

## Sanctions Update: EU Expands Sanctions and Export Controls Relating to Russia and Belarus

***New announcements and rules expand the scope of existing sanctions and export controls on Russia and Belarus.***

This Client Alert is published in the context of ongoing developments and should be read in conjunction with the Latham & Watkins Client Alerts published on [13 May](#), [12 April](#), [11 March](#), [8 March](#), [1 March](#), and [25 February](#).

This Client Alert summarises the latest sanctions and trade restrictions that have been imposed, or are under consideration, by the EU and UK as of 10 June 2022. Different jurisdictions are introducing new sanctions, export restrictions, and other legal and regulatory measures on a regular basis. Companies exposed to sanctions-related developments in Russia should obtain up-to-date legal advice before taking any steps that may have legal effects.

### Russia

On 3 June, the EU introduced its sixth package of restrictive measures against Russia, principally through [Council Regulation 2022/879](#) amending [Council Regulation 833/2014](#).

The sixth package provides for, among other measures, the removal of Sberbank from SWIFT, certain prohibitions on transactions related to Russian oil, a ban on three major Russian state-owned broadcasters from EU airwaves, a ban on the provision of accounting, consulting, and public relations services to legal persons, entities, or bodies established in Russia and further designations to the EU asset-freeze sanctions list.

#### Oil – The Prohibitions

The EU has introduced a prohibition on the purchase, import or transfer, directly or indirectly, of crude oil or petroleum products (as listed in Annex XXV of Regulation 833/2014) if they originate or are exported from Russia. A further prohibition covers providing related technical assistance, brokering services, financing or financial assistance, whether directly or indirectly.

There are certain transition periods before the prohibitions take full effect.

- As regards crude oil, the prohibitions do not apply until 5 December 2022 to one-off transactions for near-term delivery, concluded and executed before that date, or to the execution of contracts

for the purchase, import, or transfer of goods falling under the relevant EU crude oil classification code concluded before 4 June 2022, or of ancillary contracts necessary for the execution of those contracts.

- As regards petroleum products, the prohibitions do not apply until 5 February 2023 to one-off transactions for near-term delivery, concluded and executed before that date, or the execution of contracts for the purchase, import, or transfer of goods falling under the relevant EU petroleum goods classification code, or of ancillary contracts necessary for the execution of those contracts.
- In each case, the relevant EU Member States must have notified the relevant contracts to the EU Commission by 24 June 2022, and one-off transactions for near-term delivery must be notified by the relevant EU Member States to the EU Commission within 10 days of their completion.

### **Oil – “Pipeline” Exemptions**

The new oil prohibitions contain multiple exemptions, including a significant exemption for crude oil delivered by pipeline from Russia into EU Member States.

However, the pipeline exemption is subject to certain specific exceptions. For example, it is prohibited to transfer or transport crude oil delivered by pipeline into EU Member States to other EU Member States or non-EU countries, or to sell such oil to purchasers in other EU Member States or in non-EU countries. All consignments and containers of pipeline-delivered crude oil must be clearly marked as being prohibited for further onward export.

From 5 February 2023, where crude oil has been delivered by pipeline into an EU Member State, it shall be prohibited to transfer or transport petroleum products that are refined/obtained from that crude oil to other EU Member States or to non-EU countries, or to sell such petroleum products in other EU Member States or in non-EU countries.

### **Oil – Country-Specific Exemptions**

There are certain country specific exemptions from the oil prohibitions granted for limited periods of time to specific EU Member States due to their “specific dependencies”. In summary:

- **Czechia (the Czech Republic):** the prohibition on transferring / transporting petroleum products refined from Russian-origin crude oil (which will take effect as of 5 February 2023) will not apply until 5 December 2023 as regards the import and transfer of such products into Czechia (unless alternative supplies are made available before that date).
- **Bulgaria:** Bulgaria’s national competent authorities may authorise the continued execution until 31 December 2024 of contracts concluded before 4 June 2022, or of ancillary contracts necessary for the execution of such contracts, for the purchase, import, or transfer of seaborne crude oil and of petroleum products listed in Annex XXV originating in Russia or exported from Russia.
- **Croatia:** Croatia’s national competent authorities may authorise (under certain conditions) the purchase, import, or transfer of vacuum gas oil falling under a particular EU classification code until 31 December 2023 originating in Russia or exported from Russia under certain conditions.

In the case of Bulgaria and Croatia, any goods imported into those countries subject to an exemption may not be sold on to buyers located in another EU Member State or in a non-EU country.

## Oil – Other Exemptions

Regulation 833/2014 contains a number of further exceptions. Notably:

- The prohibitions do not apply to the purchase, import, or transfer of seaborne crude oil and of petroleum products (as listed in Annex XXV) where those goods originate in a third country and are only being loaded in, departing from, or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.
- If the supply of crude oil by pipeline from Russia to a landlocked EU Member State is interrupted for reasons outside the control of that EU Member State, then seaborne crude oil from Russia (falling under the relevant EU classification code) may be imported into that EU Member State by way of an exceptional temporary derogation.
- The prohibitions relating to the purchase, import, or transfer of oil shall not apply to purchases in Russia which are required in order to meet the essential needs of the purchaser in Russia or of humanitarian projects in Russia.

