

**THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) (No. 2) 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) (No. 2) 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) (No. 2) 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 will insert a new definition against regulation 17A under Regulation 5 (Power to designate persons) and introduce new financial measures and amend existing financial measures under Part 3 (Finance) introduced by the 2019 Regulations.
  
3. Following its illegal annexation of Crimea in 2014 Russia has continued to pursue a pattern of aggressive action towards Ukraine. This has included use of military force to invade Ukraine, announced by President Putin on 24 February 2022 as a "special military operation", and the recognition of the 'Donetsk People's Republic' and 'Luhansk People's Republic' as independent states, and the deployment of Russian military to those regions.
  
4. The UK has called on Russia to cease its military activity, withdraw its forces from Ukraine and Crimea fulfill its international commitments including under the 1975 Helsinki Act, the Minsk Protocols and 1994 Budapest memorandum. The UK

continues to reiterate its support for Ukraine and in addition to withdrawing its troops from Ukrainian soil, has called on Russia to end its support for the separatists, and enable the restoration of security along the Ukraine-Russia border under effective and credible international monitoring.

5. UK policy is focussed on ending the crisis in Ukraine and on assisting Ukraine to secure its borders against Russia's aggressive actions, ensuring a stable, prosperous and democratic future for all its citizens, and has been unwavering in its support for the country's territorial integrity and sovereignty.
6. These sanctions are part of a broader policy of measures which includes: diplomatic pressure; trade sanctions; economic and financial sanctions and designations. Change will therefore be sought through diplomatic pressure, and other measures, supported by implementing sanctions in respect of actions undermining the territorial integrity, sovereignty and independence of Ukraine.
7. The UK recently introduced secondary legislation, through the Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022 (S.I.2022/123), to amend the existing criteria for the designation of persons. This has enabled the UK to designate individuals that are or have been involved in obtaining a benefit from or supporting the Government of Russia. The UK continues to work closely with international partners to ensure that coordinated sanctions remain in place as long as these actions continue.
8. The Amendment Regulations amends regulation 5 (Power to designate persons) of the 2019 Regulations to provide that persons may be designated for the purposes of regulation 17A (correspondent banking etc.).
9. The Amendment Regulations amends Part 3 (Finance) of the 2019 Regulations which contains financial sanctions.
  - a. The instrument makes several amendments to existing prohibitions which prohibit dealing with transferable securities and money-market instruments:
    - i. It provides for the prohibitions to apply to securities or money-market instruments issued by a person connected with Russia (as defined in Regulation 19A(2)) or those acting on their behalf or at their direction, as well as those owned by such persons and those acting on their behalf or at their direction;

- ii. it provides for the prohibitions to apply to securities or money-market instruments issued by, or on behalf of, the Government of Russia (i.e. Russian sovereign debt); and
    - iii. it expands the scope of the existing prohibitions to apply to securities or money-market instruments issued by entities incorporated or constituted under UK law which are owned by entities listed in Schedule 2.
  - b. The instrument makes several amendments to existing prohibitions which prohibit issuing loans or credit:
    - i. It provides for the prohibitions to apply to loans and credit issued to a person connected with Russia as well as those owned by such persons or those acting on their behalf or at their direction;
    - ii. It provides for the prohibitions to apply to loans and credit provided to the Government of Russia; and
    - iii. It expands the scope of the existing prohibitions to apply to loans and credit provided to entities incorporated or constituted under UK law which are owned by entities listed in Schedule 2.
  - c. The instrument creates a new measure to prohibit a UK credit or financial institution from establishing or continuing a correspondent banking relationship and from processing sterling payments to, from or via, a designated person or a credit or financial institution owned or controlled by them.
- 10. The Amendment Regulations also make amendments to the 2019 Regulations to provide for exceptions from these measures, licensing and enforcement, including the creation of criminal offences.
- 11. 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 s.2(4) and the other documents that accompanied the 2019 Regulations were laid before Parliament on 11 April 2019.
- 12. 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 that Russia has continued to take actions which threaten and destabilise Ukraine.

13. 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**

14. **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 further invasion of Ukraine shows the importance of continuing to use this sanctions regime to increase pressure on Russia to change its behaviour.
15. **Annual review:** An annual review was completed on 11 November 2021. It concluded that during the review period the situation in Ukraine had further deteriorated since the 2019 Regulations were laid in Parliament.
16. **Current assessment:** Since the completion of the section 2 report Russia has launched a military invasion of Ukraine, announced by President Putin on 24 February 2022 as a "special military operation", and recognised the 'Donetsk People's Republic' and 'Luhansk People's Republic' as independent states, and has deployed Russian military forces to those regions.
17. Russia's actions to change borders by force and undermine Ukraine's sovereignty and territorial integrity are illegal and geopolitically destabilising. Russia's aggressive actions, as well as its previous intervention in eastern Ukraine and 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 Russia should change its behaviour towards Ukraine and be held to account for its actions in Ukraine.

18. In response to this situation, it is a reasonable course of action to maintain the existing sanctions measures under the 2019 Regulations, and to introduce the new prohibitions and measures in the Amendment Regulations.
19. **Prohibiting dealing with securities and money-market instruments issued by a person connected with Russia, as well as the provision of loans to them** will reduce the ability of such entities to raise finance. This will degrade the Russian economy and increase the financial burden on the Russian State, thus applying pressure on the Russian Government to change its behaviour and signaling disapproval of its destabilising actions in respect of Ukraine. By acting in concert with other partners, greater pressure will be brought to bear on the Russian Government.
20. **Prohibiting sovereign debt** will cut off the ability of the State to raise funds on the UK market (and if taken in concert with allies, other international markets), as well as denying them ad hoc finance from UK firms. This will constrain Russia's ability to raise additional finance. It would also signal to Russia and the wider international community that territorial expansionism is unacceptable and should be met with a serious response.
21. **Prohibiting correspondent banking** will prohibit a UK credit or financial institution from having correspondent bank accounts with a designated person, and from clearing sterling banking payments to, from or via a designated person. This will move international payments away from designated persons, and reduce their access to UK financial markets. This measure could coerce Russia by causing significant short term disruption to any designated Russian banks and to the Russian financial system, and reduce the profitability of its banking sector. It would also constrain Russia insofar as an economic impact will reduce funds flowing to the Russian exchequer which will constrain Russia's ability to maintain an occupation of Ukraine, and degrade Russia's ability over time to commit further acts of aggression.
22. The existing sanctions measures under the 2019 Regulations have not yet achieved the desired outcomes. These new prohibitions and requirements will send a clear political signal to Russia that we are aligned with international partners, and would signal to the wider international community that territorial expansionism is unacceptable and should be met with a serious response. Any diminution of sanctions against Russia would be seen as an acceptance of

Russia's invasion of Ukraine. More comprehensive financial measures, as detailed above, are both reasonable and proportionate to achieve the purposes of the sanctions regime.

23. The policy intention is keep sanctions in place until the UK Government is assured that Russia has ended its occupation of Ukraine, withdrawn its troops from Ukrainian soil, ended its support for the separatists, and enabled the restoration of security along the Ukraine-Russia border. 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. Elizabeth Truss MP**

**Secretary of State for Foreign, Commonwealth and Development Affairs**