



*International Trade and Customs*

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## UKRAINIAN CRISIS

### Direct and indirect effect of the Russian related sanctions on European companies

EU and US sanctions against Russia following the invasion of Ukraine have been carefully coordinated. The "sanctions package" adopted by the European Commission on February 25th, aims primarily at banking institutions, notably **VEB, PSB, Bank Rosiya, Bank Otkritie and Alfa Bank**.

This first EU package has been considerably strengthened this past days. These measures, unprecedented in their scope, **both in banking and in import and export restrictions**, have a major impact on European companies in their commercial relations with their Russian partners.

With its supplement of March 1<sup>st</sup> which provides for an **exclusion from the SWIFT system**, it is the very activity of European companies in Russia, whether established or not, that is directly impacted. The Commission and the Member States are mobilizing to limit these collateral effects amplified by **the counter-sanctions that Russia has just adopted**. You can find the latest sanction measures [here](#).

**For contracts prior to February 23**, that are in progress (and can be extended until August 24 if necessary) or under negotiation, **it is urgently necessary to verify the reality and importance of the risks faced in the event of non-compliance with these sanctions**. It should be remembered that their effectiveness is considerably reinforced by the convergent US sanctions, whose scope is extra-territorial in nature.

Proper implementation of the EU Sanctions by Member States is essential for their effectiveness. As sharing first-hand information, the EU has implemented a **Whistleblower tool** allowing persons to voluntarily and anonymously report violations of EU sanctions. More information [here](#).

Indeed US sanctions apply **to any activity involving a US territory, a US person or the US Dollar**. They provide **secondary sanctions**, prohibiting any non-US person (including Russians) from facilitating significant transactions with US-listed persons (including banks). Any US person responsible for such facilitation may be subject to US sanctions (ban on US markets, freezing of assets in the US, etc.).

It should be remembered that OFAC's 50 Percent Rule states that the property and interests in property of entities **directly or indirectly owned 50 percent** or more in the aggregate by one or more blocked persons are considered blocked. We recommend entities and persons considering a potential transaction to conduct appropriate due diligence on listed persons and entities including financial institution.

DS Avocats Trade and Customs department located both in Paris and Brussels, has a long standing practice on these matters. In relation with the current situation, we have set up an on line service with a daily information and Q/A's.

Please find our offer [here](#).

This new service is complementary with our usual assistance **of our clients to achieve compliance in supply chains** by setting and drafting internal compliance policies and guidelines, or by providing entity and persons monitoring for our clients in order to stress potentially problematic direct or indirect relationships with listed individuals or entities including financial institutions. Following these compliance checks we submit adapted recommendations to our clients.

Our compliance offer is made in partnership with ours colleagues form the specialized US law firm of Holland & Hart.

**DS Avocats International Trade and Customs team is at your disposal to provide you with any additional information.**

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