

Application of EU sanctions against Russia and Belarus

In response to Russia's waged and Belarus supported war in Ukraine, Western countries have substantially broadened sanctions on Russia and Belarus, its citizens, individuals, businesses and organizations to stop needless bloodshed in Ukraine.

Given sanctions previously imposed on Russia and its associates are still in place, Russia is now a world leader in the level of sanctions imposed.

Below is a brief overview of the additional European Union (EU) sanctions imposed on Russia and Belarus since 23 February 2022.

All persons in Latvia have an obligation to comply with the sanctions established by both the European Union and Latvia, as well as sanctions arising from a UN Security Council resolution or other legislation imposing obligations on Latvia.

There are various sanctions that can be imposed against sanctioned persons and each of them can be subject to certain exceptions, for example, in the temporal scope. Thus, in order to assess whether and to what extent a sanction applies in a particular situation, it is essential to examine in detail the scope of the sanction in question..

The overview is presented as of 7 March 2022. We note that the content and scope of sanctions are constantly evolving.

What is a sanction?

A sanction is a foreign policy measure whose general objective is to ensure peace, international security, democracy and the rule of law, and the restoration of human rights and international law. A sanction may, for example, prohibit entry into, stay in, residence or employment in a country or territory, as well as restrict international trade, impose financial sanctions and other prohibitions.

A sanction may be imposed on a state, territory, territorial unit, regime, organization, association, group or person (including a natural person).

Who has to apply sanctions?

Sanctions must be applied by all persons in Latvia in Latvia whose activities are affected by the established sanction, incl. individuals, legal entities and authorities.

What are the obligations of persons in Latvia in connection with the compliance of sanctions?

Considering the prohibition to violate any sanctions, each person must strictly assess whether there is a possibility that it can violate sanctions. This especially must be done by persons who engage in business relations with any person from Russia or Belarus as there can be either direct or indirect possibility of violating sanctions. When applying a sanction, it is important to monitor closely who are the specific entities to which the sanction should be applied and the content of the sanction, i.e. the activities to which the sanction applies. Subjects of anti-money laundering legislation (e.g. financial institutions, insurers, real estate brokers, gambling operators) there are additional obligation like to:

- 1) immediately, but no later than on the next working day, report to the State Security Service on the violation of the international or national sanctions or an attempt to violate them, and the funds frozen due to such actions, and to inform the respective competent authority thereof;
- 2) if suspicions of the circumvention of international or national sanctions or circumvention attempt in the enforcement of financial restrictions have arisen, report thereon to the Financial Intelligence Unit.

What is the liability for not complying with sanction restrictions?

According to Article 84 of the Criminal Act for the violation of sanctions imposed by the United Nations, European Union, and other international organisations or sanctions imposed by the Republic of Latvia,

the applicable punishment is the deprivation of liberty for a period of up to eight years or temporary deprivation of liberty, or community service, or a fine.

In addition, in the scope of the criminal law coercive measures may be imposed on legal entities that committed or facilitated the sanction evasion – in the most severe cases - fines of up to 37'500'000.00 EUR (seventy-five thousand minimum monthly wages).

Additional administrative fines are provided for subjects of anti-money laundering legislation. .

In addition, transactions and agreements that contribute to the avoidance of sanctions may be declared void and non-binding. **Overview of specific sanctions**

Economic sanctions

Freezing of assets

Obligations to freeze funds and economic resources belonging to, owned, held or controlled by the listed natural or related persons, entities or bodies selling, renting or mortgaging property). Among other things, transactions with the reserves of the Central Bank of Russia, including by persons acting in the name or under the management of the Central Bank of Russia, are prohibited.

Central Depositories of the European Union are prohibited from providing depository services to any person from Russia (including natural persons residing there and legal persons, entities or bodies established there).

Restriction of access to capital markets

In order to restrict Russia's access to capital markets, it is prohibited to buy, sell or provide investment services in securities and money market instruments issued by Russia and its government, the Central Bank of Russia and certain legal entities, entities and bodies affiliated with Russia (including credit and financial institutions incorporated in Russia). It is also prohibited to trade in such instruments or otherwise assist in their issuance. If the ban on securities and money market instruments issued by Russia and its government and the Central Bank of Russia and legal persons, entities and bodies under their control enters into force on 9 March 2022, the restrictions on legal entities, entities and bodies affiliated with Russia shall apply from 12 April 2022. instruments.

As of 12 April 2022, it is prohibited to list the securities of legal entities, entities or bodies established in Russia, more than 50% of which are state-owned, and to provide related services on trading venues recognized or registered in the European Union.

In addition, persons from Russia (including natural persons or legal entities, entities or bodies domiciled in Russia) are prohibited from selling securities denominated in euros issued after 12 April 2022 or units of funds investing in such securities.

Restrictions on funding

It is prohibited to enter into agreements granting new loans or credits to Russia or its government, the Central Bank of Russia or certain legal persons, entities or bodies associated with Russia. Participation in such agreements is also prohibited.

In addition, it is prohibited to invest in, participate in or otherwise contribute to projects co-financed by the Russian Direct Investment Fund.

Restrictions on taking deposits

It is prohibited to take deposits of more than EUR 100,000 per credit institution from Russian citizens or natural persons residing in Russia, or from legal persons, entities or bodies established in Russia.

