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## Outline of economic sanctions against Russia resulting from the situation in Ukraine

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In response to Russia's military invasion of Ukraine on February 24, 2022, the Japanese government, in coordination with the EU and other countries, imposed economic sanctions on Russia on the 26th of the same month. In addition, additional sanctions were imposed on March 1, March 3 and March 8. This Newsletter introduces an overview of the Russian economic sanctions imposed by the Japanese government on the situation in Ukraine.

### 1. History of Sanctions against Russia

In 2014, Russia declared annexation of the Crimean Peninsula (the Autonomous Republic of Crimea and the City of Sevastopol) as part of its territory (the so-called "Annexation of Crimea"). As a result, the Japanese government introduced economic sanctions against Russia in August 2014, and tightened these further in September and December of the same year (the "**2014 Sanctions**"). These sanctions are still in place to date. The main elements of the 2014 Sanctions are:

- (a) Restrictions on payments: permission is required for making payments to individuals and organizations designated by relevant notifications (respectively the "**Designated Individuals**" and "**Designated Organizations**", collectively "**Designated Persons**").
- (b) Restrictions on capital transactions: (i) permission is required for conducting capital transactions (deposit contracts, trust contracts and money loan contracts) and other transactions with Designated Persons.
- (c) Restrictions on capital transactions: (ii) permission is required for issuing and offering securities in Japan by Designated Organizations.
- (d) Restrictions on services: permission is required for providing services or benefits in relation to the issuance or offering of securities by Designated Organizations.
- (e) Restrictions on importation: an approval is required for importing goods from Ukraine originating in the Autonomous Republic of Crimea and the City of Sevastopol.
- (d) Restrictions on the exportation of weapons to the Russian Federation: stricter examination procedures are conducted for exporting arms and providing arms technology, for exporting general-

purpose goods for military use and for providing services pertaining to such general-purpose goods, to the Russian Federation.

All of these measures are based on the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949. “**Foreign Exchange Act**”), and the ministries concerned are the Ministry of Foreign Affairs (“**MOFA**”), the Ministry of Finance (“**MOF**”) and the Ministry of Economy, Trade and Industry (“**METI**”). With regard to the invasion of Ukraine, the Government of Japan promulgated and enforced a series of sanctions following Cabinet approval on February 26, 2022 (the “**Sanctions of 26 February 2022**”) and further promulgated and enforced additional sanctions on March 1, 3, and 8, 2022 (the “**Sanctions of 1 March 2022**”, “**Sanctions of 3 March 2022**”, and “**Sanctions of 8 March 2022**” respectively). These sanctions are principally based on the Foreign Exchange Act, as was the case with the 2014 Sanctions, and increase the scope of the existing sanctions and expand the Designated Persons. Therefore, the 2014 Sanctions will continue to be effective.

## 2. Outline of Japan's Economic Sanctions related to the Invasion of Ukraine

The following is an overview of the Sanctions of 26 February 2022, the Sanctions of 1 March 2022, the Sanctions of 3 March 2022 and the Sanctions of 8 March 2022 that have been introduced in relation to the invasion of Ukraine. The date of enforcement of the relevant sanction notifications is the date of promulgation of the relevant notifications (that is, February 26, 2022, March 1, 3 and 8, 2022 respectively), and these sanctions will basically take effect from the respective dates of promulgation, with the following exceptions:

- (a) An asset freeze against Bank Russiya will take effect from March 28, 2022 under the Sanctions of 26 February 2022 ((1) and (2) below);
- (b) An asset freeze against two Russian banks (Promsvyazbank and Vnesheconombank (VEB RF)) will take effect from March 31, 2022, while an asset freeze against the Central Bank of the Russian Federation took effect on March 1, 2022, under the Sanctions of 1 March 2022;
- (c) Export ban imposed on certain organizations in the Russian Federation took effect from March 8, 2022 under the Sanctions of 1 March 2022 (see (3) (ii) below);
- (d) An asset freeze against 4 Russian banks (VTB Bank, Sovcombank, Novikombank and Otkritie) will take effect from April 2, 2022 under the Sanctions of 3 March 2022; and
- (e) Export ban imposed on the specified organizations in the Republic of Belarus will take effect from March 15, 2022 under the Sanctions of 8 March 2022.

