

Sanctions Update: UK Sanctions Expand to Target Further Russian Metals and Alleged Military Collaborators

The UK's latest sanctions affect multiple areas and actors, including Turkish, Chinese, and Dubai-based entities alleged to support Russian military activities.

This Client Alert is published in the context of ongoing developments and should be read in conjunction with Latham's [previous sanctions updates](#). This Client Alert is not intended to take the form of official legal advice. Given the frequency with which different jurisdictions impose new sanctions on Russia and the detailed and nuanced nature of the sanctions updates, businesses exposed to sanctions-related developments in Russia should obtain up-to-date legal advice before taking any steps that may have legal consequences.

This Client Alert reviews a series of sanctions developments in the UK, including restrictions that the UK imposed near the second anniversary of Russia's invasion of Ukraine. On 22 February 2024, the UK imposed sanctions on more than 50 additional Russia-related entities and individuals.

The new UK sanctions designate significant players in Russia's military and mining sectors as well as non-Russian targets, including persons in Dubai who are believed to facilitate trade in Russian oil above the so-called "Oil Price Cap" (OPC). The new sanctions also target a Turkish electronics company and three Chinese companies, all of which allegedly contribute materials to Russia's military.

New Designations

UK sanctions regulations, including the UK Russia Regulations, authorise the Foreign Secretary to designate individuals and entities for wide-ranging "asset freeze" restrictions. The Foreign Secretary may issue sanctions if he/she has reasonable grounds to suspect that persons have been involved in certain activities. For the UK Russia Regulations, these activities are:

- "destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine"; or
- "obtaining a benefit from or supporting the Government of Russia".

On 22 February 2024, the Foreign Secretary invoked these provisions to designate a further 50 individuals and entities. The [UK's press release](#) notes the sanctions target "those supplying [Russia's] depleted armoury with munitions" and "key sources of Russian revenue".

With respect to Russian “munitions”, the newly designated entities include a Russian airline (224th Flight Unit State Airlines), which the UK describes as “involved in the transfer of weapons from the Democratic People’s Republic of Korea to Russia”. With respect to the Russian economy, the new designated persons include three individuals linked to the previously sanctioned Ural Mining and Metallurgical Company (UMMC) — namely, Eduard Alexandrovich Chukhlebov, Igor Gennadievich Kudryashkin, and Aleksandr Vladimirovich Bunin. The listings also include Anatoly Mikhailovich Sedykh, Chairman of the Board of Directors of United Metallurgical Company (OMK), who is described by the UK as “one of Russia’s top producers of steel pipes”.

The new UK sanctions also target non-Russian persons. Notably, the UK has sanctioned one Turkish company (Cozum Yazilim Donanim Elektronik) and three Chinese companies (Finder Technology Ltd, Juhang Aviation Technology (Shenzen) Co., Limited, and Beijing Micropilot Flight Control Systems Co., Ltd), which the UK alleges supply sanctioned electronics and UAVs (drones) to Russia. Additionally, the UK sanctioned a Dutch national based in Dubai, and one of his Swiss-based companies, alleging that they “facilitate unfettered trade in Russian oil beyond the reach of the Oil Price Cap”. The UK also sanctioned three shipping companies (based in Dubai and Turkey), alleging that they “carry on business in the Russian energy sector as part of Putin’s shadow fleet”.

Updates to the Common High Priority Items List

On 22 February 2024, the UK [updated](#) its Common High Priority Items List (the CHPI List). The CHPI List identifies items that are already banned for export to Russia, but are considered especially sensitive due to their recurrence in Russian weapons systems “retrieved from the battlefield”. The CHPI List is arranged in “tiers” categorising different types of sensitive items. Some tiers include “electronic components such as integrated circuits and radio frequency (RF) transceiver modules”, all of which can be contained in, and stripped out of, goods that do not initially appear of military use. The UK states that “Russia is seeking to procure restricted goods such as those on this list, via non-sanctioning countries”. The UK also advises that businesses “ensure that they consider these risks” and “undertake due diligence to ensure that the end destination of these products is not Russia”.

The latest updates add five additional items to the CHPI List. These items sit in a new tier (4B), which covers “Computer Numerical Control (CNC) machine tools for the manufacturing of complex high precision metal components”. The UK [states](#) that these five additions are coordinated with equivalent CHPI Lists maintained by the US and EU.

