

CLIENT UPDATE

EU IMPOSES SECTOR-WIDE SANCTIONS ON RUSSIA, IMPOSES SANCTIONS ON NEW INDIVIDUALS AND ENTITIES

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As anticipated in previous Client Updates, this week the EU has adopted its most extensive package of Ukraine-related restrictive measures to date, imposing targeted measures affecting entire sectors of the Russian economy, banking, energy and defence industries.

These new measures have been accompanied by a significant expansion of the sanction regimes already in place. We discuss each of these developments below.

IMPOSITION OF SECTOR-WIDE SANCTIONS

Having discussed the possibility for some months, the EU has now adopted a package of targeted, sector-wide sanctions under Council Decision 2014/512/CFSP and Council Regulation (EU) No. 833/2014 (“Regulation 833”). The EU regime is substantially similar to the US regime, including its recently issued Sectoral Sanctions Identifications List. The regimes do not overlap precisely, and there are differences, for example, in the banks that have been sanctioned by the EU and US. Please see our Client Updates of [16 July](#) and [29 July](#) for further information.

Banking

The EU has prohibited the purchasing, selling, providing brokering services or assistance in the issuance of, or otherwise dealing with, “transferable securities and money-market instruments with a maturity

exceeding 90 days", issued after 1 August by the state-owned banks listed in Annex III to Regulation 833.

The listed banks are (1) Sberbank; (2) VTB Bank; (3) Gazprombank; (4) Vnesheconombank (VEB); and (5) Rosselkhozbank (aka Russian Agricultural Bank). The prohibition extends to dealing with transferable securities and money-market instruments of the banks' non-EU subsidiaries – defined as more than 50% held – or those of any other person acting at the direction of the listed banks or their subsidiaries. VTB Bank, Rosselkhozbank and VEB have already been designated by the US.

"Transferable securities" means securities which are negotiable on the capital market, such as company shares (and their equivalents, including depositary receipts); bonds or other securitized debt; and other securities giving the right to acquire or sell transferable securities or giving rise to cash settlements. It does not include instruments of payment.

"Money-market instruments" means instruments normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers. It does not include instruments of payment.

Energy

The EU has placed certain goods and technology related to the energy industry within its export licence regime.

The supply, sale, transfer or export of a set of key technologies designated in Annex II to Regulation 833, including certain pipes, elevators, and tools, if intended for use in Russia, will require licensing from the competent authority of the relevant EU Member State. Licensing will be required whether or not the recipient is Russian.

However, and in line with new US restrictions adopted on 29 July, no licences will be granted in respect of deep water, Arctic oil exploration and production and shale oil projects in Russia, except for obligations arising under contracts entered into before 1 August 2014.

The provision of technical assistance, brokering services, financing or financial assistance, including grants, loans and export credit insurance, in respect of these goods will also require licensing.

The measures do not restrict the actual trade of oil, gas or other commodities.

Defence

The EU has prohibited the sale, supply, transfer or export to Russia of arms and related material, and of dual-use goods and technology for military use in Russia, or to Russian military end-users.

These prohibitions apply respectively to all items listed on the common military list of the EU, including weapons and ammunition, military vehicles and paramilitary equipment,¹ and all items on the EU's dual-use list.²

The provision of technical assistance, brokering services, financing or financial assistance, including grants, loans and export credit insurance, in respect of these goods, has also been prohibited.

Contracts concluded before 1 August may still be performed; in certain circumstances, performance of such contracts may require authorisation.

ADDITIONAL RESTRICTIONS ON TRADE AND INVESTMENT IN EASTERN UKRAINE

The EU has also imposed additional sanctions on trade and investment in Crimea and Sevastopol, in effect from 30 July.³

The restrictions prohibit the sale, supply or transfer of designated key equipment and technology for infrastructure projects in the transport, telecommunications and energy sectors. The designated goods appear in Annex III of Council Regulation (EU) No. 825/2014 ("Regulation 825").

The restrictions also prohibit the sale, supply or transfer of key equipment and technology for the exploitation of oil, gas and mineral resources. The list of designated mineral resources is set out in Annex II of Regulation 825.

The EU has also prohibited the provision of technical and financial assistance in connection with the above activities.

Contracts entered into before 30 July (including ancillary contracts) can continue to be performed until 28 October.

¹ The EU's common military list was adopted by the Council on 17 March 2014 and can be accessed [here](#).

² The latest list of dual-use items is found in the [annex](#) to Council Regulation (EC) No. 428/2009.

