

Sanctions: Fortnightly Summary



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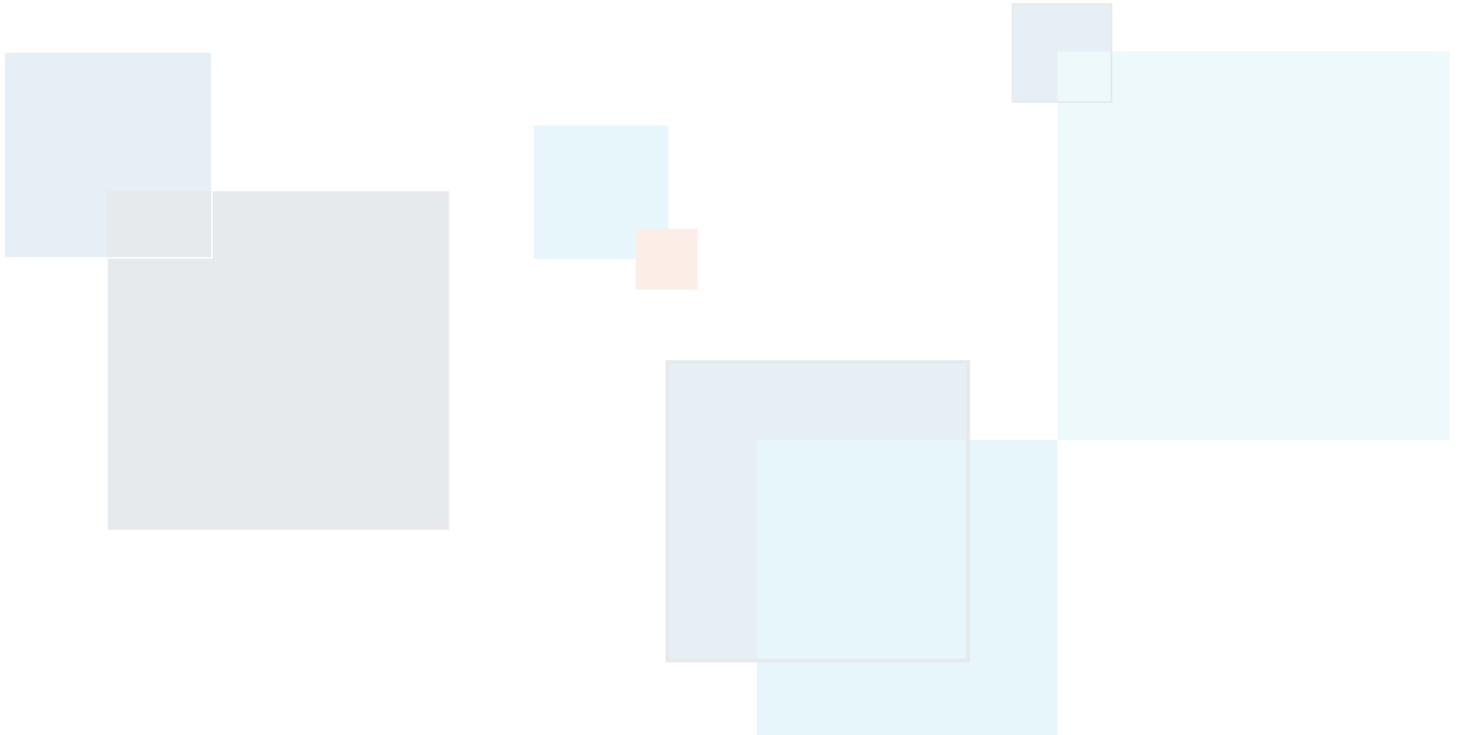
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Welcome to BCL's latest sanctions round-up, highlighting key UK developments in sanctions law, policy, and compliance. This edition covers, amongst other matters, an important judgment on sanctions compliance, an announcement on enforcement action against Russia's "shadow fleet", and amendments to the UK sanctions list, general licences, and guidance.

