

**EXPLANATORY MEMORANDUM TO**  
**THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) (NO. 17) REGULATIONS**  
**2022**

**2022 No. 1331**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Foreign, Commonwealth and Development Office and is laid before Parliament by Command of His Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

**2 Purpose of the instrument**

- 2.1 This instrument is made under the Sanctions and Anti-Money Laundering Act 2018 ('the Sanctions Act') (c.13) to make amendments to the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) ('the 2019 Regulations'). These amendments will extend restrictions on trade with Russia for the purposes of encouraging Russia to cease actions destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, as stated in regulation 4 of the 2019 Regulations.

**3 Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments* This instrument, which is subject to the made affirmative procedure, is laid before Parliament on 15 December under section 55(3) of the Sanctions Act and comes into force on 16 December with the exception of Part 2 of Schedule 4 and regulation 21 in so far as it relates that Part of that Schedule, which comes into force on 1 January 2023 in line with the date that the prohibition on the import of Liquefied Natural Gas comes into force. It is appropriate for these measures to enter into force as soon as possible in order to put further pressure on the Russian government with the ambition of urgently ending the crisis in Ukraine.

**4 Extent and Territorial Application**

- 4.1 The territorial extent of this instrument is the same as the extent of the instrument which it amends: that is, the whole of the United Kingdom ('UK').
- 4.2 Subject to paragraph 4.3, the territorial application of this instrument is also the same as the territorial application of the instrument that it amends.
- 4.3 This instrument also applies to conduct by UK persons where that conduct is wholly or partly outside the UK.<sup>1</sup> It also applies to conduct by any person in the UK and its territorial sea.

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<sup>1</sup> UK persons includes British nationals, as well as all bodies incorporated or constituted under the law of any part of the UK. Accordingly, the prohibitions and requirements imposed by the Regulations apply to all companies established in any part of the UK, and they also apply to branches of UK companies operating overseas.

## **5 European Convention on Human Rights**

5.1 Anne-Marie Trevelyan MP, Minister of State at the Foreign, Commonwealth and Development Office, has made the following statement regarding human rights:

“In my view the provisions of the Russia (Sanctions) (EU Exit) (Amendment) (No.17) Regulations 2022 are compatible with the Convention rights.”

## **6 Legislative Context**

6.1 The Sanctions Act establishes a legal framework which enables His Majesty’s Government to impose sanctions for a number of purposes, including that it is in the interests of international peace and security and furthers a foreign policy objective of the government of the UK.

6.2 This instrument makes amendments to the 2019 Regulations, which were made under the Sanctions Act for discretionary purposes within section 1(2) of the Sanctions Act.**Policy Background**

### *What is being done and why?*

7.1 This instrument amends the 2019 Regulations to impose prohibitions and requirements in relation to trade and financial sanctions measures.

7.2 Following its illegal annexation of Crimea in 2014, Russia continued a pattern of aggressive action towards Ukraine that culminated in the invasion of Ukraine’s sovereign territory on 24 February 2022. This was announced by President Putin as a “special military operation” and included recognising the “Donetsk People’s Republic” and “Luhansk People’s Republic” as independent states and the deployment of Russian military forces across Ukraine. Subsequently Russia held sham referenda on sovereign Ukrainian territory and attempted to illegally annex Ukraine’s regions of Luhansk, Donetsk, Kherson and Zaporizhzhia, in flagrant violation of international law, including the UN Charter.

7.3 The UK has called on Russia to cease its military activity, withdraw its forces from the entire territory of Ukraine within its internationally recognised borders and fulfil its international commitments including under the 1975 Helsinki Final Act, the 2014 and 2015 Minsk Protocols, the 1994 Budapest Memorandum and the UN Charter. The UK remains committed to providing Ukraine with the support it needs to uphold its independence, sovereignty and territorial integrity. UK policy is focused on ending Russia’s illegal war in Ukraine, ensuring that Ukraine can defend itself against Russian’s aggression in the future, and build a stable, prosperous and democratic future for all its citizens. The UK is unwavering in its support for the country’s independence, territorial integrity and sovereignty.

7.4 These sanctions are part of a broader set of measures that include: diplomatic, military, financial, and humanitarian support; trade sanctions, financial sanctions; and designations. Change will therefore be sought through diplomatic pressure, and other measures, supported by implementing trade sanctions in respect of actions undermining the territorial integrity, sovereignty and independence of Ukraine.

7.5 This instrument amends Part 3 (Finance) and Part 5 (Trade) of the 2019 Regulations. Previous financial sanctions include wide-ranging prohibitions on investment, transferable securities and money-market instruments, loans and credit arrangements, correspondent banking relationships and financial services. Previous trade sanctions

include wide ranging prohibitions on the import and export of goods and the provision of services.

