

CLIENT UPDATE

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

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On 12 September 2014, the EU expanded its regime of sector-wide sanctions imposed on Russia on 31 July. Council Regulation (EU) No 960/2014 (“Regulation 960”) now imposes additional restrictions on accessing European capital markets, supplying dual-use goods and technology, providing financial assistance for military goods and engaging in activities related to oil exploration and production.

This updated regime of sectoral sanctions constitutes the most extensive package of Ukraine-related restrictive measures to date, affecting entire sectors of the Russian economy, banking, energy and defence industries. For further information, please see our [Client Update](#) of 31 July.

A few hours after the new EU sanctions were announced, the US Treasury Department also announced an expansion of its sectoral sanctions programme targeting Russian Companies. A summary of these new measures can be accessed [here](#).

CAPITAL MARKET RESTRICTIONS

On 31 July, the EU prohibited the purchasing, selling, provision of 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 five listed

state-owned banks (as well as their 50%-owned non-EU subsidiaries and any companies acting on their behalf or at their direction).¹

Regulation 960 has now introduced the following additional restrictive measures, further expanding the existing capital market restrictions:

First, the EU reduced the maximum maturity period applicable to the prohibited dealings in transferable securities and money-market instruments to 30 days.² This applies to financial instruments issued after 12 September. For financial instruments issued between 1 August and 12 September 2014, the maturity limit remains a period of 90 days.

Second, the EU expanded its list of entities subject to the latest capital market restrictions to include not only state-owned financial institutions, but also the following six companies (as well as their 50%-owned non-EU subsidiaries and any companies acting on their behalf or at their direction):

- OPK Oboronprom (excluding legal persons, entities or bodies acting in the space or nuclear energy sectors);
- United Aircraft Corporation (excluding legal persons, entities or bodies acting in the space or nuclear energy sectors);
- Uralvagonzavod (excluding legal persons, entities or bodies acting in the space or nuclear energy sectors);
- Rosneft;
- Transneft; and
- Gazprom Neft.

Third, the EU has prohibited any direct or indirect involvement in the provision of loans or credit with a maturity exceeding 30 days after 12 September to the listed entities. Excluded from the scope of this prohibition is: (1) the provision of credit for the financing of non-prohibited activities; and (2) the provision of emergency funding for subsidiaries within the EU that are majority owned by Rosneft, Transneft, or Gazprom Neft.

¹ The listed banks are (1) Sberbank; (2) VTB Bank; (3) Gazprombank; (4) Vnesheconombank (VEB); and (5) Rosselkhozbank (aka Russian Agricultural Bank).

² Regulation 960 redefines “brokering services” as “investment services”, which concept includes: receiving and transmitting orders in relation to one or more financial instruments; executing orders on behalf of clients; dealing on own account; portfolio management; investment advice; underwriting financial instruments and/or placing of financial instruments on a firm commitment basis; placing of financial instruments without a firm commitment basis; and any service in relation to the admission to trading on a regulated market or trading on a multilateral trading facility.

SUPPLY OF DUAL USE GOODS

The existing prohibition on the supply of dual use goods or technology, and on the provision of technical assistance, financial assistance, or brokering services related to such supply, has now been made expressly applicable to the following nine companies:

- JSC Sirius;
- OJSC Stankoinstrument;
- OAO JSC Chemcomposite;
- JSC Kalashnikov;
- JSC Tula Arms Plant;
- NPK Technologii Maschinostrojenija;
- OAO Wysokototschnye Kompleksi;
- OAO Almaz Antey; and
- OAO NPO Bazalt.

Regulation 960 subjects the prohibition on supplying dual-use goods to the following three exceptions: (1) the execution of contracts or agreements concluded before 12 September; (2) the provision of assistance necessary to the maintenance and safety of existing civil nuclear capabilities within the EU; and (3) the supply of dual use goods and technology intended for aeronautics and space industry, given their non-military nature.

THE PROVISION OF FINANCIAL ASSISTANCE FOR MILITARY GOODS

On 31 July, the EU prohibited the provision of financial assistance in respect of 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. This prohibition applies to all items listed on the common military list of the EU, including weapons, ammunition, military vehicles and paramilitary equipment, and all items on the EU's dual-use list.

The concept of "financial assistance" has now been expanded under Regulation 960 to include "insurance and reinsurance". This addition is significant as the original Decision imposing the prohibition³ excluded these forms of financial assistance from its remit. The

³ Decision 2014/512/CFSP

UK government has previously issued guidance stating that the term “financial assistance” did not cover either insurance or reinsurance.

Regulation 960 does not prohibit the import of military goods from Russia, nor does it sanction the transport of such goods through the EU.

OIL EXPLORATION AND PRODUCTION

With regard to the restrictions imposed on deep water and arctic oil exploration and production, as well as shale oil projects in Russia, the EU has now prohibited the direct or indirect provision of the following related services: (1) drilling; (2) well testing; (3) logging and completion services; and (4) the supply of specialised floating vessels.

These prohibitions do not apply to the execution of contracts and agreements concluded before 12 September, nor to services necessary for the urgent prevention or mitigation of events that are likely to have a serious impact on human health and safety, or on the environment.

FURTHER DESIGNATIONS OF INDIVIDUALS AND ENTITIES

The EU has also added a further 24 individuals to its list of persons subject to asset freezes.⁴ These individuals include leaders and senior members of separatist entities, close associates of President Vladimir Putin and members of the State Duma, the lower house of the Russian Federal Assembly.

The full list of designated individuals includes: (1) Alexander Zakharchenko; (2) Vladimir Kononov/Aka ‘Tsar’; (3) Miroslav Vladimirovich Rudenko; (4) Gennadiy Nikolaiovych Tsypkalov; (5) Andrey Yurevich Pinchuk; (6) Oleg Bereza; (7) Andrei Nikolaevich Rodkin; (8) Aleksandr Karaman; (9) Georgiy L'vovich Muradov; (10) Mikhail Sergeyevich Sheremet; (11) Yuri Leonidovich Vorobiov; (12) Vladimir Volfovich Zhirinovskiy; (13) Vladimir Abdualiyevich Vasilyev; (14) Viktor Petrovich Vodolatsky; (15) Leonid Ivanovich Kalashnikov; (16) Vladimir Stepanovich Nikitin; (17) Oleg Vladimirovich Lebedev; (18) Ivan Ivanovich Melnikov; (19) Igor Vladimirovich Lebedev; (20) Nikolai Vladimirovich Levichev; (21) Svetlana Sergeevna Zhurova; (22) Aleksey Vasilevich Naumets; (23) Sergey Viktorovich Chemezov; and (24) Alexander Mikhailovich Babakov.

⁴ Council Implementing Regulation (EU) No 961/2014

CIRCUMVENTION OF SANCTIONS

Regulation 960 continues to prohibit the knowing and intentional participation in activities the object or effect of which is to circumvent the prohibitions established by the EU's sector-wide sanctions.

This includes acting as a "substitute" for any of the designated entities, or using the exception applicable to the provision of credit for the financing of non-prohibited activities to fund such entities.

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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