

# KIRKLAND ALERT

July 6, 2017

## EU Renews Sanctions and Restrictive Measures Targeting Russia

Recently, the European Union (EU) [renewed](#) territorial sanctions and restrictive measures in respect of Russia, Crimea and Sevastopol.<sup>1</sup> As explained in our previous [Alert](#), a raft of measures were introduced in 2014, following the annexation of Crimea and Sevastopol by Russia and the shooting down of Malaysia Airlines flight MH17 in Donetsk, eastern Ukraine.

This latest set of extensions comes shortly after the March 2017 extension of the asset freeze and travel ban provisions initially introduced in March 2016 against those responsible for actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.<sup>2</sup> Those provisions are now in place until September 15, 2017, and currently apply to circa 150 persons and 37 entities. Moreover, the EU's renewal of territorial sanctions and restrictive measures comes amid recent U.S. sanctions [developments](#) in respect of Russia, and highlights broad policy (if not regulatory), convergence between the United States and EU.

The most recent extensions were adopted on June 19 and 28, 2017, respectively. The measures extended on June 19, 2017, relate to the illegal annexation of Crimea and Sevastopol and extend them until **June 23, 2018**, while the measures extended on June 28, 2017, target specific sectors of the Russian economy and are now in place until **January 31, 2018**.<sup>3</sup> In summary, these measures include:

### 1. Crimea and Sevastopol<sup>4</sup>

- a prohibition on the import of goods and products originating in Crimea or Sevastopol into the EU;
- a prohibition on investment in Crimea or Sevastopol, prohibiting EU persons and EU-based companies from buying real estate or entities in Crimea, financing Crimean companies or supplying related services;
- an embargo on the export of certain goods and technology to Crimean companies or for use in Crimea in the transport, telecommunications and energy sectors or related to the prospecting, exploration and production of oil, gas and mineral resources. The prohibition also extends to the provision of technical assistance, brokering, construction or engineering services related to infrastructure in these sectors; and
- a prohibition on the provision of certain tourism services in Crimea or Sevastopol.

### 2. Russia<sup>5</sup>

- limiting access to EU primary and secondary capital markets for five major Russian majority state-owned financial institutions (namely Sberbank, VTB Bank,

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Gazprombank, Vnesheconombank (VEB) and Rosselkhozbank) and their majority-owned subsidiaries established outside of the EU, as well as three major Russian energy and defence companies (namely JSC Sirius, OJSC Stankoinstrument, OAO JSC Chemcomposite, JSC Kalashnikov, JSC Tula Arms Plant, NPK Technologii Maschinostrojenija, OAO Wysokototschnuye Kompleksi, OAO Almaz Antey and OAO NPO Bazalt);

- the imposition of an arms embargo related to the supply, import or export of arms and related military equipment to any individual or entity in Russia or for use in Russia. Such embargo includes a restriction on the provision of technical assistance, brokering services, financing or financial assistance related to such items;
- an export ban on dual-use goods and technology for military use or military end users in Russia. The prohibition also includes a restriction on the provision of technical assistance, brokering services, financing or financial assistance related to such dual-use goods and technology; and
- curtailing Russian access to certain sensitive technologies and services that can be used for oil production and exploration in Russia.

The restrictive measures set out above apply within the territory of the EU, on board any aircraft or vessel under the jurisdiction of a Member State, to any individual who is a national of a Member State wherever in the world they are located, to any entity incorporated in a Member State, and to any entity in respect of business done in whole or in part in the EU.

Due to the evolving and uncertain nature of the political situation between the EU and Russia, there are likely to be further developments in this area in the months and years to come. Those doing business in Russia and the Ukraine will therefore need to continue to be diligent to ensure their operations continue to be compliant with the applicable measures in force.

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The United States, the EU and other countries scrutinize or regulate international business activities to advance priority national security, foreign policy and other objectives. If not addressed effectively, such governmental scrutiny or regulation can adversely impact business strategy and investment decisions, lead to significant individual and corporate civil and criminal penalties, and may even result in imprisonment for responsible persons.

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- <sup>1</sup> Council Decision [CFSP] 2017/1087 and Council Decision [CFSP] 2017/1148
- <sup>2</sup> See <http://www.consilium.europa.eu/en/press/press-releases/2017/03/13-eu-sanctions-ukraine-integrity/> and Notice (2017/C 79/02) published in the Official Journal of the European Union on March 14, 2017, in relation to Council Decision 2014/145 CFSP (as amended) and Council Regulation 269/2014 (as amended)
- <sup>3</sup> Council Decision [CFSP] 2017/1087 and Council Decision [CFSP] 2017/1148
- <sup>4</sup> See Council Regulation 692/2014
- <sup>5</sup> See Council Regulation 833/2014
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If you have any questions about the matters addressed in this *Kirkland Alert*, please contact the following Kirkland authors or your regular Kirkland contact.

Mario Mancuso, P.C.  
Kirkland & Ellis LLP  
655 Fifteenth Street, N.W.  
Washington, D.C. 20005  
[www.kirkland.com/mmancuso](http://www.kirkland.com/mmancuso)  
+1 202 879 5070

Sarah Klein  
Kirkland & Ellis International LLP  
30 St Mary Axe  
London EC3A 8AF  
United Kingdom  
[www.kirkland.com/sklein](http://www.kirkland.com/sklein)  
+44 20 7469 2475

Douglas Badder  
Kirkland & Ellis International LLP  
30 St Mary Axe  
London EC3A 8AF  
United Kingdom  
[www.kirkland.com/dbadder](http://www.kirkland.com/dbadder)  
+44 20 7469 2177

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