## Oil – Other Notable Restrictions

Regulation 833/2014 provides that it shall be prohibited to provide, directly or indirectly, technical assistance, brokering services or financing or financial assistance, related to the transport to non-EU countries of crude oil or petroleum products (as listed in Annex XXV) which originate in Russia or which have been exported from Russia. However, this prohibition does not apply to:

- (i) the execution until 5 December 2022 of (i) contracts concluded before 4 June 2022, or of ancillary contracts necessary for the execution of such contracts; or
- (ii) the transport of crude oil or petroleum products (as listed in Annex XXV) where those goods originate in a third country and are only being loaded in, departing from, or transiting through Russia, provided that both the origin and the owner of those goods are non-Russian.

The EU Commission released a [Q&A](#) indicating that it intended this measure to mean that, after a wind-down period of six months, EU operators will be prohibited from insuring and financing the transport, in particular through maritime routes, of Russian oil to third countries. The EU Commission states that this will “make it particularly difficult for Russia to continue exporting its crude oil and oil products to the rest of the world”.

The new EU measures also provide for regular reporting requirements by EU Member States to the EU Commission.

## Other Prohibitions

- **Broadcast bans:** The EU has also expanded the broadcasting ban described in the [8 March Client Alert](#), by which it is prohibited for EU operators to broadcast or to enable, facilitate, or otherwise contribute to broadcast any content by certain legal entities, including by transmission or distribution by any means such as cable, satellite, IP-TV, internet service providers, internet video-sharing platforms or applications. Specifically:

- The prohibition has now been extended to:
  - Rossiya RTR/RTR Planeta
  - Rossiya 24 / Russia 24
  - TV Centre International
- The EU has also prohibited the advertisement of products or services in any content produced or broadcast by the legal entities targeted by the broadcast ban.
- **Export restrictions:** The EU has added significantly to the list of military end-users to which the export of dual-use goods should not be approved by national competent authorities. The list of goods and technology which may contribute to Russia's military and technological enhancement, or the development of the defence and security sector, and which goods/technologies are therefore subject to export restrictions, has also been expanded to include 80 additional chemicals.
- **Provision of professional services:** The sixth package includes new prohibitions on providing certain professional services, directly or indirectly, to the Government of Russia or legal persons, entities or bodies established in Russia, subject to limited exceptions. The services affected are:
  - Accounting
  - Auditing
  - Bookkeeping or tax consulting
  - Business and management consulting
  - Public relations
- **SWIFT:** An additional three Russian banks (i.e., Sberbank, Credit Bank of Moscow, and Joint Stock Company Russian Agricultural Bank JSC Rosselkhozbank) will be removed from SWIFT as of 14 June 2022. The SWIFT removal will also apply to any legal person, entity, or body established in Russia whose proprietary rights are directly or indirectly owned for more than 50% by any of these entities.
- **Criminalisation of breaches:** The EU now requires EU Member States to implement criminal penalties for breaches. Previously, the obligation on EU Member States was to provide for effective, proportionate, and dissuasive penalties, meaning that EU Member States were notionally permitted to classify sanctions violations as leading only to civil or administrative liability. There is also a new obligation to provide for appropriate measures to confiscate the proceeds of violations of sanctions rules.

## Belarus

[Council Regulation 2022/877](#), amending [Regulation \(EC\) No 765/2006](#) concerning restrictive measures in view of the situation in Belarus, introduces the following new measures, mirroring some of the prohibitions in amended Regulation 833/2014:

- **SWIFT:** The Belarusian Bank For Development And Reconstruction has been excluded from SWIFT, along with the Russian credit institutions mentioned above.
- **Criminalisation of breaches:** The EU's new rules on the criminalisation of breaches of sanctions have also been included in the Belarus sanctions regime.

## Asset-Freeze Designations

Through updates to a separate sanctions regulation (Regulation 269/2014), the EU has designated additional natural persons and entities on the [EU Consolidated Financial Sanctions List](#), including many linked to atrocities in Bucha and Mariupol and the repression of human rights in Belarus.

The sixth package also includes asset-freezing designations for further significant Russian companies (such as Kamaz) and the family members of certain existing targets, such as Aleksandra Melnichenko, whose husband Andrey Igorevich Melnichenko had previously been designated.

The result of such asset-freeze sanctions is that, subject to very limited exceptions: (a) all funds and economic resources belonging to, owned, held, or controlled by the asset-freeze targets are frozen; and (b) no funds or economic resources shall be made available, directly or indirectly, to or for their benefit.

## What's Next?

The UK has announced that it intends to update its Russia sanctions regulations with measures similar to several of those that the EU has now introduced (in particular, restrictions relating to the provision of insurance for the maritime shipping of Russian oil and prohibitions on the provision of certain professional services to Russian persons). The UK's previously announced ban on new outward investment into Russia also remains unimplemented, as yet.

As to the EU measures, whilst the sixth package has not affected imports of Russian gas, the EU Commission has warned in a [Q&A](#) document that "nothing is off the table" for future sanctions packages.

Latham & Watkins is tracking developments across all regions closely and expects that the US, the EU, the UK, and other governments around the world may impose additional rounds of sanctions as events unfold. The firm is well positioned to advise clients on the legal and practical impacts of these measures.

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