News – March 10, 2022

EU-US SANCTIONS AGAINST RUSSIA-BELARUS-DONBASS

Below are the main sanctions, which affect the generality of companies doing business with the Russian Federation and the Doneck and Lugansk People's Republics, according to the priority of impact they will have.

1. Restrictions imposed by the European Union
The European Union, by measures adopted on February 24, 2022, imposed the following restrictions on the Russian Federation and on certain Russian elites:

1.1) it is prohibited to export to Russia equipment required for the energy and transportation and oil refining sectors, as well as components needed for the commercial aviation sector;
1.2) the classification of dual-use and technological products, the export of which is prohibited, is further expanded to include also semiconductors;
1.3) it is forbidden to have any economic and commercial relations with the territory of Donbass (Doneck and Lugansk People's Republics);
1.4) it is forbidden to import products originating in Donbass and to export to Donbass goods and products listed in key sectors;
1.5) investment in, or financing of, entities or joint ventures established in Donbass is prohibited;
1.6) the following seven Russian banks have been excluded from the Swift international payment system: Vtb Bank; Bank Otkritie; Novikombank; Bank Rossiya; Promsvyazbank; Sovcombank; Verb.rf:
1.7) very strict financial sector sanctions have been taken against other Russian banks, state-owned companies and elites, including with respect to their deposits in the European Union;
1.8) freezing measures on, and restrictions on market access to, capital in the hands of certain Russian individuals and elites have been adopted.

2. Restrictions imposed by the United States of America
The United States, by measures taken on February 21-22-24, 2022, imposed the following restrictions on the Russian Federation and certain elites:

2.1) the export of aerospace, maritime, and defense industry products to Russia is prohibited;
2.2) the importation into the U.S. of goods, services, or technologies from the territory of the Donbass, as well as the export, re-export, sale, or supply of goods, services, or technologies to the territory of the Donbass are prohibited for U.S. persons;
2.3) Sberbank, Russia's largest financial institution, and all of its subsidiaries have been excluded from the dollar financial circuit, with which no U.S. bank will be able to maintain any type of transaction;
2.4) Vtb Bank and other financial institutions Bank Otkritie, Novikombank, Sovcombank and all their subsidiaries have been subject to freezing measures;
2.5) natural persons close to President Putin and members of the financial elite close to the Kremlin have been subjected to freezing measures;
2.6) Vnesheconombank (VEB) and Promsvyazbank (PSB) and all their subsidiaries have been subjected to freezing measures;
2.7) 24 Belarusian natural and legal persons have been subjected to freezing measures.

3. Safeguards for import/export with Russia
Companies doing business with Russia - whether they have ongoing contracts or are negotiating contracts - should take care to perform the following activities:

PESARO - Via Lino Liuti, 2
BOLOGNA - Galleria Ugo Bassi, 1
MILANO - Via Dante, 16

Tel. +39 0721 371139
segreteria@bacciardistudiolegale.it
www.bacciardistudiolegale.it

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- ✓ Carry out a subjective analysis of all contractual counterparties (including banking intermediaries), in order to check whether there are any customers or suppliers targeted by sanctions, which could jeopardize the fulfillment of the contract or the execution of the payment;
- ✓ Carry out an objective analysis of the products covered by the contractual relationship and the classification of exported and imported products and services, in order to verify whether the same are prohibited or subject to restrictive measures or subject to authorization, with particular reference to dual-use or potentially dual-use goods, including certain technological complements such as semiconductors;
- ✓ Verify whether your goods fall into any of the categories restricted by the EU or the US;
- ✓ Verify that the goods are not destined for restricted territories or individuals and entities affected by the sanctions;
- ✓ Take into account that financial restrictive measures may result in the blocking of bank payments and thus jeopardize the receipt of payments from customers;
- ✓ Bear in mind that, in addition to EU sanctions, secondary sanctions may also be imposed in response to measures taken by the U.S.; sanctions which, although directed at U.S. persons, also include secondary sanctions against persons and companies in other countries that engage in commercial or financial dealings in violation of U.S. provisions;
- ✓ Ensure that contracts with customers or suppliers include appropriate safeguards against the risk of sanctions;
- ✓ Adopt a comprehensive sanctions compliance program to protect against violations of existing sanctions.

4. Measures imposed by the Russian Federation
Businesses should also bear in mind the following internal Russian government regulations, which may have a significant impact on the execution of contracts and fulfilment of payments:

- a foreign exchange commission of 30% has been imposed on transactions involving the conversion of rubles into foreign currency;
- the interest rate on the ruble has been raised to 20%.

Bacciardi Partners - international law firm - is capable to assist you for your business activities with reference to the sanctions applied by the EU and the USA against the Russian Federation and the Doneck and Lugansk People's Republics, advising you in relation to sanctions and embargo provisions and in contractual, customs, tax and financial matters.