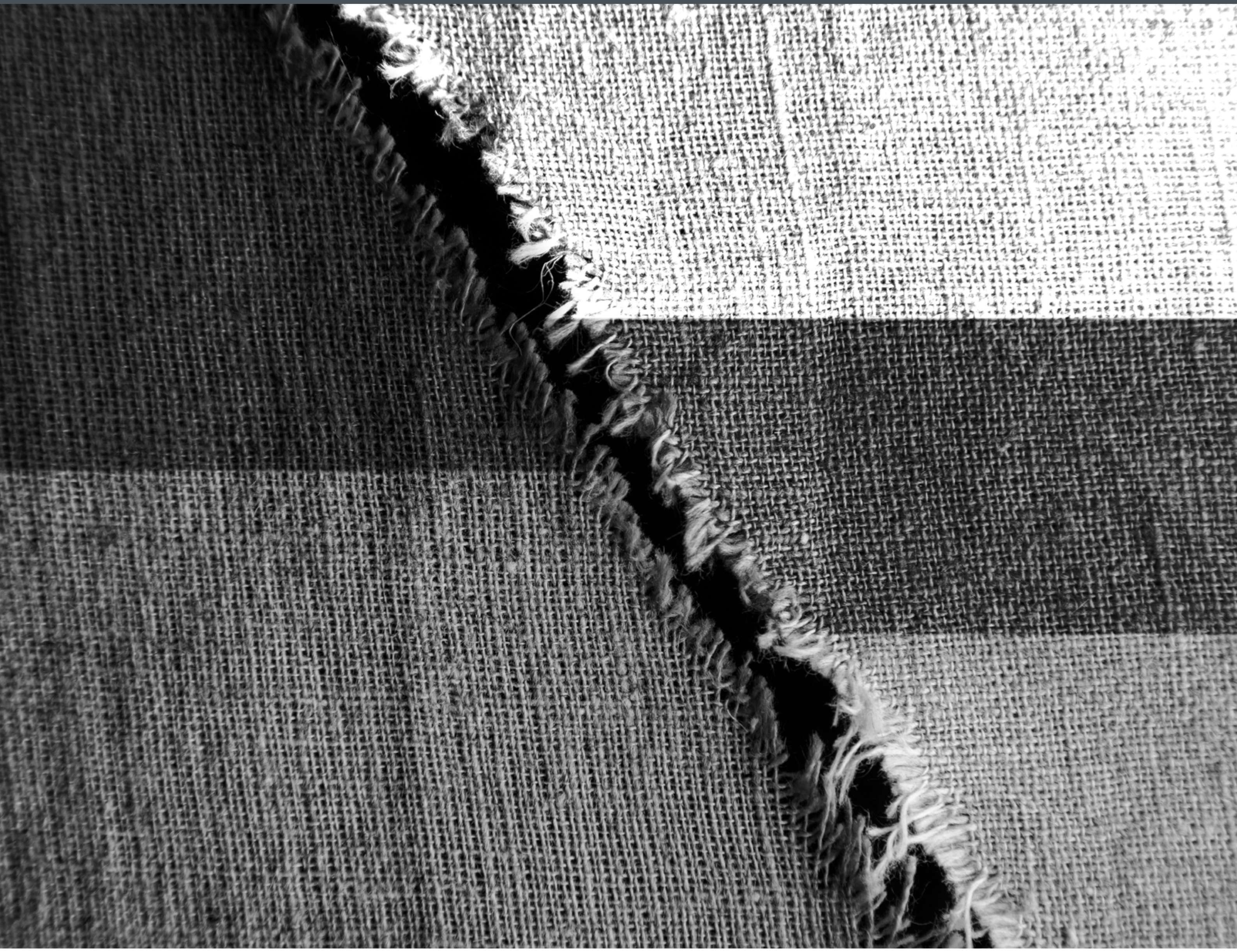

SANCTIONS AGAINST RUSSIA: ARE YOU PREPARED?

The escalating situation on the border between Ukraine and Russia has already led to calls for international trade sanctions to be imposed.

Following a video conference call on 24 January 2022 between US President Biden and with allied leaders from Europe and NATO, the UK said that “The leaders agreed that, should a further Russian incursion into Ukraine happen, allies must enact swift retributive responses including an unprecedented package of sanctions”.

So what might those sanctions look like and how can businesses prepare?

Current sanctions imposed by the UK, EU, US, Switzerland and others include extensive asset freezing measures, sectoral sanctions restricting access to debt and capital markets, restrictions on oil and gas equipment and restrictions on activities with Crimea.

New sanctions are likely to include further asset freezing measures, targeting individuals and entities (including commercial organisations) which are not currently subject to asset freezing measures.

It seems likely that new sanctions would also include further restrictions on the Russian financial sector. These could include the extension of sectoral sanctions to prohibit dealing in new loans and new debt issued by a wider range of Russian entities. They could also include more general restrictions on dealing with Russian financial institutions and possibly restrictions on the provision of insurance.

It is possible that future sanctions might include additional measures which target the trade in particular commodities.

Restrictions of this kind have previously been imposed as part of the package of measures against Iran, Syria, Belarus and others. They commonly prohibit the import, purchase and transport of particular commodities which are exported from (or originate from) the sanctioned country. These restrictions operate in parallel to the asset freeze and the trade is prohibited even if the parties involved in the trade are not themselves subject to an asset freeze.

Another possible type of measure which might be imposed is a prohibition on the supply of particular items to Russia.

Currently there are restrictions on the supply of some oil and gas equipment and related services to Russia, and the list of equipment could be extended. Other commercial items might also be targeted, and it is worth keeping in mind that sanctions imposed against other countries have included restrictions on supply of a wide range of items, including telecommunications equipment, luxury goods, precious metals and printed currency.

Measures imposed by different sanctioning countries may differ, and we may see Russian counter-measures imposed in response. All of this will increase the complexity and challenges for global organisations.

In order to prepare, businesses should do the following:

- Identify all of their activities which relate to Russia and/or Russian counterparties and/or Russian origin goods
- Review (and expand if necessary) existing KYC to identify all Russian counterparties and their beneficial owners
- Analyse contract terms to identify the provisions which will be relevant in the event that sanctions are imposed which impact on the trade
- Determine whether there is already scope to put counterparties on notice and/or seek additional information
- Understand which sanctions regimes are potentially applicable (eg because of the use of US Dollars and/or the nationality of key individuals)
- Consider the extent to which non-Russian counterparties (eg onward buyers, banks and insurers) may take a more restrictive view if sanctions are imposed
- Explore alternative means of performance in the event that contractual performance is not possible because of sanctions (eg alternative suppliers or destinations)

As the world watches carefully developments on the border between Ukraine and Russia, we are monitoring the situation closely and will be advising our clients on the latest changes and challenges.

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