The Designated Persons of each sanction are designated by the related notifications of MOFA (a “**MOFA Notification**”) and can be found on the website of MOF (the so-called MOFA list<sup>1</sup>).

Please refer to the table below for the relationship between the Designated Persons and the content of the sanctions.

### (1) Asset Freeze – Restrictions on Payments

<sup>1</sup> [https://www.mof.go.jp/policy/international\\_policy/gaitame\\_kawase/gaitame/economic\\_sanctions/list.html](https://www.mof.go.jp/policy/international_policy/gaitame_kawase/gaitame/economic_sanctions/list.html)

Payments to a Designated Person require permission from MOF, pursuant to Article 16, Paragraph 1 of the Foreign Exchange Act (payments with respect to the matters for which the competent authority is METI are permitted by METI pursuant to the notification No. 229 of METI).

The 2014 Sanctions targeted 66 Designated Individuals and 16 Designated Organizations directly involved in the Annexation of Crimea or destabilization of eastern Ukraine (the MOFA Notification No. 267). With regard to the recent invasion of Ukraine;

- (a) 24 individuals and 1 organization (Bank Rossiya) were included in the Designated Persons under the Sanctions of 26 February 2022 (the MOFA Notifications No. 78 and No. 79);
- (b) 6 individuals associated with the Russian Federation (the president Putin and senior government officials) and 3 Russian banks (the Central Bank of the Russian Federation, Promsvadzbank and Vnesheconombank (VEB RF) were included in the Designated Persons under the Sanction of 1 March 2022 (the MOFA Notification No. 81);
- (c) 18 individuals associated with the Russian Federation, 4 Russian banks, those associated with the Republic of Belarus (7 individuals including the president and 2 organizations), and 30 individuals associated with “the Donetsk People’s Republic” and “the Luhansk People’s Republic” (each of them self-proclaimed) were included in the Designated Persons under the Sanctions of 3 March 2022 (the MOFA Notifications No. 90 and No. 91); and
- (d) 20 individuals and 2 organizations associated with the Russian Federation and 12 individuals and 10 organizations associated with the Republic of Belarus were in the Designated Persons under the Sanction of 8 March 2022 (the MOFA Notifications No. 102 and No. 103).

It should be noted that the Designated Organizations which are banks (except for the Central Bank of the Russian Federation) include entities in which these banks directly hold 50% or more of shares or equity investments.

Payments subject to permission are defined as: (1) (i) payments from Japan to foreign countries; or (ii) payments by a resident to a non-resident, AND (2) made to a Designated Person, or (3) made overseas from Japan by a Designated Person. In other words, in the case of a Japanese resident, payments made to a Designated Person, either from Japan or from abroad, are subject to permission. A non-resident Designated Person should obtain permission for payment made overseas from Japan, while a non-resident who is not a Designated Person is required to obtain permission for payment to a Designated Person made overseas from Japan.

Under the 2014 Sanctions, permission from METI was required for long-term (more than one year) loan agreements, guarantee agreements and other transactions (specified capital transactions) with a Designated Person subject to an asset freeze conducted as a settlement for the importation of goods or the transfer of industrial property rights. This permission procedure has now been extended to Designated Persons subject to an asset freeze under the sanctions in relation to Russia’s invasion of Ukraine in 2022.

## **(2) Asset Freeze – Restrictions on Capital Transactions**

Capital transactions with a Designated Person require permission from MOF, in accordance with Article 21, Paragraph 1 of the Foreign Exchange Act (the notification No. 99 of MOF as well as the MOFA Notifications). Such restriction was introduced by the 2014 Sanction, and extended to those Designated Persons subject to an asset freeze (1) above in 2022.

The target capital transactions are transactions pertaining to the occurrence of claims based on (1) a deposit contract between a resident and a non-resident who is a Designated Person (however, this will not apply where a resident receives a deposit from a non-resident), (2) a trust contract between a resident and a non-resident who is a Designated Person (however, this will not apply where a resident is entrusted by a non-resident), and (3) a loan contract where a resident provides a loan to a non-resident who is a Designated Person. In other words, it covers those transactions where assets are transferred from Japan to non-residents who are Designated Persons.

