EXPLANATORY MEMORANDUM TO

THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) REGULATIONS 2025

2025 No. 504

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. Declaration

2.1 Stephen Doughty MP, Minister of State at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.

2.2 Abigail Culank, Deputy Director for Sanctions at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 The Sanctions Directorate at the Foreign, Commonwealth and Development Office, 0207 008 8553 or email: fcdo.correspondence@fcdo.gov.uk, can be contacted with any queries regarding the instrument.

Part One: Explanation, and Context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument introduces new restrictions on trade with a focus on export and import prohibitions, and technology and software transfers, and provides some further clarification on the enforcement of trade sanctions. Export prohibitions target chemicals, electronics, machinery, plastics, and metals, aiming to weaken the military and industrial capabilities of Russia. Technology transfer measures prohibit the transfer of technology related to a range of goods already sanctioned for export. Software transfer prohibitions target business enterprise software, industrial design software, and oil and gas related software shared in and via non-tangible formats. Import prohibitions target synthetic diamonds processed in third countries and helium, which Russia is developing as a revenue stream.

Where does the legislation extend to, and apply?

4.2 The instrument extends to the whole of the United Kingdom ("UK"). It is subject to any obligation arising in respect of the Windsor Framework as it may apply through section 7A of the European Union (Withdrawal) Act 2018 in respect of Northern Ireland.

4.3 The territorial application of this instrument is the same as the territorial application of the instrument that it amends. That is, it applies to the whole of the UK.

4.4 This instrument also applies to conduct by UK persons where that conduct is wholly or partly outside the UK, and to conduct undertaken by any person in the territorial sea adjacent to the UK. "UK person" is defined in section 21(2) of the Sanctions and Anti-Money Laundering Act 2018 ("the Sanctions Act").

5. Policy Context

What is being done and why?

5.1 Following Russia's invasion of Ukraine in February 2022, the UK, along with our allies, has imposed wide-ranging sanctions aimed at encouraging the Russian Government to cease its invasion of Ukraine and other actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. As of April 2025, the UK has designated over 2,200 individuals and entities under the 2019 Regulations, over 2,000 of which have been designated since Russia's invasion. We have also targeted wide-ranging imports and exports including military goods and technology, critical industry goods and technology, iron and steel products, liquified natural gas and other key revenue-generating goods that originate in or are consigned from Russia.

5.2 Russia continues to pursue its war of aggression against Ukraine and in response to the sanctions imposed by the UK and the Group of Seven ('G7'), Russia has resorted to extensive, elaborate and costly means to try and work around sanctions. Russia is using complex supply routes via third countries to acquire sanctioned products and is developing parallel trade networks to enable the export of products such as oil, which are critical sources of revenue. The UK is committed to taking action to counter this including by publishing the Common High Priority Items List to support third countries and businesses to focus their efforts on limiting supply chains that are helping sustain the Russian war effort. The UK has also levelled further sanctions against third country suppliers of military and dual-use goods, including but not limited to Iranian drone manufacturers, as well as those involved in facilitating Russia's circumvention of the Oil Price Cap.

5.3 UK policy remains focused on ending Russia's invasion and on assisting Ukraine to secure its borders, ensuring a stable, prosperous and democratic future for all its citizens. The measures in this instrument form part of the UK's ongoing response to Russian aggression and reflect its resolve to mobilise all tools at its disposal. To achieve maximum impact, UK trade sanctions are aligned with allies as far as possible, including the US and EU.

5.4 This instrument amends the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) ('the 2019 Regulations') to impose further trade sanctions on Russia.

Export Sanctions

5.5 The instrument includes prohibitions on additional categories of goods and related ancillary activities for export, supply and delivery, making available and use in Russia. These goods include chemicals, plastics, metals, machinery and electronics which have military and industrial uses. The categories of goods have been chosen to align with measures taken by allies, as well as other products identified by the UK as important to critical industries supporting the Russian war economy, such as the oil, gas and chemical sectors.

