

The UK Expands the Scope of Its Russian Sanctions Regime

14 February 2022

On 10 February 2022, the UK amended its sanctions regime against Russia to make it easier to impose additional sanctions in the future, as part of its efforts to dissuade any potential escalation in relation to Ukraine. The Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 (the “Russia Amendment Regulations”)¹ allow the UK government to impose travel bans and asset freezes on a wide range of Russian individuals and entities that are “involved in obtaining a benefit from or supporting the Government of Russia.” This marks a significant expansion of the UK’s asset freeze designation criteria relating to Russia, which previously could only be used to target those who “deliberately undermine and destabilise” Ukraine. Most notably, these new designation criteria are sufficiently wide to allow the UK government to target private companies operating in Russia with no connection to the Russian government other than the fact that they operate in certain industries or their business has “economic significance” to the government of Russia.

So far, there have been no designations under the new regime, and even if there were to be a sufficient escalation to warrant such designations, they would likely be applied in a selective manner based on political considerations. Further, unless the U.S. and EU implement similarly broad designation grounds, the impact of the Russia Amendment Regulations may be limited because only businesses operating in the UK and UK persons are required to comply with the restrictions. The UK does not implement an equivalent of the U.S. secondary sanctions regime.

The UK’s Enhanced Russia Sanctions Designation Powers. The UK (then part of the EU) first implemented sanctions against Russia in 2014 in response to Russia’s activities in Crimea and Ukraine. Since that date, the UK’s asset freezes against Russia (including its autonomous asset freeze regime introduced as of 1 January 2021 after Brexit) have always been linked to events relating to Crimea and the Donbass region of Ukraine. Specifically, asset freezes could only be imposed against persons who “deliberately undermine and destabilise the territorial integrity of Ukraine.”² Over the last few weeks, the

¹ Available [here](#).

² EU restrictive measures in response to the crisis in Ukraine, *European Council and Council of the European Union*, 19 January 2022. Available [here](#).

UK, EU and U.S. have openly referred to the possibility of expanding their respective sanctions regimes against Russia following concerns that Russia may be preparing to invade Ukraine.

In addition to continuing to target persons allegedly involved in the destabilisation of Ukraine, the Russia Amendment Regulations permit the UK to impose asset freezes and travel bans on persons “*involved in obtaining a benefit from or supporting the Government of Russia.*”³ The definition for this designation ground is very wide and encompasses persons involved in:

- carrying on a business as a government of Russia-affiliated entity;
- carrying on business of economic significance to the government of Russia;
- carrying on business in a sector of strategic significance to the government of Russia;
- owning or controlling (directly or indirectly) a (i) government of Russia-affiliated entity, or (ii) business of economic or strategic significance to the government of Russia; and
- acting as a director, trustee⁴ or equivalent of a (i) government of Russia-affiliated entity, or (ii) business of economic or strategic significance to the government of Russia.

Strategically significant sectors are defined broadly to include, *inter alia*, the Russian chemicals, defence, electronics, energy, financial services and digital technologies sectors.⁵

The new approach means that a much broader range of individuals and businesses could be sanctioned without the need for the relevant individual or business to be linked to specific malign activity relating to Ukraine. Indeed, the new criteria are so broad that they could theoretically be used to target a significant portion of the Russian private sector economy.

However, as with all UK sanctions, the Russia Amendment Regulations only apply to UK persons (wherever they operate in the world) and business done within the UK. There is also no equivalent of the U.S. secondary sanctions regime, which means that,

³ Section 6(2)(a)(i) & (4) of the Russia Amendment Regulations.

⁴ Directors includes executive and non-executive board members of a company. A trustee is a person who has property or rights which they hold and exercise on behalf of another person.

⁵ Section 6(7) of the Russia Amendment Regulations.

unless designations made by the UK under these new criteria are mirrored by the U.S. and the EU, they may have limited impact.

Who—if Anyone—Will Be Sanctioned? In practice, the new designation grounds represent a warning shot by the UK. There is no obligation for the UK government to apply the new criteria, and so far there have been no new designations. A government press release appears to suggest that the UK will only use the new legislation “*if necessary*”.⁶ It is nevertheless notable that the grounds are significantly broader than those previously applied under UK sanctions.

If the designation criteria are applied, it is likely to be done in a selective and political manner, and not in a way that results in the targeting of every company and individual that theoretically meets the criteria. Any such listings are also likely to be closely coordinated with the U.S. and the EU. The Russia Amendment Regulations’ reference to Russian directors and trustees could suggest that the UK intends to focus on Russian high net worth individuals and their companies and Russian state-owned enterprises. Further, as a technical matter, any designations under the Enhanced UK Russia Sanctions must also continue to fulfil the purpose behind the UK’s Russian sanctions regime, namely “*encouraging Russia to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine.*”⁷

The increased scope of the UK’s Russian sanctions designation criteria creates significant uncertainty for businesses, as the criteria are now sufficiently broad to apply to a wide range of Russian persons. The fact that such individuals can now be sanctioned with immediate effect is likely to create significant risk and uncertainty for counterparties within UK jurisdiction.

Takeaways. Businesses should continue to closely monitor the status of the UK sanctions regime against Russia and, in particular, whether the UK decides to designate anyone under the new criteria introduced by the Russia Amendment Regulations. Persons exposed to UK sanctions jurisdiction should also consider what contractual protections may be required when dealing with their counterparties, particularly those that could theoretically fall within the new listing criteria.

In the meantime, businesses may need to amend their sanctions systems and controls to ensure that they account for the Russia Amendment Regulations regime.

* * *

⁶ Foreign Secretary ramps up UK sanctions regime to leave Kremlin nowhere to hide, *Foreign, Commonwealth & Development Office Press Release*, 31 January 2022. Available [here](#).

⁷ Section 4 of the Russia (Sanctions) (EU Exit) Regulations 2019. Available [here](#).

Please do not hesitate to contact us with any questions.

LONDON



Jane Shvets
jshvets@debevoise.com



Konstantin Bureiko
kbureiko@debevoise.com



Martha Hirst
mhirst@debevoise.com

MOSCOW



Alan Kartashkin
akartashkin@debevoise.com