Updates to the Oil Price Cap

On 1 February 2024, the UK released an [enforcement alert](#) regarding the OPC, which it enforces with other allies in the OPC Coalition. (See this Latham [Client Alert](#) for further background.) The UK’s alert addresses several issues, including “inadvertent circumvention or misinterpretation of the OPC” as well as containing warnings regarding common “evasion methods”. The alert encourages operators to exercise appropriately “calibrated” due diligence, and warns against the “manipulation of shipping and ancillary costs (including shipping, freight, customs and insurance costs), the bundling of such costs, and failure[s] to itemize these costs”. The alert notes that these “should be at commercially reasonable rates, in line with industry standards”, and cautions that “commercially unreasonable or opaque shipping and ancillary costs should be viewed as a sign of potential OPC evasion”.

Subsequently, on 16 February 2024, the UK released [updated industry guidance](#) on the OPC. The guidance explains changes to the UK’s enforcement system, including in reaction to issues identified in the enforcement alert.

The new measures include requiring so-called “Tier 1” providers (such as commodities brokers and traders) to record “itemised ancillary costs” and, on request, to provide these itemised breakdowns in the written “attestations” required by providers in other tiers. In addition, the UK now requires attestations to be collected on a “per-voyage” basis — i.e., “where there is more than one voyage occurring under a single contract, attestations must be passed between [the various tiered parties] on a per-voyage basis”.

The UK has also redesigned its approach to “Tier 3” providers (i.e., “service providers with no direct access to price information, who do not know and cannot access [the per-barrel price]”). The UK now divides this into “Tier 3A” (including P&I clubs, insurance brokers, and shipowners) and “Tier 3B” (including reinsurers and “financial institutions providing general financing facilities”).

Tier 3A providers are required to collect “per-voyage” attestations and include business mechanisms providing the right to receive breakdowns of ancillary costs associated with any relevant voyage.

Tier 3B providers, by contrast, “are judged to operate at such a distance from the original transaction and voyages that it may not be practical to obtain an attestation for each voyage”. Accordingly, the UK guidance states that “the inclusion of a clause within contractual terms and conditions stating that the unit price of the Russian oil to be supplied or delivered, or being supplied or delivered, is or will be at or below the Price Cap [...] may be considered sufficient to meet the requirements of the attestation process. This could be a clause along the lines of the Lloyds Market Association 3100, 3100A or 3200 clauses, which suspend insurance coverage for activity which breaches any sanctions – including, but not limited to, the UK Maritime Services Ban and Oil Price Cap”.

Updates to the UK Russia Regulations

On 14 December 2023, the UK released two further amendments to the UK Russia Regulations by virtue of the [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 4\) Regulations 2023](#) (the Fourth 2023 Amendment) and the [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 5\) Regulations 2023](#) (the Fifth 2023 Amendment).

Fourth 2023 Amendment

The Fourth Amendment introduced a number of new trade restrictions with particular emphasis on luxury goods, iron and steel, and metals, as well as heightened reporting obligations for regulated firms.

Luxury Goods

To align with EU measures, the UK Russia Regulations now include prohibitions on providing ancillary services, including technical assistance, financial services and funds, and brokering services relating to the export of listed luxury goods to Russia.

Import Restrictions: Iron and Steel

The UK Russia Regulations now include five additional commodity codes (7201 – 7205) of iron and steel products that cannot be imported from Russia. The new list includes: pig iron and spiegeleisen in pigs, blocks or other primary forms; ferro-alloys; ferrous products obtain by direct reduction or iron ore and other spongy ferrous products; ferrous waste and scrap; and granules and powders of pig iron.

Import Restrictions: Metals

The UK Russia Regulations include a new [Chapter 4CB](#) and [Schedule 3BA](#) prohibiting the importation and acquisition of specified metals that originate in or are located in Russia, and the supply and delivery of metals from Russia to a so-called “third country” (meaning a country that is not the UK, the Isle of Man,

or Russia). The metals included in the regulations are copper, nickel, aluminium, lead, zinc, tin, tungsten, molybdenum, tantalum, magnesium, cobalt, bismuth, zirconium, antimony, manganese, beryllium, chromium, hafnium, rhenium, thallium, cadmium, germanium, vanadium, gallium, indium, niobium, and cermet as well as tools, implements, cutlery, spoons, and forks of “base metal” or miscellaneous articles of “base metal”.

According to the [Explanatory Memorandum](#) provided by the Foreign, Commonwealth and Development Office, these measures are intended to “further constrain Russia’s ability to raise money to fund its war effort and will further degrade the competitiveness and influence of the Russian metals sector”.

Subsequently, on 12 April 2024, the UK government [announced](#) that it had prohibited the London Metal Exchange (LME) from trading new aluminium, copper, and nickel produced by Russia.

