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EU Announces New Rounds of Sanctions as Russia's War in Ukraine Marks One Year

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March 6, 2023 – Nine years after the beginning of Russia's invasion and occupation of Crimea and one year after its full-scale invasion of Ukraine, the G7 Leaders issued a [statement](#) on February 24, 2023, committing to strengthening existing sanctions against Russia and "presenting a united front through the imposition of new coordinated economic actions against Russia." Acting on this statement, new sanctions were introduced in the days that followed by the European Union and the United States ([See HHR Client Advisory](#)).

On February 25, 2023, the [EU adopted a tenth package of restrictive measures \(sanctions\) against Russia](#), "giving another turn of the screw to the government of the Russian Federation and those responsible for Russia's continuing war of aggression." The new package introduces a series of measures designed to further [weaken the Russian government's ability to wage and finance its war](#), including (i) new asset freeze listings, (ii) enhanced reporting obligations, (iii) trade sanctions affecting more than [11.4 billion euros of exports and 1.3 billion euros of imports](#), and (iv) sectoral sanctions in the field of energy, transport and media.

The new EU measures were implemented [through](#) five Council Decisions and five Council Regulations.

1. Individual restrictive measures

New designations

On February 25, 2023, the EU added 87 individuals and 34 entities to its restricted parties list through [Council Implementing Regulation 2023/429](#). The newly-listed individuals and entities [include](#), among others, decision makers, proxy authorities in occupied regions of Ukraine, individuals and entities related to the Russian military and defense sectors, individuals responsible for the deportation and forced adoption of Ukrainian children, propagandists and media entities, entities providing substantial sources of revenue to Russia (including in the financial and industrial sectors), as well as four Iranian individuals involved in the supply of drones to Russia and one shipping company from the United Arab Emirates linked to Sovcomflot. Newly-designated entities include financial institutions such as Alfa-Bank, Rosbank, Tinkoff Bank and the Russian National Reinsurance Company, as well as the National Wealth Fund of the Russian Federation.

In total, as of today, [1473 individuals and 205 entities](#) have been placed on the EU restricted parties list under the Russian program in respect of actions undermining or threatening the territorial integrity, sovereignty, and independence of Ukraine.

Additions to the EU's restricted parties were also adopted on the same day against one individual under the Mali sanctions regime, through [Council Implementing Regulation 2023/428](#), and against eight individuals and seven entities under the Global Human Rights Sanctions regime, through [Council Implementing Regulation 2023/430](#), all related to the Wagner Group.

Newly-designated individuals and entities are subject to an asset freeze and a prohibition from making funds and economic resources available to them, as well as, for individuals, a travel ban in the EU as of the date on which they were respectively added to the EU's restricted parties list.

Extension of existing deadlines for derogations

Pursuant to [Council Regulation 2023/426](#), the wind down period for divestments has been extended. Authorizations can now be granted for the sale and transfer of proprietary rights owned by asset freeze targets in EU entities by May 31, 2023 (instead of February 28, 2023) or six months from their listing, whichever is later.

New derogations

Pursuant to [Council Regulation 2023/426](#), the relevant enforcement authorities of the competent Member States ("National Competent Authorities") may authorize the release of certain frozen funds or economic resources of, or the making available of certain funds or economic resources to:

- **Alfa-Bank, Rosbank and Tinkoff Bank** for:
 - The termination by August 26, 2023, of operations, contracts or other agreements concluded with those banks before February 25, 2023; and
 - Transactions that are necessary for the purchase, import or transport of agricultural and food products (including wheat and fertilizers).
- **Alfa-Bank** for:
 - Transactions for the disbursement of funds by the Jewish Claims Conference to beneficiaries in the Russian Federation by November 26, 2023, irrespective of when the operations, contracts or other agreements were concluded.
- **Commercial Vehicles – GAZ Group** for:

- The termination by August 26, 2023, of operations, contracts or other agreements concluded with, or otherwise involving, that entity before February 25, 2023.
- **The National Settlement Depository** for:
 - The disposal or the transfer of securities by an EU entity, currently or previously controlled by VTB Bank, to be completed by July 24, 2023, on the basis of operations, contracts or agreements concluded with, or otherwise involving, the National Settlement Depository before June 3, 2022.