UK Legal and Policy Developments

Judgment concerning payments connected with the provision of restricted goods (UniCredit Bank GmbH v Celestial Aviation Services Ltd)

- On 25 March, the Supreme Court handed down judgment on whether UniCredit Bank could make payments under letters of credit linked to aircraft leases with Russian airlines, in light of regulation 28(3)(c) of the Russia (Sanctions) (EU Exit) Regulations 2019 ("RSRs"). That provision prohibits a person from providing funds or financial services in connection with arrangements whose object or effect is to make restricted goods or restricted technology available to a person connected with Russia or for use in Russia. In this case, the relevant restricted goods were civilian aircraft.
- Celestial Aviation, an aircraft lessor, argued in part that the prohibition did not apply because there was no sufficient causal link between the payments and the continued use of the aircraft in Russia, stating that payment under the letters of credit did not itself advance such conduct, and that the words "in connection with" in regulation 28(3)(c) required more than a mere factual association between the payment and the lease arrangements. The Court rejected that argument, holding that the prohibition did not require a causal link, and that it was engaged where the payments were factually connected with the relevant arrangements.
- The Court also held that the civil liability defence in Section 44 of the Sanctions and Anti-Money Laundering Act 2018 ("SAMLA"), to the effect that acts or omissions done in reasonable belief that they were required to comply with sanctions, would be available to UniCredit Bank, as long as the bank maintained the reasonable belief that non-payment was necessary to comply with the prohibition. In addition to applying to situations of withholding debts, the Court clarified that the defence is available in respect of interest and associated costs. **[Judgment]**

UK to maintain continued pressure by way of the RSRs

- On 17 March, a UK-Ukraine Strategic Dialogue joint statement outlined that both countries will continue to exert sustained economic pressure on Russia through strengthened sanctions cooperation, including further measures to tackle Russia's "shadow fleet". The statement also flagged an agreement that Russia must pay for the damage caused to Ukraine, and that all lawful routes to effect this goal would be considered. The statement also noted that the UK and the rest of the G7 had committed to ensuring that Russian sovereign assets would remain immobilised until the war ended and damage caused to Ukraine was paid for. **[UK-Ukraine Strategic Dialogue press release]**

Green light issued to UK's armed forces to board and seize "shadow fleet" vessels

- On 25 March, the Prime Minister's Office and the Ministry of Defence announced that the UK Armed Forces and law-enforcement agencies can now interdict (the act of stopping, boarding, inspecting, and potentially detaining) vessels sanctioned by the UK and in transit

through UK waters. The release said the step would help close, inter alia, the Channel to “shadow fleet” vessels, forcing operators either to divert or risk detention, and said the Royal Navy had already helped monitor and track several such ships in recent weeks.

- Sir Keir Starmer stated that the move was driven in part by concerns that instability in the Middle East could become a windfall for shadow-fleet operations, and aimed to reduce Russian revenues. The government says around 75% of Russia’s crude oil is transported by a “decrepit... and aging fleet of ships”, of which the UK and its allies have designated 544. Several allies in the Joint Expeditionary Force, a UK-led defence coalition of 10 Northern European nations, have recently carried out operations against suspected shadow fleet vessels in the Baltic.
- The announcement also stated that:
 - “Each target ship will be individually considered by law enforcement, military and energy market specialists before a recommendation is made to ministers and an operation is executed.”
 - “Following the detention of a ship, criminal proceedings may be brought against the owners, operators and crew, for breaches of UK sanctions legislation.”
[Press release]
- In January of this year, the UK government indicated that it had identified powers allowing the military to board and detain shadow fleet tankers under the Sanctions and Money Laundering Act 2018 (SAML), though the precise provisions underpinning the legal basis for such intervention remain unclear. UK specialist military units have begun engaging in training operations, including dealing with armed crews, in preparation for various scenarios wherein such military intervention may arise. **[BBC article]**

UK Sanctions List updates

Revocation

- German Belous, designated on the basis of his role as Deputy Chairman of the Management Board of Novikombank, a Russian bank operating in the financial sector specialising in the financing of industrial and defence enterprises, was de-listed on 17 March 2026.
[Sanctions Notice]

