

THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) REGULATIONS 2022
REPORT UNDER SECTION 46 OF THE SANCTIONS AND ANTI-MONEY
LAUNDERING ACT 2018

1. This is a report under section 46 of the Sanctions and Anti-Money Laundering Act 2018 ("the Act") in relation to the Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022. When new regulations are made under section 45 of the Act to amend sanctions regulations that have already been made under section 1 of the Act, and the regulations being amended state a purpose other than compliance with a UN or other international obligation (i.e. discretionary purposes in section 1(2) of the Act), the Minister making the new regulations must lay before Parliament a report under section 46(2) of the Act which explains why the Minister is of the opinion mentioned in section 45(2)(b) of the Act, namely that:
 - The Minister considers that carrying out the purpose(s) of the regulations being amended would meet one or more of the conditions in paragraphs (a) to (i) of section 1(2) of the Act;
 - The Minister considers that there are good reasons to pursue that purpose; and
 - The Minister considers that the imposition of sanctions is a reasonable course of action for that purpose.

2. The Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 (the "Amendment Regulations") are made under the Act to amend the Russia (Sanctions) (EU Exit) Regulations 2019 ("the 2019 Regulations"). The Amendment Regulations amend the criteria for the designation of persons in the 2019 Regulations. No amendments have been made in respect of the prohibitions or requirements contained in the 2019 Regulations.

3. These amendments to the 2019 Regulations are in response to the recent escalation in actions by Russia on the Ukrainian border. Russia continues to pursue a pattern of aggressive action towards Ukraine. This includes the continued build-up of Russian troops on Ukraine's borders and in illegally annexed Crimea, cyber-attacks against Ukraine, ongoing Russian activity and planning to further destabilise Ukraine and a hardening of Russian rhetoric, including threats against Ukraine and its political leaders. Russia's current behaviour is not only threatening the sovereignty of Ukraine; it is also destabilising the rules-based international order and challenging the values that underpin it. The UK have been clear with Russia that any military incursion into Ukraine would be a strategic mistake and would have severe cost in response.

4. Amending the existing designation criteria will enable us to designate individuals and entities that are or have been involved in obtaining a benefit from or supporting the Government of Russia. We continue to work closely with international partners to ensure that designations made under the amended criteria are coordinated, and that sanctions remain in place as long as Russia's activities with regard to Ukraine continue.

5. The 2019 Regulations are amended to specify additional activities for which a person may be designated as an 'involved person'. Expanding the existing designation criteria will provide a basis for the UK to designate individuals or entities that are or have been involved in obtaining a benefit from or supporting the Government of Russia. The instrument provides that this includes carrying on business as a Government of Russia-affiliated entity; carrying on business of economic significance to the Government of Russia; and carrying on business in a sector of strategic significance to the Government of Russia; as well as owning or controlling or working as a director, trustee or equivalent of such entities.

6. Section 2(4) of the Act requires a report to be laid before Parliament explaining why the appropriate Minister making Regulations under section 1 of the Act considers that carrying out each of the discretionary purposes of the Regulations would meet one or more of the conditions in paragraph (a) to (i) of section 1(2) of the Act, why the Minister considers that there are good reasons to pursue that purpose, and why the Minister considers that the imposition of sanctions is a reasonable course of action for that purpose. A report under section 2(4) and the other documents that accompanied the 2019 Regulations were laid before Parliament on 11 April 2019.

7. An annual review under section 30 of the Act, examining whether the Russia (Sanctions) (EU Exit) Regulations 2019 were still appropriate for the purposes stated in them, was completed on 11 November 2021. It concluded that during the review period Russia has continued to take actions which threaten and destabilise Ukraine.

8. A summary of the conclusions relating to the discretionary purposes of the section 2 report and the annual review is below, together with an assessment of the current situation for the purposes of this section 46 report.