Revised reporting obligations

Pursuant to [Council Regulation 2023/426](#), as of April 26, 2023, the following **information should be reported to National Competent Authorities within two weeks** of acquiring this information:

- Information on frozen funds and economic resources, as well as funds and economic resources within the EU territory that belong to, are owned, held or controlled by asset freeze targets and which have not been treated as frozen;
- Information on funds and economic resources belonging to, owned, held, or controlled by asset freeze targets which have been subject to any move, transfer, alteration, use of, access to, or dealing that would be prohibited under an asset freeze measure in the two weeks preceding the listing of the asset freeze target.

The nature and scope of information to be supplied is now defined and must include the identification of the persons, amounts or market values and types of funds or economic resources involved.

Importantly, the role of the European Commission ("Commission") is reinforced. Whereas information exchange requirements previously applied between National Competent Authorities and the Commission, Member States are now expressly required to provide the information reported to them to the Commission within two weeks. Furthermore, the Commission is now empowered to request information from both the Member States and relevant natural or legal persons, in order to verify the information reported.

Finally, Member States and relevant persons shall cooperate with the Commission in any verification of this information, with the Commission empowered to request any additional information it requires to carry out such verification.

Finally, central securities depositories are subject to further enhanced reporting obligations, covering also information on extraordinary and unforeseen loss and damage concerning the relevant funds and economic resources, to be communicated within two weeks of acquiring the information and updated every three months thereafter to both National Competent Authorities and the Commission.

2. State-owned entities (transaction ban)

As a reminder, it is prohibited to directly or indirectly engage in any transaction with (i) entities listed in Annex XIX of Regulation 833/2014, (ii) entities established outside the EU they own for more than 50% and (iii) entities acting on their behalf or at their direction.

[Council Regulation 2023/427](#) extends or introduces new exemptions or derogations to Article 5aa, paragraph 3 of Regulation 833/2014

- **Extended exemption for the winding-down of joint ventures** – Transactions strictly necessary for the wind-down of joint ventures or similar legal arrangements concluded before March 16, 2022, and involving an entity subject to the transaction ban can now be completed until December 31, 2023 (instead of June 30, 2023).
- **New exemption for pilot services** – The provision of pilot services to vessels in innocent passage necessary for reasons of maritime safety is exempted from the transaction ban.
- **Extended derogation for divestments** – Authorizations can be granted for transactions strictly necessary for the divestment and withdrawal by December 31, 2023 (instead of June 30, 2023) of an entity subject to the transaction ban or their EU subsidiaries from an EU entity.

3. Trade sanctions

[Council Regulation 2023/427](#) reinforces restrictions applicable to dual-use items, advanced technology and firearms and makes significant amendments to the lists of items subject to import- or export-related restrictions, while also providing for new exemptions, derogations or quotas. It also clarifies the scope of "imports" and introduces a general exemption in relation to restricted technical assistance.

Transit of dual-use and firearms (export-related restrictions)

- **New prohibition on transit via the territory of Russia of dual-use items, firearms, their parts and essential components and ammunition** exported from the EU.
 - For dual-use items, exemptions and derogations are modelled on those applicable to prohibitions on sale, supply, transfer, or export, although the scope of available exemptions and derogations is more limited.
 - For firearms, neither exemptions nor derogations are foreseen.

Dual-use and advanced technology items (export-related restrictions)

- **Extension of the list of entities subject to enhanced restrictions in relation to dual-use and advanced technology items (Annex IV of Regulation 833/2014)** to cover an additional 96 entities, including 7 Iranian entities that have been supplying Russia with drones.

Advanced technology items (export-related restrictions)

- **Extension of the list of controlled items (Annex VII of Regulation 833/2014)** to include:
 - Specific rare earth materials (Part A of the Annex);
 - Electronic integrated circuits (Part B, category 2, CN Code 8537);
 - Thermal cameras (Part B, Category 3, CN Codes 8525, 9013, 9025); and
 - Other electrical or magnetic components (Part B, Category 4, CN Codes 8529, 8532).