### **(3) Restrictions on Importation and Exportation**

#### **(i) Imports from the Two "Republics"**

It is prohibited to import from Ukraine products originating in the self-proclaimed "Donetsk People's Republic" and "Luhansk People's Republic".

The 2014 Sanctions imposed the obligation to obtain an approval of METI for the importation from Ukraine of goods originating in the Autonomous Republic of Crimea and the City of Sevastopol, pursuant to Article 52 of the Foreign Exchange Act and Article 4 of the Import Trade Control Order (and the notification No. 170 of METI). In addition, the Sanctions of 26 February 2022 included goods originating in the self-proclaimed "Donetsk People's Republic" and "Luhansk People's Republic" in the goods subject to the above approval procedure.

#### **(ii) Exports to Specified Organizations of the Russian Federation and the Republic of Belarus**

This is a ban on exports to and other transactions with the Designated Persons - 49 organizations in the Russian Federation under the Sanctions of 1 March 2022 and 2 organizations in the Republic of Belarus under the Sanctions of 8 March 2022.

Accordingly, specified capital transactions (set-offs for a loan contract pertaining to an export or the transfer of industrial property rights and a guarantee contract for obligations pertaining to an export, an others) between a resident and a Designated Person are subject to permission from METI.

Furthermore, the Sanctions of 1 March 2022 and the Sanctions of 8 March 2022 introduced the permission procedure to the receipt by a resident of payments from Designated Persons (49 organizations in the Russian Federation and 2 organizations in the Republic of Belarus) in connection with the export of goods, the transfer of industrial property rights or their licensing, and the provision of technology pertaining to the design, manufacture and use of specific types of goods that would impede the maintenance of international peace and security (specific technology as per Article 25 (1) to (3) of the Foreign Exchange Act).

It is understood that Designated Persons (49 organizations in the Russian Federation and 2 organizations in the Republic of Belarus) are mainly military organizations such as the Ministry of Defense and defense and military-related companies. It is necessary to pay attention to whether Japanese companies have direct or indirect transactions with them.

According to the relevant press release of MOFA, these measures are being introduced "as first steps", with more likely to follow.

#### **(iii) Exports of Products subject to the International Export Control Regime to the Russian Federation**

The Sanctions of 26 February 2022 further tightened the screening procedures and introduced export bans and other restrictions for exports to the Russian Federation of products or services subject to the International Export Control Regime (controls on the export of weapons of mass destruction and conventional weapons as well as on technologies and general-purpose products used in their development). In addition, the Sanction of 3 March 2022 placed similar measures on exports and services to the Republic of Belarus.

In response to this, the related notifications<sup>2</sup> were amended by METI to exclude exports of goods and technical services to Russia and Republic of Belarus from the scope of special general bulk export licenses, special bulk export licenses, and special bulk export licenses for overseas subsidiaries<sup>3</sup>.

**(iv) Exports of General-Purpose Products that are Considered to Contribute to Strengthening the Military Capabilities of the Russian Federation and the Republic of Belarus**

The Sanctions of 1 March 2022 and the Sanctions of 8 March 2022 imposed a ban on the export of general-purpose products that are considered to contribute to their military capabilities to the Russian Federation and the Republic of Belarus. However, related notifications have not been made public, and it is expected that related measures will be taken in the future.

**(v) Exports of Oil Refining Equipment and Other Equipment to the Russian Federation**

Under the Sanctions of 8 March 2022, a ban on the export of oil refining equipment and other equipment to the Russian Federation was introduced. However, related notifications have not yet been made public, and it is expected that related measures will be taken in the future.

**(4) Restrictions on Issuance and Trading of New Securities in Japan by the Government of the Russian Federation and Others**

**(i) Issuance or Public Offering of Securities**

The issuance and offering of new securities in Japan by a person designated by a MOFA Notification requires permission from MOF, which is based on Article 21, Paragraph 1 of the Foreign Exchange Act. The 2014 Sanctions applied this permission procedure to securities issued or offered in Japan by 5 major Russian banks (Sberbank, VTB Bank, Vnesheconombank, Gazprombank, Russian Agricultural Bank) with a maturity of more than 90 days.

The Sanctions of 26 February 2022 (1) expanded the scope of the permission procedure to securities issued by the Government of the Russian Federation, government agencies of the Russian Federation and the Central Bank of the Russian Federation (regardless of the maturity period), and (2) shortened the maturity period of applicable securities mentioned above from 90 days to 30 days.

