

# European Union Announces First Round of Sanctions on Russia: Banks, Sovereign Debt, Elites, DNR/LNR Trading Ban (UPDATED)

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*This post was updated on 2/24 following the release of the underlying EU legislation.*

Yesterday, the European Union [imposed](#) new sanctions on Russia in response to the situation in Ukraine. The array of measures imposed by the EU mirror elements of the sanctions imposed over the last few days by the [United States](#) and [United Kingdom](#). Key elements of the EU sanctions package include asset freezes on Russian banks, government officials and elites, a trading ban on the breakaway Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR) regions of Ukraine, and restrictions on dealings in Russian sovereign debt.

The new sanctions apply within the territory of the European Union, and to nationals of Member States, entities incorporated or otherwise constituted under the laws of Member States, EU vessels, business conducted in the EU.

The EU is expected to impose more sweeping sanctions on Russia and Belarus in response to escalating hostilities in Ukraine over the last 24 hours.

## *Asset Freezes*

The EU imposed a series of asset freeze sanctions against Russian banks, Russian government officials and elites, and members of the Russian State Duma, part of Russia's parliament.

The asset freeze applies to all funds and economic resources belonging to, owned, held, or controlled by parties listed in Annex I to amended Regulation (EU) No. 269/2014. Prohibited by the freeze are all movements, transfers, alterations, use of, access to, or dealings with such funds and economic resources, and the direct or indirect sharing of funds or economic resources with listed parties. Sanctioned parties include the following:

- Banks: Matching [U.S. sanctions](#), the EU imposed an asset freeze on the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB), Promsvyazbank (PSB), and Bank Rossiya. VEB and PSB were added to the U.S. List of Specially Designated Nationals earlier this week, while Bank Rossiya has been subject to U.S. sanctions since 2014. The coordinated moves will effectively cut the banks off from the Western financial system.
- Russian officials and elites: The EU imposed asset freeze on 22 Russian government officials,

business leaders, and their family members, including the Russian Defense Minister.

- Russian State Duma: The EU imposed an asset freeze on 336 members of the Russian State Duma who voted to recognize the independence of the DNR and LNR.
- Internet Research Company: the EU imposed an asset freeze on Russia's Internet Research Company, which has been subject to U.S. sanctions since 2019.

Competent authorities are permitted to authorize the release of certain VEB, PSB, and Bank Rossiya assets if necessary for the termination by August 24, 2022 of preexisting operations, contracts, or other agreements that were in force before February 23, 2022.

### *Sovereign Debt*

The sanctions prohibit dealings involving new Russian sovereign debt, corresponding to similar restrictions adopted by the United States. Under the EU's amended Regulation (EU) No. 833/2014, it is prohibited to directly or indirectly purchase, sell, provide investment services for or assist in the issuance of, or otherwise deal in transferable securities and money-market instruments issued after March 9, 2022 by the Russian Government, Russian Central Bank, or any person acting on behalf of the Russian Central Bank.

It is also prohibited to provide new loans or credit to the Russian Government and Russian Central Bank, including those acting on the Central Bank's behalf. As with other EU sectoral sanctions, these restrictions do not apply to loans or the extension of credit that finance non-prohibited trade activities and non-financial services between EU members states and other countries.

### *Trading Ban on Separatist Regions*

The latest EU measures include a trading ban on the DNR and LNR that is similar in scope to existing EU restrictions on dealings with Crimea. Council Regulation (EU) 2022/263 imposes the following restrictions:

- Import Ban: Imports into the European Union of goods originating in non-government controlled areas of DNR and LNR are prohibited, as are the direct or indirect financing, provision of financial assistance, or insurance or reinsurance relating to the import of such goods;
- Export Restrictions: The sale, supply, transfer or export of goods and technologies specified in Annex II to the DNR and LNR are prohibited. The specified items are suited for use in the transport, telecommunications, energy, prospecting, exploration and production of oil, gas and mineral resources sectors. It is also prohibited to provide technical assistance, brokering services, or financial assistance relating to the provision, manufacture, maintenance, or use of banned items;
- Services Ban: The provision of technical assistance, or brokering, construction or engineering services to the DNR or LNR that are directly related to infrastructure transport, telecommunications, energy, prospecting, exploration and production of oil, gas and mineral resources sectors are prohibited;
- Investment Ban: It is prohibited to engage in certain investment activities in the DNR and LNR, including acquiring or extending participation in ownership of real estate or ownership interests in businesses or other entities; granting or being part of any arrangement to finance entities in the regions, creating joint ventures, or providing investment services;
- Tourism Ban: EU persons are prohibited from providing services related to tourism in the

regions.

Competent EU authorities may authorize, under appropriate terms and conditions, certain export and investment activities related to operations of consular missions or international organizations, support of public health and educational institutions, and access to medical appliances and equipment in the DNR and LNR. Regulators may also authorize export and investment activities necessary to prevent or mitigate urgent health or safety emergencies, including by supporting the safety of existing infrastructure or environment in these regions.

The measures feature a number of exceptions and wind-down provisions. Of note, obligations arising out of contracts concluded before February 23, 2022 are exempt from various elements of the trading ban, provided that conditions such as timing and notice requirements are met.

Please contact our sanctions team with any questions about these developments.