Aviation and space industry (export-related restrictions)

- **Extension of the list of controlled items (Annex XI of Regulation 833/2014)** to include a new part D covering certain turbojets and their parts.
- **A wind-down exemption** is introduced for newly controlled items listed in part D, allowing the execution until March 27, 2023, of contracts concluded before February 26, 2023, or ancillary contracts necessary for the execution of such contracts.

Goods which can contribute to the enhancement of Russian industrial capacities (export-related restrictions)

- **Extension of the list of controlled items (Annex XXIII of Regulation 833/2014)** to include a new part C covering items such as iron and steel products, vehicles (heavy trucks, semi-trailers, special vehicles, etc.), goods easily directed to the Russian military (electric generators, binoculars, radars, compasses, etc.), construction goods (bridges, structures, fork-lift trucks, cranes, etc.), industrial goods (electronics, machine parts, pumps, machinery for working metals, etc.) and complete industrial plants.
- **Exemptions and derogations:**
 - **A wind-down exemption** is introduced for newly controlled items listed in part C (except for iron and steel products falling under CN codes 7208 25, 7208 90, 7209 25, 7209 28, 7219 24), allowing the execution until March 27, 2023, of contracts concluded before February 26, 2023, or ancillary contracts necessary for the execution of such contracts.
 - **Derogations** are available for newly controlled items in part C, which are strictly necessary for the production of titanium goods required in the aeronautic industry, for which no alternative supply is available.
 - **Technical adjustment** – The derogations laid down in article 3k(5a) of Regulation 833/2014 for goods necessary for personal household use of natural persons have been limited to goods falling under CN code 8417 20 (references to CN codes 8419 81 80 and 8438 10 10 have been removed, as those CN codes were not covered by Annex XXIII in the first place).

Goods which generate significant revenues for Russia (import-related restrictions)

- Extension of the list of controlled items (Annex XXI of Regulation 833/2014) to include a new part C covering certain petroleum material (CN Code 2712 and 2713), bitumen and related materials like asphalt (CN Code 2714 and 2715) as well as synthetic rubber (CN Code 4002) and carbon blacks (CN Code 2803).
 - **A wind-down exemption** is introduced for newly controlled items listed in part C (except for carbon and synthetic rubber), allowing the execution until May 27, 2023, of contracts concluded before February 16, 2023, or ancillary contracts necessary for the execution of such contracts.
 - **For carbon (CN 2803) and synthetic rubber (CN 4002)**, a quota is introduced until June 30, 2024 (752 475 tons for carbon and 562 973 tons for synthetic rubber).

Clarification on the scope of "imports"

A new Article 12e is inserted in Regulation 833/2014 to provide that goods subject to import-related restrictions can be released for free circulation if they were presented to customs before the entry into force or applicability of import prohibitions, unless the customs authorities suspect circumvention. Any payment, however, has to be consistent with the objectives of Council Regulation 833/2014, including the prohibition on purchasing, and [Council Regulation 269/2014](#), imposing asset freeze measures.

Article 12e also specifies that customs authorities shall refuse the re-export of the goods to Russia.

Horizontal exemption for technical assistance

A new article 12d is inserted in Regulation 833/2014 to provide for a general exemption confirming that prohibitions on technical assistance do not apply to the provision of pilot services to vessels in innocent passage necessary for reasons of maritime safety.

4. Transport

- **Notification requirement for non-scheduled flights between Russia and the EU** – [Council Regulation 2023/427](#) requires **such flights, operated directly or via a third country, to be notified 48 hours in advance** to avoid circumvention of prohibitions targeting Russian(-related) aircrafts.

5. Central Bank of Russia

[Council Regulation 2023/427](#) introduces reporting obligations relating to assets and reserves of the Central Bank of Russia and entities acting on its behalf or at its direction.