**(ii) Service Transactions**

The permission procedure of MOF also applies to the provision of services or benefits by a resident

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<sup>2</sup> "Operation of the Export Trade Control Order" (Export Notice No. 62, No. 62 11, and Trade Bureau No. 322, dated November 6, 1987), "General Permission Handling Procedure" (Export Notice No. 17, No. 7, 1998 17, 02, and 23, Trade Bureau No. 1, dated February 25, 2005), and "Documents to be Submitted in Relation to Application for Export Permission, Permission for Service Transactions, and Permission for Export, etc. of Specified Recording Media, etc., and Notes, etc." (Export Notice No. 24, No. 18, 24, 03, and 23, Trade Bureau No. 1, dated April 2, 2012)

<sup>3</sup> <https://www.meti.go.jp/policy/anpo/law09-2.html#220226>

for the issuance and offering of new securities subject to permission in Japan as described under (i) above.

### (iii) Acquisition or Transfer of Securities

In case a resident acquires from or transfer to a non-resident securities newly issued by the Government of the Russian Federation, government agencies of the Russian Federation and the Central Bank of the Russian Federation subject to the Sanctions of 26 February 2022, permission from MOF is required. The securities concerned are defined as "securities issued on or after February 26, 2022".

## 3. Foreign Sanctions and Russian Counter-Sanctions

In addition to the sanctions imposed by Japan, the United States and European countries have also imposed sanctions that are broader and stronger than those imposed by Japan, and it is necessary to refer to these sanctions when conducting business related to Russia. It should also be noted that Russia has rapidly introduced counter-sanctions to counter the sanctions related to the invasion of Ukraine.

[Appended Table]

Outline of Asset Freeze and Other Measures (as of March 8, 2022)			
Main Sanctions		Designated Organizations	Designated Individuals
Permission from MOF (or METI) is required for payments to the Designated Persons	Payment by a resident to a Designated Person, irrelevant of whether the payment is made from Japan or abroad	<b>16 organizations subject to the 2014 Sanctions</b> <ul style="list-style-type: none"> <li>· Chernomorneftegaz</li> <li>· Self-proclaimed Donetsk People's Republic</li> <li>· Self-proclaimed Donbass People's Militia, etc.</li> </ul>	<b>66 individuals subject to the 2014 Sanctions</b> <ul style="list-style-type: none"> <li>· Officials of the Crimean Republic</li> <li>· People associated with the self-proclaimed Donetsk People's Republic, etc.</li> </ul>
	Payment by a non-resident to a Designated Person made overseas from Japan	<b>1 bank subject to the Sanctions of 26 February 2022, and subsidiaries in which said bank holds 50% or more of equity interest (effective from March 28)</b> <ul style="list-style-type: none"> <li>· Bank Russiya</li> </ul>	<b>24 individuals subject to the Sanctions of 26 February 2022</b> <ul style="list-style-type: none"> <li>· People associated with the self-proclaimed Donetsk People's Republic</li> </ul>
	Payments by a Designated Person made overseas from Japan	<b>3 banks subject to the Sanctions of 1 March 2022, and subsidiaries in</b>	<ul style="list-style-type: none"> <li>· People associated with the self-proclaimed</li> </ul>