The Russia (Sanctions) (EU Exit) Regulations 2019

9. **Section 2 report, laid before Parliament on 11 April 2019:** The report stated that the discretionary purposes of the 2019 Regulations were to encourage Russia to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. The report concluded that carrying out those purposes met one or more of the conditions in section 1(2) of the Act. In particular, carrying out those purposes would fall within paragraph 2(c) and 2(d), in that it would be in the interests of international peace and security, and furthering a foreign policy objective of the government of the United Kingdom. The purposes remain relevant following the deterioration of the security situation since 2020. The UK continues to put pressure on the Russian Government to change its behaviour and policy towards Ukraine. Russia's military activity on Ukraine's border and in illegally-annexed Crimea and its contribution to instability in Ukraine, and ongoing Russian activities undermining Ukrainian sovereignty shows the importance of continuing to use this sanctions regime to increase pressure on Russia to change its behaviour.

10. **Annual review:** An annual review was completed on 11 November 2021. It concluded that during the review period Russia has continued to take actions which threaten and destabilise Ukraine since the 2019 Regulations were laid in Parliament.

11. **Current assessment:** Since the completion of the section 2 report there has been a deterioration of the security situation with Russia's continued pattern of military build-ups on the border with Ukraine and in illegally-annexed Crimea, an upward trajectory in the number of ceasefire violations in eastern Ukraine, and continued activities attempting to isolate Crimea from Ukraine which are destabilising Ukraine and undermining Ukrainian sovereignty and territorial integrity.

12. Russia's actions to change borders illegally and by force is geopolitically destabilising. Russia's intervention in eastern Ukraine and its illegal annexation of Crimea and the city of Sevastopol are clearly inconsistent with a number of Russia's international commitments, including the OSCE Helsinki Final Act, the Minsk Protocols and the Budapest Memorandum. The UK has been clear that it should change its behaviour towards Ukraine and be held to account for its actions in Ukraine.

13. In response to this situation, it is a reasonable course of action to maintain the existing sanctions measures under the 2019 Regulations, and to amend the designation criteria to broaden their scope.

14. Amending the designation criteria, to enable the UK to designate individuals or entities that are or have been involved in obtaining a benefit from or supporting the Government of Russia is considered to be a reasonable course of action in order to contribute to the purposes in Regulation 4. Firstly, it enables designations to be made which will bring coercive pressure to bear against the Government of Russia to encourage it to cease actions destabilising Ukraine, and undermining and threatening its territorial integrity, sovereignty and independence. The types of entities and individuals in scope of the amended criteria are those whose designations, as a consequence of their economic or strategic significance to, or their links to, the Government of Russia are intended to encourage the Russian Government to cease its destabilising actions. Secondly, it also enables designations to be made which will constrain the Government of Russia's ability to maintain its activities with regard to Ukraine. Many of the entities and individuals that could be designated under the amended criteria contribute financially to Russia's exchequer, or provide resources to the Government of Russia. By enabling their designation such funds or resources will have an impact on the funds available to Russia to maintain its activities with respect to Ukraine. Finally, the amendment itself as well as designations made using it will send a strong signal of condemnation to Russia that its activities are unacceptable to the UK and the wider international community, most notably where it enables designations to be made in concert with international partners.

15. The existing sanctions measures under the 2019 Regulations have not yet achieved the desired outcomes. Amending the designation criteria to expand the range of individuals and entities the UK can sanction will send a clear political signal to hold the Russian state to account for its actions, and respond to the escalation of actions against Ukraine including the pattern of military build-ups on the border with Ukraine and in illegally-annexed Crimea. Any diminution of sanctions against Russia would be seen as an acceptance of the Russian annexation of Crimea and the city of Sevastopol and Russia's destabilisation of eastern Ukraine. Comprehensive amendments to the designation criteria, as detailed above, are both reasonable and proportionate to achieve the purposes of the sanctions regime.

16. The policy intention is keep sanctions in place until the UK Government is assured that Russia has ended its illegal annexation of Crimea and the city of Sevastopol, ensured full implementation of the Minsk agreements, withdrawn its troops from Ukrainian soil, ended its support for the separatists, and enabled the restoration of security along the Ukraine-Russia border under effective and credible international monitoring, thereby enabling free and fair elections to be held throughout Ukraine. For the reasons set out in the section 2 report, carrying out those purposes meets one or more of the conditions in section 1(2) of the Act, there are good reasons for pursuing those purposes, and the imposition of the kinds of prohibitions and requirements imposed by this instrument for those purposes is a reasonable course of action for those purposes.

The Rt. Hon. James Cleverly MP
Minister of State for Europe