

United Kingdom Sanctions Against Russia & Sanctions Guide

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Introduction

The United Kingdom impose several sanctions on persons, legal entities, and government officials to encourage Russia to respect the territorial integrity of Ukraine. The UK impose financial, trade, immigration and shipping sanctions, and they are regulated in the Russia (Sanctions) (EU Exit) Regulations 2019 (the ‘Regulations’).

The Regulations apply within the territory of the UK. Moreover, all UK persons are obliged to conduct these sanctions regardless of their location. British nationals, companies established in the UK and their overseas branches, and bodies constituted under UK law are assessed as UK persons and they are compelled by the Regulations. Additionally, the Regulations prohibit participating in any activity which may directly or indirectly circumvent the prohibitions. In the Regulations, penalties and offences are established in order to ensure their application.

Financial Sanctions

First and foremost, the financial sanctions are stipulated in the Regulations. On behalf of the HM Treasury, the Office of Financial Sanctions Implementations (**OFSI**) is the responsible authority

to ensure the proper implementation of the financial sanctions. The prominent financial sanctions are as follows;

- Freezing monetary and non-monetary assets of designated persons,
- Prohibitions on making funds and resources available,
- Prohibitions on granting a new loan or credit with a maturity over 30 days,
- Prohibitions on any direct or indirect acquisition of any ownership interest in Russia,
- Prohibition of continuing or establishing a correspondent banking relationship with a designated person.

Trade Sanctions

Secondly, trade sanctions are the type of sanction that the UK apply within a wide scope. With trade sanctions, the UK prohibits the exportation and importation of certain goods to and from Russia. There are also prohibitions on transferring technology, technical assistance, financial services related to goods and technology, and brokering services. The Department of International Trade (**DIT**) is the core responsible authority for trade sanctions.

Transportation and Logistic Sanctions

Another type of sanction that the UK apply is regarding aircraft and shipping transportation. A ship which is owned, controlled, or operated by designated persons; registered in Russia; flying the flag of Russia cannot enter the ports of the UK. Additionally, the Regulations prohibit the registration of the abovementioned ships to the UK Ship Register.

According to aircraft transportation sanctions, an aircraft which is owned, chartered, or operated by persons connected with Russia or by designated persons, cannot land in the UK nor overfly the UK. The responsible authority for the implementation of transport sanctions is the Department for Transport (**DfT**).

Immigration Sanctions

Last but not least, the UK apply immigration sanctions. Broadly speaking, this sanction is to impose a travel ban on designated persons. Any visa application will be refused and the ones who currently remain in the UK will have their permissions cancelled.

How will the sanctions be enforced?

As mentioned above, there are penalties and offences established in order to ensure the implementation of the Regulations. In the Regulations, any contravention of the trade, transport, and financial sanctions is stipulated as a criminal offence.

Breach of financial sanctions

Responsible for monitoring: OFSI

Carries a maximum sentence on indictment of 7 years of imprisonment and/or fine.

Breach of trade sanctions

Responsible for monitoring: HM Revenue and Customs (HMRC)

Carries a maximum sentence on indictment of 10 years of imprisonment and/or fine.

Breach of transport sanctions

Responsible for monitoring: DfT

Carries a maximum sentence on indictment of 7 years of imprisonment and/or fine.

Exceptions:

In the Regulations, exceptions are set out for specific sanctions. The exceptions apply sua sponte once the conditions are met and do not require a license.

A sample exception set out in the Regulation is regarding the prohibitions on making funds to designated persons. The transfer will not be prohibited by the Regulations if the obligation arose prior to the recipient becomes a designated person.

Licensing:

Licensing for financial sanctions

The designated persons may apply to be granted a license from OFSI in order to benefit from their funds and assets. Among many others, OFSI considers the following situations eligible to grant a license:

- Humanitarian assistance activities,
- Diplomatic missions,
- Pre-existing judicial decisions,
- Prior obligations,
- Food distribution or production,
- Reasonable professional fees,
- Reasonable charges arising from the routine maintenance of frozen assets etc.

Licensing for trade sanctions

A license may be granted for certain activities which are normally under sanction. The Department of International Trade may grant a license by considering each application case-by-case. The licensing must be in accordance with the purpose of the sanctions regime and cannot be contradictory to any UN or relevant international law obligations.

For instance, a license may be granted for the importation of spare military goods if it is necessary for the maintenance and safety of existing ones in the UK.

In such case an activity is under financial and trade sanctions, a license from both OFSI and DIT may be necessary.

Licensing for transport sanctions

A license may be granted by the authorities if certain transportation falls under the following descriptions: the delivery of humanitarian assistance, official purposes, diplomatic missions, testing the aircraft to provide technical assistance etc.

Gonen Law Office's London branch provides all kinds of sanction and compliance related services. Due to the recent events, our London Office provides legal services to the increasing number of Russian companies whose assets and/or funds are frozen or suspended due to various reasons. Our London Office files applications to relevant authorities to obtain clearance or license to release frozen assets and funds. For more information you may contact our London Office via e-mail: zihni@gonen.co.uk