New designations

- On 26 March, four entities and six individuals were designated under the Global Human Rights Sanctions regime, on the basis of alleged involvement in human rights abuses connected to the operations of “scam centres” across Southeast Asia, particularly Cambodia, and cryptocurrency-based services that aid in their operations by “selling stolen personal data, which can be used to target scam victims, and satellite internet equipment, which is used to contact victims”. **[FCDO press release]**
- On 27 March, the Foreign, Commonwealth & Development Office (“FCDO”) updated the UK sanctions list with the names of two individuals, who are also sanctioned by the United

Nations, on the basis of designations issued under the UK's ISIL (Da'esh) and Al-Qaida regime. The individuals are believed to have served as senior members of global terrorist groups that pose a threat through violent ideologies and networks of terrorist fighters.

[Sanctions notice; UK government response]

Amendments

- On 16 and 17 March, the FCDO twice varied the UK sanctions designation, made under the RSRs, of Viatcheslav Kantor, a Russian-Israeli businessman and Chairman of the Coordinating Board of PJSC Acron. The company is described as operating in the Russian chemicals and extractives sectors, which are of strategic significance to the Russian government. The first variation revised the statement of reasons, while the second expanded the sanctions imposed to include a travel ban and additional transport sanctions.

[Sanctions notice; Sanctions notice]

- On 17 March, the FCDO updated the sanctions list entries concerning Nikolay Peskov, the son of the Kremlin press secretary Dmitry Peskov, and three Russian banks (BBR Bank, Transcapitalbank and Fora-Bank). The variations appear to have been largely administrative, including the addition of an alias and bank registration data amendments.

[Sanctions notice]

General Licences

New General Licence issued

- On 19 March, the Office for Financial Sanctions Implementation ("OFSI") issued General Licence **INT/2026/9247168** (Kazakh Oil Exports). This permits activity, including payments, involving PJSC Transneft and/or its subsidiaries, in relation to the supply, purchase, transportation or delivery of crude oil which originates in Kazakhstan, provided that the oil is not owned by a person connected with Russia and is only being loaded in, departing from, or transiting through Russia.

Extension

- On 27 March, OFSI General Licence **INT/2023/2824812** (Bond amendments and restructurings for non-Designated Persons) was extended to 26 March 2028. The licence permits non-designated bond issuers, and UK persons involved in the process, to implement bond restructurings and amendments in circumstances where bondholders may be designated under the RSRs, provided that no funds or economic resources are made available to a designated person, and any amount that would otherwise fall due to them is frozen.

Sanctions Guidance Updated

- On 23 March, the FCDO, OFSI, Office of Trade Sanctions Implementation and Export Control Joint Unit published new cross-government guidance relating to the use of exceptions and licences within the context of prohibitions under a variety of sanctions regimes. Significantly, the guidance pulls together in one place an outline of the steps required to assess whether

a transaction, good or service, in relation to which a prohibition may apply, may engage an exception. The aim is to ease assessments as to whether a licence is required for a proposed activity to proceed. **[Exceptions guidance]**

- On 25 March, the FCDO updated the guidance concerning various regimes, adding a summary of each regime's purposes, scope and prohibitions to the respective guidance page. **[UK sanctions regime guidance]**
- On 27 March, the FCDO updated a user guide concerning the UK Sanctions List search tool. **[Sanctions list search tool guidance]**

Parliamentary Commentary

House of Lords debate concerning reparations to Ukraine

- On 23 March, the House of Lords held a debate on the topic of financial reparations to Ukraine. Lord Cameron of Chipping Norton (former Conservative Prime Minister) said the government should not give up on the idea of using frozen Russian assets as an appropriate recourse for financial reparations, as opposed to financial assistance by way of loans or aid packages. Lord Cameron referred to the use of frozen Russian assets as a downpayment on the reparations that Russia would have to pay.
- In response to a question posed by Lord Purvis of Tweed about the seizure of frozen Russian assets, Baroness Chapman of Darlington (for the government) noted that the current sanctions regime allows for the freezing of assets, but not their seizure. Baroness Chakrabarti (former Shadow Attorney General, now a backbench Labour peer) added that it will take "careful work" to construct an appropriate legal structure for the redirection of frozen assets in the future. **[Hansard]**

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