Restrictions on the exchange of financial data

From 12 March 2022, the provision of special financial messages for the exchange of financial data (ie through the SWIFT system) to certain legal persons, entities or bodies or to legal persons, entities or bodies established in Russia which are sanctioned with 50% or more ownership shall be prohibited.

Restrictions on euro - denominated banknotes

It is prohibited to sell, supply, transfer or export euro banknotes to Russia or to any natural or legal person, entity or body in Russia, including the Government and the Central Bank of Russia, or for use in Russia.

All of the sanctions described above are financial sanctions, which means that in addition to applying the sanction, the person must also notify the Financial Intelligence Unit in case there are doubts of sanction evasion or an attempt to do so.

Sectoral sanctions

Energy sector

The sale, supply, transfer or export of petroleum products and technology to any person, entity or body in, or for use in, Russia shall be prohibited. Also, the provision of services related to such products and technology are restricted, including:

- provision of technical assistance;
- provision of brokerage or other services;
- supply, production and maintenance.

Financing of the above actions is also prohibited.

Restrictions do not apply to the performance of contracts concluded before 26 February 2022 until 27 May 2022. No new contracts may be concluded after 26 February 2022 and existing contracts may not be performed after 27 May 2022.

Transport sector

The sale, supply, transfer or export of goods and technology used in the aerospace industry to or for use by any person, entity or body in Russia shall be prohibited. The provision of services related to such products and technology is also prohibited:

- provision of insurance and reinsurance;
- performing repairs, inspections, replacements, alterations or repair of defects (other than pre-flight inspections) of the aircraft or component;
- provision of technical assistance;
- provision of brokerage or other services;
- providing financing.

Restrictions do not apply to the performance of contracts concluded before 26 February 2022 until 28 March 2022. No new contracts may be concluded after 26 February 2022 and existing contracts may not be performed after 28 March 2022.

Technology sector

The sale, supply, transfer or export of certain technology to any person, entity or body in, or for use in, Russia is prohibited. An overview of the authorized technology can be found in Annex I to Regulation 2021/821 / EU of the European Parliament and of the Council [here](#)

The sale, supply, transfer or export of technology to or for use in Russia that may contribute to Russia's military and technological improvement or to the development of its defense or security sector shall also be prohibited.

In addition to the above, the following are prohibited:

- Reserve and asset management transactions of the Central Bank of Russia;
- to authorize a Russian air carrier, aircraft registered in Russia or any other aircraft owned by a Russian person, entity or body to land, take off or fly over the territory of the European Union;
- allow certain natural persons entering the European Union;
- public funding and financial assistance for trade with and investment in Russia.

It is important to note that knowingly or intentionally engaging in any activity that is intended to circumvent the sanctions imposed is also prohibited.

As a general rule, sanctioning legislation provides that any claim for compensation, set - off or additional security made by the sanctioned person shall not be satisfied in respect of the contract or transaction affected by the sanction.

Under Latvian law, to the extent that sanctions impede the proper performance of contracts, there may be force majeure which exempts the application of legal remedies for breach of contract due to sanctions. In order to rely on force majeure, the party whose obligation has been prevented must notify the other party as soon as possible of the circumstances giving rise to the force majeure (the contract may also provide for certain formalities for such notification).

How can I verify whether a person is included in the sanctions list?

Generally, in order to verify whether a certain person is sanctioned, it is possible to use sanctions search tool of the Financial Intelligence Unit, available at <https://sankcijas.fid.gov.lv/>. It generally includes compilation of all the international and national sanctions that are applicable to persons in Latvia, however, the Financial Intelligence Service also always recommends comparing this information with information published in the [Official Journal of the EU](#) or ([UN Security Council](#) chapter - Sanctions). Please note that considering the speed in which content and scope of sanctions are constantly evolving, it is strongly advisable to also verify the newest information about provided by the European Commission [here](#). It also advisable to regularly get acquainted with the information provided by the Ministry of Foreign Affairs of the Republic of Latvia regarding the application of sanctions, available [here](#).

Further information about sanctions in regard to Russia's military invasion of Ukraine (including a list of persons subject to restrictions) can be found in the following Council of Europe instruments:

Date	Legislation	Reference to the legislation
February 23, 2022	Council of Europe Decision No 2022/264	Available here
	Council of Europe Implementing Regulation No 2022/261	Available here
	Council of Europe Implementing Regulation No 2022/262	Available here
	Council of Europe Implementing Regulation No 2022/236	Available here
February 25, 2022	Council of Europe Decision No 2022/327	Available here
	Council of Europe Decision No 2022/329	Available here
	Council of Europe Decision No 2022/331	Available here
	Council of Europe Decision No 2022/333	Available here
	Council of Europe Regulation No 2022/328	Available here
	Council of Europe Regulation No 2022/330	Available here
	Council of Europe Implementing Regulation No 2022/332	Available here
February 28, 2022	Council of Europe Decision No 2022/335	Available here
	Council of Europe Implementing Regulation No 2022/336	Available here
March 1, 2022	Council of Europe Decision No 2022/346	Available here
	Council of Europe Regulation No. 2022/345	Available here
March 2, 2022	Council of Europe Decision No 2022/356	Available here

	Council of Europe Regulation No. 2022/355	Available here
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