

Impact of Global Sanctions Regimes Relating to Russia, Ukraine, and Belarus



As a response to the Russian invasion of Ukraine starting in late February 2022, Australia, the European Union, Japan, the United Kingdom, the United States, and many other countries have progressively imposed increasingly significant sanctions and controls relating to Russia and Belarus. These have included targeted sanctions on institutions, state-owned enterprises and political elites, restrictions on debt and equity instruments as well as a broad range of other financial and investment restrictions, and banning virtually all activities involving the Russian-recognized “breakaway” regions of eastern Ukraine. Several countries have also imposed broad new import and export controls restricting access to a wide range of commodities, industrial products, software, technology, and luxury goods.

While the sanctions imposed against Russia and Belarus by these governments have many common features, there remain significant variations in the precise scope of the key regimes (raising particular issues for clients who already have or are seeking to follow a single, global policy approach).

Russia has retaliated with a number of growing countermeasures, such as targeted restrictions on specific products and services in Russia, and new rules aimed at foreign company decisions to wind down operations in Russia, including the possibility of treating such actions as “premeditated bankruptcy” punishable by significant civil and criminal penalties.

Jones Day’s global sanctions team, and other practices, have been at the forefront of advising clients on the application of these complex and changing sanctions regimes to the operations of the businesses, the welfare of their employees, and the protection of their investments. We identify below some of the key business impacts clients are facing.

The following chart also provides a high-level summary of key sanctions developments. These restrictions can be highly fact-specific in their application, and the rules and government guidance are changing rapidly. Please note that this chart is not an exhaustive account of all restrictions in place for these jurisdictions relating to Russia, Belarus, and Ukraine; rather, it seeks to highlight the ones we have been encountering the most in our ongoing advice to clients.

United States



Donald F. McGahn II
Washington
+1.202.879.3939
dmcgahn@jonesday.com



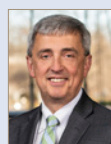
Schuyler J. Schouten
San Diego/Washington
+1.858.314.1160/+1.202.879.3844
sschouten@jonesday.com