Technology Transfer Sanctions

5.6 This instrument will also prohibit the transfer of technology related to certain products that have already been sanctioned for export. "Technology" (defined in paragraph 37

of Schedule 1 to the Sanctions Act) refers to information necessary for the development, production or use of goods or software. This information can take many forms, including intellectual property, industrial know-how, trade secrets and information contained in blueprints and designs. Existing technology transfer controls within the 2019 Regulations apply to technology related to a limited set of military-related goods. The instrument extends these controls to a wider set of technology, related to goods of strategic importance to Russia's military-industrial and economic development. This instrument is necessary to further restrict Russia's access to UK expertise in key supply chains. The exceptions and licensing provisions which apply to existing prohibitions will also apply to the additional categories of goods and technology.

Software Sanctions

5.7 This instrument will also introduce prohibitions on the transfer and making available of sectoral software and technology to a person connected with Russia or for use in Russia. This includes business enterprise software and technology, industrial design software and technology and oil and gas related software and technology, as listed in Schedule 3IA. This will prevent the supply of this software and technology in an intangible format, for example by download, via the cloud or otherwise provided as "Software as a Service (SaaS)". This instrument also prohibits the provision of ancillary services (technical assistance, financial services and funds, and brokering services) related to this software and technology. These measures are aimed at reducing the efficiency and productivity of key sectors in the Russian economy including the oil and gas sector, and will deny Russia's military industrial complex access to this software. These sanctions align with measures taken by our allies.

Import Sanctions

5.8 The instrument will sanction Russian synthetic diamonds processed in third countries in the same manner as the existing sanction on Russian natural diamonds processed in third countries. The ban will apply to synthetic diamonds weighing 0.5 carats and above, aligning with the relevant weight for the current natural diamond ban. The ban begins at 0.5 carats due to those below being both difficult to trace and having negligible value. This provision aims to prevent circumvention of the natural diamond ban; natural diamonds are a more significant source of revenue for the Russian economy and while Russia does not manufacture many synthetic diamonds, they cannot be easily differentiated from natural stones, creating a potential route for circumvention. The instrument also includes a prohibition on the provision of ancillary services (technical assistance, financial services and funds, and brokering services). Given the addition of a synthetic diamond chapter, this instrument also amends Chapter 4JC to help provide clarity and ensure consistency of definitions.

5.9 This instrument will also expand the existing list of goods subject to import sanctions in Chapter 4GA, by adding two goods, Helium and Helium-3, to its corresponding schedule, Schedule 3DA (Revenue Generating Goods). This prohibits the import, acquisition (with the exception of goods already lawfully inside the UK) and supply and delivery of Helium or Helium-3 that originates in or is consigned from Russia. The sanction also includes a prohibition on the provision of ancillary services (technical assistance, financial services and funds, and brokering services). This measure has been included to mitigate a potential scale-up in Russian Helium production as a source of revenue in future.

Amendment Regarding the Application of the Customs and Excise Management Act ("CEMA")

5.10 Trade sanctions are enforced by His Majesty's Revenue and Customs (HMRC) and the Department for Business and Trade (DBT).

5.11 The Sanctions (EU Exit) (Miscellaneous Amendments and Revocations) Regulations 2024 (S.I. 2024/643) and the Sanctions (EU Exit) (Miscellaneous Amendments) Regulations 2024 (S.I. 2024/644) came into force on 16 May 2024 and 5 June 2024 respectively. These instruments clarified, amongst other things, the split of enforcement responsibilities between HMRC and DBT, specifically the Office of Trade Sanctions Implementation (OTSI) within DBT, by creating a list of offences that HMRC can only investigate on referral from DBT or another civil enforcement body.

5.12 HMRC, as the UK's customs authority, enforces trade sanctions related to the import and export of goods and the transfer of technology across the UK border, including ancillary services. DBT enforces trade sanctions related to services and the movement of goods and technology across third country borders to sanctioned persons and destinations, including ancillary services. Offences outside HMRC's remit require a referral from the Secretary of State before criminal enforcement action can proceed.