³ Council Decision 2014/507/CFSP and Council Regulation (EU) No. 825/2014. These supplement Council Decision 2014/386/CFSP and Council Regulation (EU) No. 692/2014.

FURTHER DESIGNATIONS OF INDIVIDUALS AND ENTITIES

The EU has also added a further eight individuals and three entities to its list of persons subject to asset freezes.⁴ The new designees are the first to be sanctioned under the expanded designation criteria of persons who “*actively provide material or financial support to, or are benefiting from, the Russian decision-makers responsible for the annexation of Crimea or the destabilisation of Eastern Ukraine*”. The designees include Yuriy Valentinovich Kovalchuk and Nikolay Terentievich Shamalov, the largest shareholders of Bank Rossiya (previously sanctioned by the US).

The full list of designated individuals includes: (1) Alexey Alexeyevich Gromov (first deputy Chief of Staff of the Presidential Administration); (2) Oksana Tchigrina (spokesperson of the Lugansk People’s Republic); (3) Boris Litvinov (chairman of the Supreme Council of the Donetsk People’s Republic); (4) Sergey Abisov (Minister of the Interior of the Republic of Crimea); (5) Arkady Romanovich Rotenberg (major shareholder of Giprotransmost); (6) Konstantin Valerevich Malofeev; (7) Yuriy Valentinovich Kovalchuk; and (8) Nikolay Terentievich Shamalov. Gromov, Rotenberg and Kovalchuk have also been designated by the US.

The designated entities are: (1) Concern Almaz-Antey (also designated by the US); (2) Dobrolet; and (3) Russian National Commercial Bank.

These designations follow on from the EU’s designation on 25 July⁵ of 15 individuals (including several senior Russian officials and the president of the Republic of Chechnya)⁶ and 18 entities (including nine Crimean companies and nine institutions)⁷.

⁴ Council Regulation (EU) No 825/2014 and Council Implementing Regulation (EU) No. 826/2014.

⁵ Council Regulation (EU) No. 811/2014 and Council Implementing Regulation (EU) No. 810/2014.

⁶ The designated individuals are: Mikhail Efimovich Fradkov; Nikolai Platonovich Patrushev; Aleksandr Vasilievich Bortnikov; Rashid Gumarovich Nurgaliev; Boris Vyacheslavovich Gryzlov; Sergei Orestovoch Beseda (also designated by the US); Mikhail Vladimirovich Degtyarev; Ramzan Akhmadovitch Kadyrov; Alexander Nikolayevich Tkachyov; Pavel Gubarev; Ekaterina Gubareva; Fedor Berezin; Valery Vladimirovich Kaurov (also designated by the US); Serhii Anatoliyovych Zdriliuk; and Vladimir Antyufeyev (aka Vladimir Shevtsov, Vladimir Iurievici Antiufeev, Vladimir Gheorghievici Alexandrov, Vadim Gheorghievici Shevtsov).

⁷ The designated entities are: Lugansk People’s Republic (also designated by the US); Donetsk People’s Republic (also designated by the US); Federal State of Novorossiia; International Union of Public Associations Great Don Army; Sobol; the Lugansk Guard; the Army of the Southeast; the Donbass People’s Militia; Vostok battalion; state ferry enterprise Kerch ferry; state enterprise Sevastopol commercial seaport; state enterprise Kerch commercial seaport; state enterprise Universal – Avia; Resort Nizhnaya Oreanda; Crimean enterprise Azov distillery plant; state concern National Association of producers Massandra; state enterprise Magarach of the national institute of wine; and state enterprise factory of sparkling wine Novy Svet.

JURISDICTION

As with other EU sanctions, these sanctions apply within the territory of the EU, to EU nationals and EU companies anywhere in the world, to business done in whole or part within the EU, and onboard vessels or aircraft under the jurisdiction of an EU Member State.

We will continue to provide updates as the situation develops.

For updates on Ukraine-related sanctions and other sanctions developments, please subscribe to the Debevoise & Plimpton LLP Sanctions Alert. The Sanctions Alert is a free, semi-monthly e-mail summary of developments in the area of economic and trade sanctions in the United States, the European Union and around the world. If you would like to subscribe, please e-mail sanctions@debevoise.com with a request to be added to the Sanctions Alert mailing list or sign up here. The Firm's sanctions-related publications can also be found on [The Sanctions Resource](#) page of our website.

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Please do not hesitate to contact us with any questions.

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