D. Grayson Yeargin
Washington
+1.202.879.3634
gyeargin@jonesday.com



Lindsey M. Nelson
Washington
+1.202.879.3735
lmnelson@jonesday.com



Michael P. Gurdak
Washington
+1.202.879.5470
mpgurdak@jonesday.com

European Union



Rick van 't Hullenaar
Amsterdam
+31.20.305.4223
rvanthullenaar@jonesday.com

United Kingdom



Harriet Territt
London
+44.20.7039.5709
hterritt@jonesday.com

Australia



Daniel Moloney
Melbourne
+61.3.9101.6828
dmoloney@jonesday.com

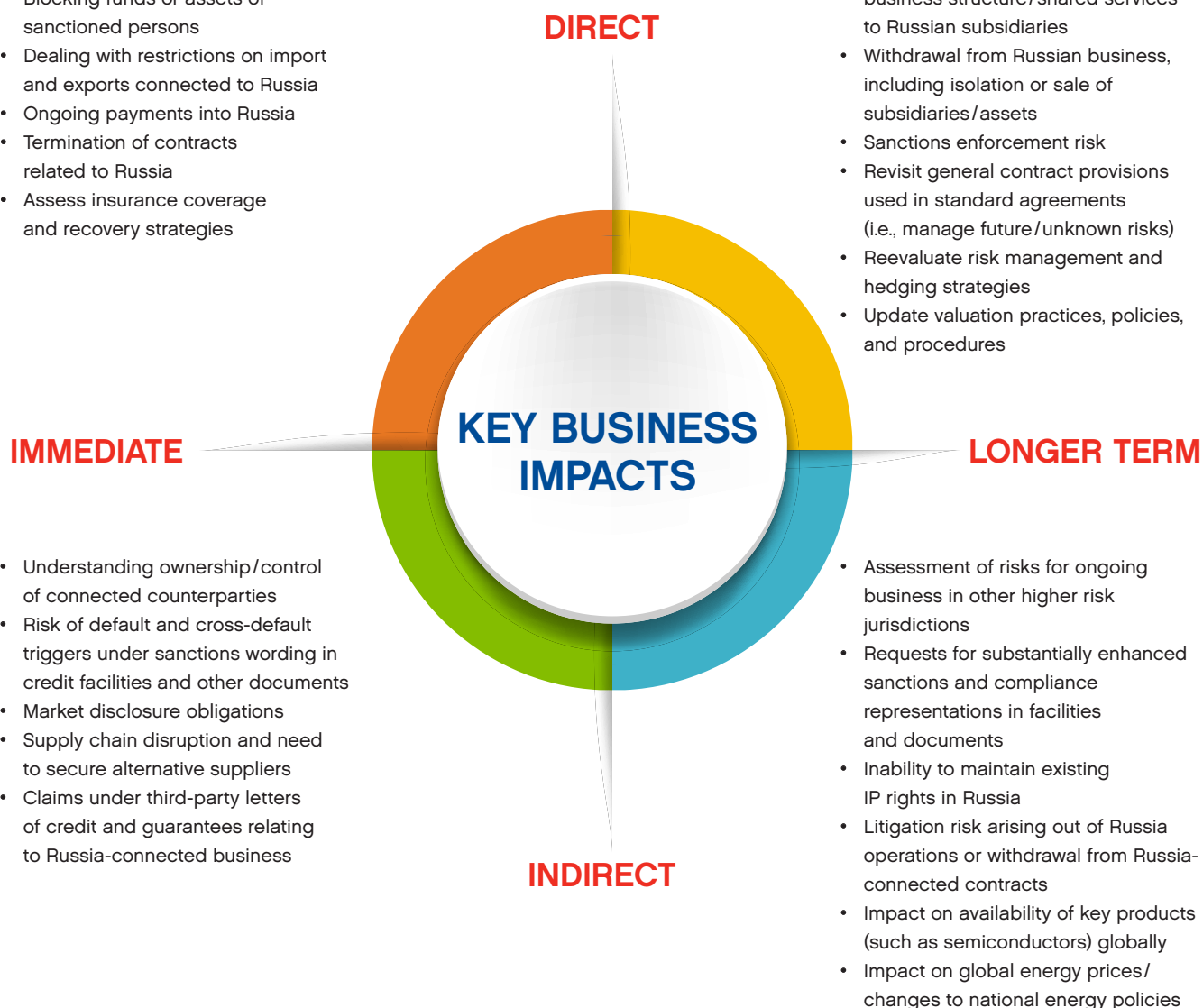
Japan



Tadakatsu Sano
Tokyo
+81.3.6800.1886
tsano@jonesday.com

- Business connections and payment obligations to sanctioned persons
- Blocking funds or assets of sanctioned persons
- Dealing with restrictions on import and exports connected to Russia
- Ongoing payments into Russia
- Termination of contracts related to Russia
- Assess insurance coverage and recovery strategies

- Restructuring of supply chains
- Challenges to maintaining global business structure/shared services to Russian subsidiaries
- Withdrawal from Russian business, including isolation or sale of subsidiaries/assets
- Sanctions enforcement risk
- Revisit general contract provisions used in standard agreements (i.e., manage future/unknown risks)
- Reevaluate risk management and hedging strategies
- Update valuation practices, policies, and procedures



