

Alert | Export Controls & Economic Sanctions



16 March 2022

UK Russian Sanctions and Economic Crime Update – A More Forceful Approach

This GT Alert provides an update to our previous alerts on [22 February 2022](#), [24 February 2022](#), [28 February 2022](#) and [11 March 2022](#).

Economic Crime Act

As anticipated, the Economic Crime Bill was passed and became the Economic Crime (Transparency and Enforcement) Act 2022 on 14 March 2022 (the Act).

Sanctions regime simplified

Importantly, the Act has simplified the standard sanctions procedure by removing a layer of hurdles a minister must overcome before making sanctions which, *inter alia*, are in the interests of international peace and security, promote the resolution of armed conflicts, or promote compliance with international human rights and humanitarian law.

In addition, the Act introduces a new “urgent” sanctions procedure which, broadly speaking, allows the UK to fast-track the imposition of sanctions upon individuals and entities already sanctioned by other territories, including the United States and the European Union, or, if it is in the public interest to impose sanctions under the urgent procedure.

This is designed to make it easier for the Government to impose sanctions at short notice and has been introduced in direct response to the increasingly urgent position with Russia and to combat the criticism levelled at the UK for being “behind” the United States and EU on sanctions. It will allow them to piggyback on the sanctions brought in by others.

Register of overseas entities

The Act also introduces a register of overseas entities and beneficial owners designed to compel overseas entities to register information about their beneficial owners if they own land in the UK and which must be updated every 12 months. Failure to register and comply with the duty to update is an offence which will be committed by the entity and every officer in default.

The Act also prohibits the sale of land by overseas entities, unless they are registered. This is designed to prevent overseas entities selling land to avoid registration under the Act. For more detail on the new Register, see our [GT Alert of 15 March](#).

Unexplained Wealth Orders

Unexplained Wealth Orders (UWO) are court orders a British court issues to compel the target of the order to reveal the sources of their unexplained wealth. The Act makes important amendments to the UWO regime including:

- a) allowing entities (via their directors or other “responsible officers”), as well as individuals, to be targeted;
- b) introducing a new ground for obtaining a UWO if the Court is satisfied the property in question has been obtained through unlawful conduct (provided the respondent is a Politically Exposed Person or there are reasonable grounds to suspect the respondent has been or is involved in serious crime or is connected with someone so involved); and
- c) limiting the circumstances in which a costs order may be imposed against an enforcement authority to circumstances where the authority acted unreasonably in making or opposing the application or acted dishonestly or improperly in the course of the proceedings.

The use of UWOs, which have been used scarcely to date, will likely increase as a result of these changes.

Further Economic Sanctions

The UK Government also announced on 15 March 2022 that it would deny Russia and Belarus access to the “Most Favoured Nation” tariff. This will affect hundreds of their exports, including vodka, meaning they will face an additional 35% tariff on those exports. At the same time, the Government has banned British exports to Russia of high-end luxury goods, including luxury vehicles, high-end fashion and works of art. The export ban is said to *“make sure oligarchs and other members of the elite, who have grown rich under President Putin’s reign and support his illegal invasion are deprived of access to luxury goods.”*

Additions to the Financial Sanctions list

The Government has added 370 further entities and individuals to the Financial Sanctions List. The individuals and entities on the list will have their assets frozen and will be banned from travelling to/from the UK. According to the Government's press release, 51 of the newly sanctioned individuals are oligarchs and their family members. Others are said to be political allies of President Putin and propagandists, including President Putin's Press Secretary, Dmitry Peskov and Russian Foreign Affairs spokeswoman, Maria Zakharova. All of those added to the list were already sanctioned by the United States, EU, Canada or Australia and hence were added as a result of the new mirroring provisions in the sanctions regime discussed above.

Key takeaways

The UK Government appears to be doing what it promised and is stepping up its sanctions against Russia.

Overseas entities, their beneficial owners and officers may take steps now to consider whether they are required to make an application for registration. The Act provides a six-month period to comply, failing which an offence will be committed by the entity and every officer of the entity in default.

Law enforcement agencies in the UK will be encouraged to issue more UWOs now that they are largely insulated from payment of the costs of the proceedings, and the range of potential recipients has been expanded. Therefore, a proliferation of UWOs in the coming months is likely given the current political climate.

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