- 7.6 This instrument provides for a number of financial sanctions measures and includes:
- A prohibition on providing services related to trusts or similar arrangements to, or for the benefit, of persons designated for the purposes of this measure; and on providing new services related to trusts or similar arrangements to, or for the benefit of, persons connected with Russia.
  - Amendments to existing restrictions on dealing with securities or money market instruments (regulation 16) and loans and credit arrangements to persons connected with Russia (regulation 17) to close loopholes.
  - Suspension of the Bank of England's duty under the Banking Act 2009 to make a decision in respect of a notification of third-country resolution action in respect of designated persons or persons owned or controlled by designated persons. Resolution is the process by which regulatory authorities manage the orderly failure of financial institutions.
- 7.7 This instrument also provides for a number of trade sanctions measures to build on those already in place. These further measures include:
- An expansion of the current prohibitions on the export, supply and delivery, and making available of additional products (as well as related technical assistance, financial services and funds, and brokering services), to the critical-industry goods and critical-industry technology schedule. This measure includes prohibitions on camouflage, oil production and mining equipment.
  - An expansion of the current prohibitions on the export, supply and delivery, and making available of additional products (as well as related technical assistance, financial services and funds, and brokering services), to the defence and security goods and defence and security technology schedule. This measure includes prohibitions in relation to five additional chemicals.
  - A prohibition on the direct and indirect provision of auditing services to a person connected with Russia. The measure is designed to hamper Russian businesses' ability to operate efficiently in commercial and financial markets.
  - A prohibition on the direct and indirect provision of advertising services to a person connected with Russia. This measure will impact the ability of Russian business to sell its goods and services.
  - A prohibition on the direct and indirect provision of architectural and engineering services to a person connected with Russia. These are two separate sanctions measures, which are being imposed in tandem given these services are often used together in project lifecycles. These measures will disrupt Russia's high-end engineering, scientific and other technical economic functions.
  - A prohibition on the direct or indirect provision of information technology consultancy and design services to a person connected with Russia. This measure will erode the capability of information technology systems to support the Russian economy.
- 7.8 Limited exceptions and licensing grounds will be in place with these measures. These measures may include, for example, a licence to facilitate winding-down operations for the many UK firms that are already pulling out of Russia and exceptions for UK

statutory obligations or diplomatic activities. The exceptions and licensing grounds are set out in full in the legislation.

## **8 European Union Withdrawal and Future Relationship**

- 8.1 This instrument itself does not relate to withdrawal from the EU / trigger the statement requirements under the European Union (Withdrawal) Act 2018. The 2019 Regulations related to the withdrawal of the UK from the EU because they replaced, with substantially the same effect, the previous EU Russia and Ukraine related sanctions regimes.

## **9 Consolidation**

- 9.1 The 2019 Regulations have been amended by S.I. 2020/590; S.I. 2020/951; S.I. 2022/123; S.I. 2022/194; S.I. 2022/195; S.I. 2022/203; S.I. 2022/205; S.I. 2022/241; S.I. 2022/395; SI 2022/452; SI 2022/477; SI 2022/792; SI 2022/801; SI 2022/814; SI 2022/818; SI 2022/500; SI 2022/850; SI 2022/1110; SI 2022/1122 and by the Sentencing Act 2020 (c. 17). This instrument does not consolidate previous instruments. The Foreign, Commonwealth and Development Office will keep the need for consolidation under review.

## **10 Consultation outcome**

- 10.1 No consultation has been carried out on this instrument. The Explanatory Memorandum to the 2019 Regulations explains the consultation that has been carried out in relation to the Sanctions Act.
- 10.2 There is neither a requirement in the Sanctions Act for public consultation on instruments made under the Act, nor is there any other legal obligation to consult in respect of this instrument. His Majesty's Government will continue engagement with stakeholders on the implementation of UK sanctions.

## **11 Guidance**

- 11.1 In accordance with section 43 of the Sanctions Act, guidance has been published in relation to the prohibitions and requirements under the 2019 Regulations. This guidance will be updated to reflect the amendments to those Regulations made by this instrument.

## **12 Impact**

- 12.1 The Foreign Commonwealth and Development Office and Department for International Trade assess that the direct impacts and costs to business resulting from these sanctions can be summarised as:
- The Net Present Social Value of the overall set of proposed measures is estimated as a negative of around £200m over the appraisal period (2022 – 2030) in 2019 prices. Net Present Social Value is the Present Social Value of Benefits minus the Present Social Value Costs, and so demonstrates the overall current monetary value of a policy option.
  - The Equivalent Annual Net Direct Cost to Business (EANDCB) – which focuses on the direct impacts on business – for the proposed set of measures is estimated at a cost of £25.4m.

- 12.2 UK businesses must already comply with sanctions against individuals and entities appearing on a regularly updated gov.uk list. The process for notifying businesses about sanctions remains unchanged, so we do not expect significant changes to IT systems or administrative changes.
- 12.3 A full Impact Assessment for this instrument, is submitted with this Memorandum and published alongside the Explanatory Memorandum on the legislation gov.uk website.
- 12.4 An impact assessment<sup>2</sup> was produced for the primary legislation.

### **13 Regulating small business**

- 13.1 This instrument applies to activities that are undertaken by small businesses. No specific action is proposed to mitigate regulatory burdens on small businesses.
- 13.2 The Foreign, Commonwealth and Development Office does not believe it is possible to exempt smaller businesses from the requirements to comply with the measures introduced by this instrument, as this could provide a route for the circumvention or evasion of sanctions.

### **14 Monitoring & review**

- 14.1 If determined that it was no longer appropriate to maintain a sanctions regime or specific sanctions measures, that regime would be removed or amended accordingly. In the case of the 2019 Regulations, that would include the measures introduced by this instrument. As such, the Minister does not consider that a review clause in this instrument is appropriate.

### **15 Contact**

- 15.1 The Sanctions Directorate at the Foreign, Commonwealth and Development Office, telephone 0207 008 8553 or email: Sanctions.SIs@fcdo.gov.uk, can be contacted with any queries regarding the instrument.
- 15.2 Abigail Culank, Deputy Director, Sanctions Directorate at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Anne-Marie Trevelyan, Minister of State at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.

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<sup>2</sup> <https://publications.parliament.uk/pa/bills/lbill/2017-2019/0069/sanctions-and-anti-money-laundering-IA.pdf>