5.13 Following a review of this legislation, it has been identified that certain acquisition and ancillary services offences under the 2019 Regulations had been omitted from the list of offences within regulation 85(3B) of the 2019 Regulations, which are now being included. It also clarifies the enforcement responsibilities for new and amended sanctions on software and technology transfer. For offences which DBT enforces, it enables referrals to be made to HMRC for criminal enforcement.

What was the previous policy, how is this different?

5.14 Previous trade sanctions imposed through the 2019 Regulations, and subsequent amendments, include wide-ranging prohibitions on the export of goods and services, including defence and security goods and technology, goods used for Russia's energy sector, and goods and services for which Russia depends on supply from other countries. They also include import prohibitions on iron and steel products, gold, oil, coal, and key revenue-generating goods that originate in or are consigned from Russia.

Export sanctions

5.15 The new prohibitions have been incorporated into existing schedules in the 2019 Regulations. These include adding three additional product categories to Schedule 2A (critical industry goods and critical industry technology) to align with the EU. These have been found to be used by Russia in its military sector. The instrument also adds a further nine chemicals to Schedule 3C (defence and security) which the US have sanctioned for their uses as riot control agents, and which have been found to be used by Russian forces. The instrument also includes an additional 81 product categories in Schedule 3E (G7 dependency and further goods) which align with EU and some US sanctions. The instrument adds 67 new product categories to Schedule 3I (Russia's vulnerable goods) which have been identified for use in Russia's critical industries.

Technology Transfer Sanctions

5.16 The instrument's technology transfer bans will replicate existing technology prohibitions which apply to military, dual use and other high priority restricted goods (Chapter 2, Regulation 26). New versions of this provision will be applied to Chapter 4 (Energy related goods and related activities), Chapter 4H (G7 dependency and further goods) and Chapter 4M (Russia's vulnerable goods). Chapter 4 is comprised

of energy related goods relevant to Russia's important revenue-generating oil and gas industry. Chapters 4H and 4M include the Common High Priority Items List of industrial components Russia is using in its weapons systems, as well as other industrial goods. Extending the provision to these chapters will prevent Russia from using UK expertise for the development, production and use of these products.

Software Sanctions

5.17 The instrument builds on existing prohibitions on software provided by tangible means, such as in a flash drive or within the hard drive of a computer. This instrument prohibits the supply of software provided intangibly for use in Russia or to persons connected with Russia.

Import Sanctions

5.18 The synthetic diamonds measures are being introduced to prevent circumvention of existing sanctions on natural diamonds.

5.19 The prohibition of Russian Helium is a pre-emptive measure designed to mitigate a potential scale-up in Russian Helium production as a source of future revenue. The introduction of this measure aligns with equivalent EU sanctions, thereby maximising the collective impact of sanctions on Russia's ability to raise revenue. UK imports of Russian helium are currently nil and have historically been low.

Amendment Regarding the Application of Application of the Customs and Excise Management Act ("CEMA")

5.20 Legislation had assigned sole enforcement responsibility of certain acquisition and ancillary services offences with 'the intent to import' to HMRC. While these offences were assigned to HMRC due to their potential customs nexus, HMRC's remit typically covers goods that actually cross the UK border. Offences related solely to the intent to import fall outside this scope. Therefore, OTSI has civil enforcement responsibility for offences involving only the intent to import, with the option to refer cases to HMRC for criminal enforcement. HMRC will retain full enforcement responsibility for goods physically imported into the UK.

6. Legislative and Legal Context

How has the law changed?

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 that it 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 that Act.

6.3 This instrument amends Part 5 (Trade) of the 2019 Regulations, which contains trade sanctions measures. Within that Part, it amends Chapter 4 (energy related goods and related activities), Chapter 4H (G7 dependency and further goods) and Chapter 4M (Russia's vulnerable goods). It also amends Schedule 2A (Critical-industry goods and critical-industry technology), Schedule 3 (Energy-related goods), Schedule 3C (Defence and security goods and defence security technology), Schedule 3DA (Revenue Generating Goods), Schedule 3E (G7 dependency and further goods) and Schedule 3I (Russia's vulnerable goods). It also creates a new Chapter to the 2019 Regulations, Chapter 4JD (Certain synthetic diamonds processed in a third country).