Reporting Obligations Relating to “Prohibited” Persons

In addition to knowledge about the resources of a “designated person”, regulated firms are now required to report knowledge or suspicion that it holds funds or economic resources of a “prohibited person”. A “prohibited person” in this context means the Russian Central Bank, National Wealth Fund, Ministry of Finance, a person owned or controlled by any of the above, or a person acting on behalf of or at the direction of any of the above.

Reporting Obligations Relating to “Designated” Persons

Additionally, “designated persons” under the UK Russia Regulations are now required to provide reports on their assets to the UK Treasury.

A “designated person” who is a “United Kingdom person” must inform the Treasury of “the nature and value of any funds or economic resources which that person owns, holds or controls in any jurisdiction” and “the location of those funds and economic resources”. The meaning of “United Kingdom person” is set out [in s.21\(2\)&\(3\) of the Sanctions and Anti-Money Laundering Act 2018](#). In essence, it encompasses: (a) “a United Kingdom national”; and/or (b) “a body incorporated or constituted under the law of any part of the United Kingdom”.

In light of the newly introduced [Regulation 70A](#), a designated person who is not a United Kingdom person must inform the Treasury of “the nature and value of any funds or economic resources which that person owns, holds or controls in the United Kingdom” and “the location of those funds or economic resources”.

Whether or not the designated person is a United Kingdom person, the person must report within 10 weeks of the earlier of: (a) being designated, or (b) the date on which the legislation came into force (which the [Fourth Amendment](#) states for these provisions was 26 December 2023).

Failure to report may result in a substantial civil fine in which the “permitted maximum” is the greater of: (a) £1,000,000; or (b) “50% of the value of the funds or economic resources which the Treasury have not been informed of.” A [blogpost dated 12 February 2024](#) by the UK’s financial sanctions regulator, the Office of Financial Sanctions Implementation (OFSI), states that the government intends to extend this measure to the Belarus regime in early 2024. OFSI also states that “civil enforcement” against designated persons’ failures to report will be applied “on a true strict liability basis”, “regardless of whether the [designated person], for example, had a reasonable excuse for failing to report”.

Divestment Licence

The UK's Russia Regulations contain a series of "Treasury licences" outlining limited grounds on which OFSI can provide a specific licence permitting an action that would otherwise breach sanctions. The 4th Amendment adds [Part 1ZA](#) to these licensing grounds, covering "Divestment etc". In brief, these new licensing grounds permit a UK entity to seek a specific licence in two circumstances relating to divestment from Russia.

In the first circumstance, the UK entity may seek a licence for a "transfer of funds or economic resources located in Russia and owned, held or controlled by the UK entity" to the Government of Russia or a designated person "in order to enable that entity to divest itself, either wholly or partially, of those funds or economic resources".

In the second circumstance, the UK entity may seek a licence "in order to allow that entity to acquire" from the Government of Russia or a designated person "an interest in that entity held by that person". This is subject to the "sole consideration" being a "transfer of funds from the UK entity to the person concerned" and that the funds are credited to a frozen account, in line with UK regulations.

Fifth 2023 Amendment and the First 2024 Amendment

The Fifth 2023 Amendment introduced, via a new [Chapter 4JB](#), a prohibition on:

- the import, acquisition, and supply and delivery of diamonds and diamond jewellery that are imported from Russia
- the provision of related ancillary services such technical assistance, financial services and funds, and brokering services

For the purpose of the UK Russia Regulations, "diamonds" means anything falling with a commodity code listed in [Schedule 3GA](#), including unsorted diamonds, non-industrial diamonds other than unworked or simply sawn, cleaved or bruted, and synthetic or reconstructed diamonds, whether unworked or simply sawn or roughly shaped, or other than unworked or simply sawn or roughly shaped. Diamond jewellery includes various articles of metals, goldsmiths' or silversmith's wares, pearls, semi-precious stones, and watches that incorporate diamonds.

On 28 February 2024, the UK released the [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) Regulations 2024](#) (the First 2024 Amendment). As described in the accompanying [Explanatory Memorandum](#), this is designed to "build on the previous measure" regarding diamond imports "by introducing prohibitions on Russian diamonds processed in third countries before import into the UK". Accordingly, the First 2024 Amendment introduces a new Chapter 4JC, which, as of 1 March 2024, bans the import of diamonds that "originate in Russia" but that "have been processed in a third country" and are "equal to or larger than 1 carat". As of 1 September 2024, the ban will include smaller diamonds, additionally capturing third country-processed but Russian-origin diamonds that "are equal to or larger than 0.5 carats". As with earlier diamond import restrictions, the measures also prohibit ancillary services including the provision of financial services or funds for such imports.

What's Next?

Latham & Watkins actively tracks sanctions developments across all regions closely and is well positioned to advise on the legal and practical impacts of these measures.

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