Cross-Jurisdiction Summary of Key Russia-Related Sanctions Impacts

As of May 12, 2022

	AUSTRALIA	EU	JAPAN	UK	U.S.
Restrictions on activities related to Donetsk and Luhansk	Substantial restrictions	Substantial restrictions	Substantial restrictions	Substantial restrictions	Comprehensive restrictions
Designation of people and entities on sanctions lists	Extensive new designations	Extensive new designations	Extensive new designations and increased restrictions on existing designations	Extensive new designations and increased restrictions on existing designations	Extensive new designations and increased restrictions on existing designations
Specific restrictions applicable to financial institutions	Substantial restrictions, including in relation to making assets available to, and using or dealing with assets owned or controlled by, designated financial institutions	Substantial restrictions, including a SWIFT ban for designated financial institutions, an asset freeze, and a prohibition on making funds and economic resources available to designated financial institutions	Substantial restrictions, including any payment to, transfer of securities to, and loan agreements with designated financial institutions.	Substantial restrictions, including restrictions on sterling clearing and correspondent accounts	Substantial restrictions, including restrictions on dollar clearing and correspondent accounts

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	AUSTRALIA	EU	JAPAN	UK	U.S.
Restrictions on Russia-related debt/equity/loans/credit	Yes	Yes	Yes	Yes	Yes
Restrictions relevant to Russian central bank/sovereign wealth entities	Yes	Yes	Yes	Yes	Yes
New restrictions on exports	Yes, including bans on aluminum ores and related products and certain luxury goods	Yes, broad new restrictions	Yes, broad new restrictions, including restrictions on export to designated entities, items that would contribute to military enhancement, luxury goods	Yes, broad restrictions, including on export of software and technology, chemicals, and equipment relating to the oil & gas industry	Yes, broad new restrictions, including on items on Commerce Control List, items identified by Harmonized Tariff Schedule Descriptions, and luxury goods
Revocation or limiting of formerly available export license exceptions or general licenses	No	Yes, severe limitations on ability to use prior exceptions and general export licenses	Yes, subject to certain grace periods	Yes, withdrawal of general export licenses	Severe limitations on ability to use prior exceptions and general licenses
Expansion of jurisdiction of export controls to additional foreign-made products	No	No	No	No	Broad expansion of foreign-produced direct product jurisdiction for items destined to Russia
Restrictions on financing or related services for exports	Yes	Yes	Yes	Yes	Yes
Restrictions on energy or commodities-related transactions	No new measures	Yes	Yes	Announced	Yes
Restrictions on imports	Yes, including bans on oil and other energy products and additional tariffs following revocation of the most favored nation treatment	Yes, mix of bans on specified items, including certain types of energy products	Yes, bans on designated goods such as machinery, lumber, and alcoholic drinks, and additional tariffs following revocation of the most favored nation treatment	Yes, mix of bans and additional tariffs following revocation of the most favored nation treatment, including new 35% tariff on chemicals, platinum, and palladium	Mix of bans on specified items, including certain types of energy products
Restrictions on financial or related services for imports	Yes	Yes	Yes	Yes	Yes
Investment Bans	No	Yes, various restrictions including energy sector investments	Announced, foreign direct investment will be subject to heightened scrutiny	Investment ban announced	Broad investment ban restriction

