

Alert | Export Controls & Economic Sanctions



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UK Russian Sanctions: Is the UK Doing Enough?

Despite the rhetoric, it is clear that the United Kingdom has not, in fact, been leading the way on sanctions against Russia in response to Russia's invasion of Ukraine. The UK has fallen behind the United States and European Union in terms of both the speed of the response and the volume of sanctioned individuals and entities. The government has been accused, in particular, of being slow to sanction oligarchs and "members of Putin's inner circle". As of 9 March 2022 the UK had, according to Spotlight on Corruption figures, imposed sanctions on 26 Russian individuals, compared with 65 in both the EU and U.S.

Foreign Secretary Liz Truss has responded to criticism by saying, "oligarchs and kleptocrats have no place in our economy or society. With their close links to Putin they are complicit in his aggression". On 10 March she announced that seven further oligarchs, including Roman Abramovich and Oleg Deripaska, would have their assets frozen and be subject to a travel ban. On 11 March, 286 members of the Russian Duma (the lower house of the Russian Parliament) were added to the sanctions list for their support for the Ukrainian breakaway regions of Luhansk and Donetsk.

In addition, the Government has taken various other measures since our last update on 28 February 2022, including:

1. An asset freeze on the Russian Direct Investment Fund (the country's sovereign wealth fund) and its chief executive, Kirill Dmitriev, and four senior members of the Belarussian Military/ Ministry of Defence and two Belarussian defence companies;

2. An announcement that the UK Government intends to “asset freeze every Russian bank” and to expel every Russian bank from SWIFT (the international payment system);
3. Extending existing financial restrictions on capital markets and correspondent banking relationships;
4. A ban on Russian ships from entering UK ports;
5. Strengthening the ban on Russian aircraft, providing the UK Government with new powers to detain any Russian aircraft in the UK, to remove aircraft belonging to designated Russian individuals and entities from the UK aircraft register, and to make it a criminal offence for any Russian aircraft to fly or land in the UK;
6. A prohibition on UK exports of aviation- or space-related items and technology to Russia, including related services such as insurance and reinsurance;
7. Russian oil imports to be phased out by end of year; and
8. Establishing an Oligarch Taskforce of ministers and officials from various departments. This group will coordinate cross-government work to sanction oligarchs, helping build cases against the list of oligarchs identified as targets.

Economic Crime Bill – updates

In addition, as anticipated in our [previous GT alert](#), the Economic Crime Bill was also speedily pushed through the House of Commons on 7 March and is now being debated in the House of Lords. It is expected that the bill will be passed in the coming days. If passed the Economic Crime Act will make it easier for ministers to sanction individuals, for example by removing the requirement that those targeted must have known or suspected that they breached sanctions law.

The Government has also published a White Paper setting out its plans for a second Economic Crime Bill containing various reforms to UK executive agency Companies House including requirements for directors and Persons with Significant Control of companies to verify their identity with Companies House, and allowing companies to have only one layer of corporate directors, which must be UK-based. Overseas agents will be prevented from forming UK companies, unless they are subject to a UK equivalent supervisory regime. Companies House will also be given powers to reject filings, query information that may be false or inaccurate and share information with law enforcement authorities.

Key takeaways

The UK Government will ultimately be judged by its actions rather than words. There is already a lag between the announcements on sanctions and their implementation. Enforcement for a breach of sanctions and other of the new measures announced will be key to ensuring they have the intended effect. This will be no mean feat given the breadth of the reforms currently being passed and the deficit in funding for law enforcement agencies. It remains to be seen in particular how breaches of what will be the Economic Crime Act will be enforced in practice when perhaps inevitably many of the 95,000 foreign-owned properties fail to reveal their identities within the six-month period allowed under the Act.

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