

EU sanctions in response to Russia's invasion of Ukraine

Since February 2022, the EU has adopted six packages of sanctions in response to Russia's invasion of Ukraine. The EU has also adopted sanctions against Belarus in response to its involvement. These sanctions are in addition to those already applying to Russia since 2014 and to Belarus since 2006.

Regarding Russia, the EU has imposed different types of sanctions, in essence through a set of regulations amending [Regulation \(EU\) 269/2014](#) concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine as well as [Regulation \(EU\) 833/2014](#) concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, which contain sanctions already in place against Russia since 2014.

The 2022 sanctions include restrictive measures against designated natural or legal persons (i.e. travel bans, asset freezes, and prohibitions to make funds or economic resources available), economic sanctions targeting specific sectors of the Russian economy (e.g. financial sector, media, luxury goods, iron and steel), and restrictions on economic relations with certain territories, including the non-government-controlled areas of Donetsk and Luhansk.

Regarding Belarus, specific EU regulations apply, which contain sanctions largely in line with the measures adopted against Russia.

- **Impact on the Luxembourg financial sector**

From the perspective of their impact on the activities of the Luxembourg financial sector, the main sanctions to bear in mind are the restricted access to EU primary and secondary capital markets for certain Russian banks and companies, the prohibition on transactions with Russia's government and Central Bank, the SWIFT ban for certain Russian banks, the prohibition to accept Russian deposits exceeding certain thresholds, the prohibition on the provision of euro-denominated banknotes to Russia, the prohibition for EU central securities depositories to provide services to Russian natural or legal persons, the prohibition on public financing or financial assistance for trade with or investment in Russia, the prohibition on investment in and contribution to projects co-financed by the Russian Direct Investment Fund, and the prohibition on providing high-value crypto, business & trust, as well as tax and accounting services.

In addition, the obligation to freeze assets of and the prohibition to make funds or

economic resources available to person listed in the annexes to the relevant regulations may affect shareholders or beneficial owners of Luxembourg entities or their counterparties and, hence, affect purported transactions.

The impact of the prohibition to circumvent sanctions set out in the EU relevant regulations also needs to be considered.

- **Enforcement and regulatory guidance**

In accordance with the Law of 19 December 2020 on the implementation of restrictive measures in financial matters, all natural and legal persons residing, established or operating in or from Luxembourg must apply the sanctions and inform the Ministry of Finance accordingly. In addition, supervisory authorities and self-regulatory bodies (e.g. CSSF, CAA, AED) shall ensure effective monitoring of the implementation of the sanctions by the persons and entities falling within their competence. Such authorities and bodies have the same powers as those conferred upon them by the AML framework.

Failure to comply with the restrictive measures is punishable by imprisonment for a term of eight days to five years and a fine of between EUR 12,500 and EUR 5,000,000 or by one of these penalties only. Where the offence has resulted in substantial financial gain, the fine may be increased to four times the amount of the offence.

For more information regarding the Law of 19 December 2020, please read [here](#).

For further information and guidance on international and EU sanctions, including a list of all applicable EU regulations and affiliated texts and their interpretation, reference can be made to the dedicated webpages of the [Luxembourg Ministry of Finance](#) (which includes useful best practice guides and forms), the [CSSF](#) and the [European Commission](#) (which includes a comprehensive Q&A).

For any further information please contact us or visit our website at [**www.elvingerhoss.lu**](http://www.elvingerhoss.lu).

The information contained herein is not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific legal advice concerning particular situations.

We undertake no responsibility to notify any change in law or practice after the date of this newsletter.