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	AUSTRALIA	EU	JAPAN	UK	U.S.
Other sector-specific restrictions	No new measures, but continue to enforce existing restrictions	Yes, including restrictions on providing credit rating services; broad transaction ban with designated state-owned entities active in oil, aerospace, and defense industry; ban on certain media outlets	Yes, export ban to designated entities involving energy, aerospace and marine sectors; export ban of petrol refinery equipment; export ban of dual use goods covering various industry sectors	Yes, including on activities supporting the Russian aerospace, space, and marine sectors	Yes, including on activities involving the energy, industrial, and construction sectors; authority granted to impose sanctions in aerospace, electronics, marine, accounting, trust, corporate formation, and management consulting sectors; export controls targeted to oil refinery sector; existing restrictions on deep-water, Arctic offshore, and shale projects
Cash / crypto restrictions	No new measures, but continue to enforce existing restrictions re designated persons	Yes, restrictions on transfer of euro cash, providing crypto-asset wallets and services; clarification that (restrictions relating to) transferable securities include the form of crypto-assets	No new measures, but continue to enforce existing restrictions re designated persons	No new measures, but enhanced enforcement of existing requirements	Designations targeting entities involved in crypto activities in Russia; specific warnings not to use crypto to evade sanctions
Restrictions relating to transport	No	Yes, broad restrictions on Russia-connected aircraft, airlines, and ships as well as access to airspace and ports; prohibition for Russian and Belarusian road transport undertakings to transport goods in the EU	No	Yes, broad restrictions on Russia-connected aircraft, airlines, and ships as well as access to airspace and ports	Blocked Russian aircraft and airlines from entering and using all domestic U.S. airspace
Significant enforcement actions signaled or started	No	Increased attention to enforcement, seizure of assets, EU guidance to aid enforcement, creation of EU whistleblower tool to report suspected sanctions violations	No	Broad changes to legislation to make enforcement easier, introduction of new administrative enforcement process	Creation of task force, seizure of assets, administrative actions taken against carriers, announcements of vigorous enforcement efforts
Restrictions on professional services	No new measures, but continue to enforce existing restrictions	Announced	No	Announced; understood to address the same sectors of professional services as the U.S. ban	Comprehensive ban (effective June 7, 2022, with limited wind-down authorization) on services from the United States or by a U.S. person of any accounting, trust and corporate formation, or management consulting services to any person located in Russia

GLOBAL TEAM

United States

Donald F. McGahn II
Washington
+1.202.879.3939
dmcgahn@jonesday.com

Schuyler J. Schouten
San Diego/Washington
+1.858.314.1160 / +1.202.879.3844
sschouten@jonesday.com

D. Grayson Yeargin
Washington
+1.202.879.3634
gyeargin@jonesday.com

Lindsey M. Nelson
Washington
+1.202.879.3735
lmnelson@jonesday.com

Michael P. Gurdak
Washington
+1.202.879.5470
mpgurdak@jonesday.com

Fahad A. Habib
San Francisco
+1.415.875.5761
fahabib@jonesday.com

Jason Jurgens
New York
+1.212.326.3771
jjurgens@jonesday.com

European Union

Rick van 't Hullenaar
Amsterdam
+31.20.305.4223
rvanthullenhaar@jonesday.com

Nicolas Brice
Paris
+33.1.56.59.39.09
nbrice@jonesday.com

Michael R. Fischer
Frankfurt
+49.69.9726.3943
mrfischer@jonesday.com

Paloma Valor
Madrid
+34.91.520.3903
pvalor@jonesday.com

United Kingdom

Harriet Territt
London
+44.20.7039.5709
hterrirt@jonesday.com

Vica Irani
London
+44.20.7039.5237
virani@jonesday.com

Elizabeth A. Robertson
London
+44.20.7039.5204
erobertson@jonesday.com

MENA

Sheila L. Shadmand
Dubai
+971.4.709.8408
slshadmand@jonesday.com

Australia

Tim L'Estrange
Melbourne/Sydney
+61.3.9101.6820 / +61.2.8272.0561
tlestrange@jonesday.com

Daniel Moloney
Melbourne
+61.3.9101.6828
dmoloney@jonesday.com

Japan

Tadakatsu Sano
Tokyo
+81.3.6800.1886
tsano@jonesday.com

Hong Kong

Graham Lim
Hong Kong/New York
+852.3189.7264 / +1.212.326.3994
glim@jonesday.com

Singapore

Ankit Bahri
Singapore
+65.6233.5513
abahri@jonesday.com

Latin America

Guillermo E. Larrea
Mexico City
+52.55.3000.4064
glarrea@jonesday.com

Javier A. Cortés
Mexico City
+52.55.3000.4050
jcortes@jonesday.com

Mauricio Llamas
Mexico City
+52.55.3000.4082
mllamas@jonesday.com

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AMSTERDAM
ATLANTA
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