

## **Alert** | Export Controls & Economic Sanctions



**July 2022**

### **UK Prohibits Certain Investment in Russia**

From **19 July 2022**,<sup>1</sup> it is a violation of UK financial sanctions for any person who knows or has reasonable cause to suspect that they are carrying out, directly or indirectly, certain investment activity in Russia. These prohibitions follow the UK Government's **6 April 2022 announcement** of its intention to introduce an outright ban on all new outward investment in Russia.

The prohibitions are subject to exceptions and do not impact acts undertaken to satisfy obligations under a contract concluded before 19 July 2022, or an ancillary contract necessary for the satisfaction of that contract, subject to notifying Her Majesty's Treasury **at least five working days before** the day on which any related act is carried out. There is also the option to apply for a specific Treasury licence, such as to enable humanitarian assistance activity or if connected with the provision of medical goods or services.

Furthermore, **General Licence INT/2022/2002560** has been granted, taking effect from 19 July 2022 and expiring on **26 July 2022**, allowing a **seven-day** wind-down period in respect of the prohibited activities.

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<sup>1</sup> Regulation 18B introduced via The Russia (Sanctions) (EU Exit) (Amendment) (No. 12) Regulations 2022 [2022 No. 801], in force as of 19 July 2022.

## What Is Prohibited?

The Regulations prohibit:

- Directly or indirectly establishing any joint venture with a person connected with Russia;
- Opening representative offices or establishing branches or subsidiaries in Russia;
- Directly or indirectly acquiring any ownership interest in Russian land and persons connected with Russia for the purpose of making funds or economic resources available directly or indirectly to, or for the benefit of, persons connected with Russia;
- Directly or indirectly acquiring any ownership interest in or control over a relevant entity or persons (other than an individual) with a place of business in Russia for the purpose of making funds or economic resources available, directly or indirectly, to, or for the benefit of, persons connected with Russia; and
- The provision of investment services directly related to all the activities summarised above.

## Definitions

A “person connected with Russia” means:

- any individual or group of individuals who are ordinarily resident or located in Russia, or an entity which is incorporated or constituted under Russian law or domiciled in Russia;<sup>2</sup>

and is not:

- A Schedule 2 Entity, as detailed in [the Regulations](#);<sup>3</sup> or
- An entity domiciled outside of Russia or a branch, or subsidiary, of such a non-Russian entity.<sup>4</sup>

A “branch”<sup>5</sup> means, in relation to a person other than an individual, a place of business which forms a legally dependent part of that person and which carries out all or some of the transactions inherent in the business of that person.

A “relevant entity”<sup>6</sup> means a person, other than an individual, which has a place of business located in Russia, but is not a person connected with Russia.

A person directly or indirectly “acquiring any ownership interest in or control over a person or entity”<sup>7</sup> means:

- Acquiring any share in the person or entity;
- Acquiring any voting rights in the person or entity;
- Acquiring any right to appoint or remove a majority of the board of directors of the person or entity; or

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<sup>2</sup> Regulation 19A(2), The Russia (Sanctions) (EU Exit) Regulations 2019 [2019 No. 855] – as amended.

<sup>3</sup> See pp. 123-124.

<sup>4</sup> Regulation 16(4D), *Ibid.*

<sup>5</sup> Regulation 18B(8), The Russia (Sanctions) (EU Exit) (Amendment) (No. 12) Regulations 2022 [2022 No. 801].

<sup>6</sup> Regulation 18B(8), *Ibid.*

<sup>7</sup> Regulation 18B(8), *Ibid.*

- Acquiring any means of ensuring that the affairs of the person or entity are conducted in accordance with the wishes of the person.

### Exceptions

The exceptions<sup>8</sup> introduced enables a person to deal directly or indirectly with:

- A transferable security otherwise prohibited by Regulation 16;
- A relevant security issued by a person connected with Russia; or
- A relevant security issued by a relevant entity.

Full definitions of the terms above are included within [Regulation 6oZZA](#).

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## Authors

This GT Alert was prepared by:

- [Annabel Thomas](#) | +44 (0) 203.349.8700 | [Annabel.Thomas@gtlaw.com](mailto:Annabel.Thomas@gtlaw.com)
- [Jo Rickards](#) | +44 (0) 203.349.8700 | [Jo.Rickards@gtlaw.com](mailto:Jo.Rickards@gtlaw.com)
- [Gavin Costelloe](#) | +44 (0) 778.960.7860 | [Gavin.Costelloe@gtlaw.com](mailto:Gavin.Costelloe@gtlaw.com)
- [Bethany Histed](#) | +44 (0) 203.349.8700 | [Bethany.Histed@gtlaw.com](mailto:Bethany.Histed@gtlaw.com)

## Additional Contacts

- [Kara M. Bombach](#) | +1 202.533.2334 | [bombachk@gtlaw.com](mailto:bombachk@gtlaw.com)
- [Erik de Bie](#) | +31 20 301 7315 | [Erik.deBie@gtlaw.com](mailto:Erik.deBie@gtlaw.com)

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<sup>8</sup> Regulation 6oZZA, Ibid.

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