6.4 Within Chapter 4N, these Regulations introduce a prohibition on the "transfer of technology" and "making available" of sectoral software and technology as listed in schedule 3IA. It also prohibits the supply of relevant ancillary services (technical assistance, financial services and funds, and brokering services) related to sectoral software and technology. The instrument provides that each of the prohibitions are subject to Part 7 (Exceptions and licences) of the 2019 Regulations and also that a person who contravenes the prohibition on providing the relevant ancillary services without a specified defence commits an offence.

6.5 Acquisition and ancillary services offences under Chapter 4G, Chapter 4JA, Chapter 4K and Chapter 4L of the 2019 Regulations were previously omitted from Regulation 85(3B) (which sets out the list of offences which can be investigated by HMRC upon referral). These offences have been inserted into Regulation 85(3B), along with the new offences created by this instrument.

Why was this approach taken to change the law?

6.6 The new export prohibitions have been added to existing chapters and corresponding Schedules according to relevance.

6.7 The new technology transfer prohibitions are applied to industrial goods relevant to Russia's military industrial complex and economic development. A decision was taken to not apply these provisions to non-industrial and raw materials included in some of the relevant Schedules, as these are less relevant to Russia's ability to fund and wage its war.

6.8 The prohibition on the import of synthetic diamonds processed in a third country has been introduced via a new chapter (Chapter 4JD) with relevant HS codes defined in the regulations themselves. This is the same approach taken to the prohibition on the import of third country processed natural diamonds.

6.9 The prohibition of Helium imports has been introduced via an existing chapter and corresponding Schedule (Chapter 4GA and Schedule 3DA). This Schedule lists revenue-generating goods and is considered the most appropriate place to reference these additional goods now within scope of the import measures.

6.10 Regarding the enforcement clarification amendments, the amendment of regulation 85(3B) is the only way to reflect HMRC's and OTSI's respective enforcement roles on trade sanctions.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation has been carried out on this instrument. The Explanatory Memorandum to the 2019 Regulations explains that consultation has been carried out in relation to the Sanctions Act.

7.2 There is no requirement in the Sanctions Act for public consultation on instruments made under the Sanctions 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.

8. Applicable Guidance

8.1 In accordance with section 55(3) 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.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 The Foreign, Commonwealth & Development Office has undertaken a De Minimis Assessment to estimate costs to UK businesses and wider impacts resulting from these Regulations. We have estimated the costs to be beneath the threshold of £10m per annum for a full impact assessment, and the estimate remains below the threshold with the sensitivity analysis.

Impact on businesses, charities and voluntary bodies

9.2 There is no significant impact on business, charities or voluntary bodies as this is an update to existing legislation.

9.3 The legislation is anticipated to have a minimal impact on small or micro businesses. Small businesses are disproportionately impacted by regulatory burdens and so will likely bear a greater relative familiarisation and transition cost. Small and micro-businesses will not be exempt from this regulation. However, all firms – large or small – are already obliged to have processes in place to ensure compliance with existing sanctions regimes under the Sanctions Act. Therefore, we believe no significant changes to IT systems or administrative processes will be required, meaning the additional impact to small business would be minor.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 If His Majesty's Government determined that it was no longer appropriate to maintain a sanctions regime or specific sanctions measures, that regime would be removed or amended accordingly. This would include the amendments made by this instrument. As such, the Minister does not consider that a review clause in this instrument is appropriate.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument, which is subject to the made affirmative parliamentary procedure, is laid before Parliament on 23 April 2025 under section 55(3) of the Sanctions Act and will come into force on 24 April 2025.

11.2 This instrument amends an autonomous sanctions regime which does not contain any 'UN regulations' within the meaning of section 55(7) of the Sanctions Act. Therefore, the instrument attracts the made affirmative Parliamentary procedure, as provided for in section 55(3).

12. European Convention on Human Rights

12.1 Stephen Doughty MP has made the following statement regarding Human Rights:

"In my view the provisions of the Russia (Sanctions) (EU Exit) (Amendment) Regulations 2025 are compatible with the Convention rights."

13. Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023.