- Parties which hold, control or are counterparties to such assets and reserves have to supply information thereon within two weeks after February 26, 2023, to their National Competent Authorities and the Commission.
 - This applies to all persons, **including the European Central Bank, national central banks, financial sector entities, insurance and reinsurance undertakings, central securities depositories and central counterparties.**
 - The information is to be **updated every three months.**
 - The information to be reported is detailed (identification of the persons, amounts or market values and types of assets and reserves involved).
- Information on extraordinary and unforeseen loss or damage to the assets and reserves has to be reported immediately to the National Competent Authorities and the Commission.
- Again, the Commission is empowered to request information from both the Member States and relevant natural or legal persons, in order to verify the information reported.

6. Restricted services

As a reminder, Article 5n of Regulation 833/2014 prohibits the provision of accounting, auditing, bookkeeping, tax consulting, business and management consulting, public relations, architectural, engineering, legal advisory, IT consultancy, market research, public opinion polling, technical testing and analysis and advertising services to Russian entities. [Council Regulation 2023/427](#) introduces a new derogation in that regard.

- **New derogation for services strictly necessary for the divestment from Russia or the wind-down of business activities in Russia** – The continued provision of restricted services **can be authorized until December 31, 2023, if they are provided to and for the exclusive benefit of the entity resulting from the divestment and if the services are not provided to the Government of Russia, a military end-user or for a military end-use in Russia.**

7. (European) Critical infrastructures and critical entities

- **New prohibition to hold posts in critical infrastructures** – [Council Regulation 2023/427](#) introduces a new Article 5o in Regulation 833/2014, which prohibits, as of March 27, 2023, Russian nationals and residents from holding posts in the governing bodies of owners or operators of critical infrastructures, European critical infrastructures, and critical entities, identified or designated as such under national laws pursuant to certain EU directives.
 - Russia nationals or residents that are also EU, EEA or Swiss nationals are not subject to this prohibition.

8. Energy

- **New prohibition to provide gas storage capacity in the EU** – [Council Regulation 2023/427](#) introduces a new Article 5p in Regulation 833/2014, which prohibits the provision of storage capacity to (i) Russian nationals, residents, or entities, as well as (ii) entities they own for more than 50% and (iii) entities acting on their behalf or at their direction.
 - **Exclusion of LNG storage** – This prohibition does not apply to the part of liquefied natural gas facilities used for storage.
 - **A wind-down exemptions** allows operations necessary for the termination by March 27, 2023, of contracts concluded before February 26, 2023, or ancillary contracts.
 - **Derogations** can be granted if storage capacity is necessary for ensuring critical energy supply within the EU.

9. Media

- **Extension of broadcasting ban** – As we explained in a [previous alert](#), it is prohibited for operators to broadcast, to enable, facilitate or otherwise contribute to broadcast any content, and to advertise products or services in any content, by the legal persons, entities or bodies listed in Annex XV of Regulation 833/2014.
 - **In order to address Russia's campaign of disinformation and information manipulation**, [Council Regulation 2023/427](#) adds RT Arabic and Sputnik Arabic to Annex XV. These restrictions will enter into force once a Decision to that effect is adopted.

10. Extension of the List of Partner Countries

[Council Regulation 2023/427](#) extends the [list of partner countries](#) (Annex VIII of Regulation 833/2014) to include Australia, Canada, New Zealand and Norway.

This list, reflecting EU allies applying a set of export control measures substantially equivalent to those set out in Regulation 833/2014, triggers the availability of certain exemptions or derogations in relation to sanctions affecting dual-use items and advanced technologies, luxury goods, goods which could contribute in particular to the enhancement of Russian industrial capacities and restricted business services.

11. EU FAQs

On February 28, and March 3, 2023, following this new package, the Commission updated the [consolidated version](#) of its FAQs on the implementation of Regulations 833/2014 and 269/2014 on its [dedicated webpage](#).

Furthermore, a brief "questions and answers" memo on the tenth package is available on the European Commission's [website](#).

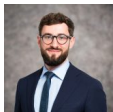
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