Permission from MOF is required for capital transactions (deposits, trusts and loans) with the Designated Persons	Deposit contract between a resident and a non-resident who is a Designated Person (however, this does not apply where a resident receives deposits from a non-resident)	<p><b>which said banks (excluding the Central Bank of the Russian Federation) hold 50% or more of equity interest</b></p> <ul style="list-style-type: none"> <li>· Central Bank of the Russian Federation (effective from March 1)</li> <li>· Promsvyazbank (effective from March 31)</li> <li>· Vnesheconombank (VEB RF) (effective from March 31)</li> </ul>	<p>Luhansk People's Republic</p> <p><b>6 individuals subject to the Sanctions of 1 March 2022</b></p> <ul style="list-style-type: none"> <li>· President of Russia</li> <li>· Senior Russian officials</li> </ul>
	Trust agreement between a resident and a non-resident who is a Designated Person (however, this does not apply where a resident is entrusted)	<p><b>4 banks subject to the Sanctions of 3 March 2022, and subsidiaries in which said banks hold 50% or more of equity interest (effective from April 2)</b></p> <ul style="list-style-type: none"> <li>· VTB Bank</li> <li>· Sovcombank</li> <li>· Novikombank</li> <li>· Otkritie</li> </ul>	<p><b>18 individuals of Russia subject to the Sanctions of 3 March 2022</b></p> <ul style="list-style-type: none"> <li>· Senior Russian officials</li> <li>· CEO of Rosneft</li> <li>· CEO of Rostec, etc.</li> </ul>
	Transactions pertaining to the occurrence of claims based on a loan agreement by a resident to a non-resident who is a Designated Person	<p><b>2 organizations subject to the Sanction of 3 March 2022</b></p> <ul style="list-style-type: none"> <li>· State Authority for Military Industry of the Republic of Belarus</li> <li>· Minsk Wheel Tractor Plant</li> </ul> <p><b>2 Russian organizations subject to the Sanctions of 3 March 2022</b></p> <ul style="list-style-type: none"> <li>· Internet Research Agency</li> <li>· Private Military Company Wagner</li> </ul> <p><b>10 organizations of Belarus subject to the Sanctions of 8 March 2022</b></p> <ul style="list-style-type: none"> <li>· Beltechexport</li> <li>· Sinesis Group, etc.</li> </ul>	<p><b>37 individuals of Belarus subject to the Sanctions of 3 March 2022</b></p> <ul style="list-style-type: none"> <li>· President of Belarus</li> <li>· Senior Belarusian officials</li> <li>· People associated with the self-proclaimed Donetsk People's Republic</li> <li>· People associated with the self-proclaimed Luhansk People's Republic</li> </ul> <p><b>20 individuals of Russia subject to the Sanctions of</b></p>

			<p><b>8 March 2022</b></p> <ul style="list-style-type: none"> <li>· Senior Russian officials</li> <li>· Gas pipe construction company owners</li> <li>· CEO of Transneft, etc.</li> </ul> <p><b>12 individuals of Belarus subject to the Sanctions of 8 March 2022</b></p> <ul style="list-style-type: none"> <li>· Belarusian officials</li> <li>· Belarusian logistics company owners, etc.</li> </ul>
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Outline of Export-Import Related Measures (as of March 8, 2022)			
Main Sanctions		Designated Persons	
Permission from METI is required for specified transactions pertaining to exports to the Designated Persons	Transactions such as set-offs for a loan contract pertaining to an export or the transfer of industrial property rights and a guarantee contracts for obligations pertaining to an export	<p><b>49 Russian organizations subject to the Sanctions of 1 March 2022 (effective from March 8)</b></p> <ul style="list-style-type: none"> <li>· Communication Center of the Ministry of Defense</li> <li>· International Center for Quantum Optics and Quantum Technologies</li> <li>· Rocket and Space Center - Progress</li> <li>· Moscow Institute of Physics and Technology</li> <li>· Rostec (Russian Technologies State Corporation)</li> <li>· Uniform Engine Corporation, etc.</li> </ul> <p><b>2 organizations in Belarus subject to the Sanctions of 8 March 2022 (effective from March 15)</b></p> <ul style="list-style-type: none"> <li>· Ministry of Defense</li> <li>· Integral</li> </ul>	
Permission from METI is required for the receipt of payments pertaining to exports from the Designated Persons	Receipt by a resident of payment from a Designated Person in connection with transactions pertaining to export of goods, the transfer of industrial property rights or their licensing, the provision of specified technology	<p><b>49 organizations subject to the Sanctions of 1 March 2022 (effective from March 8)</b></p> <ul style="list-style-type: none"> <li>· Defense Communication Center</li> <li>· Russian Quantum Center and ROC</li> <li>· Rocket Space Center Progress Corporation</li> <li>· Moscow University of Physics and Technology</li> <li>· State-owned company Rostec</li> <li>· Uniform engine manufacturers, etc.</li> </ul> <p><b>2 organizations in Belarus subject to the Sanctions of 8 March 2022 (effective from March 15)</b></p> <ul style="list-style-type: none"> <li>· Ministry of Defense</li> </ul>	



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Outline of Measures Concerning Issuance and Trading of Securities (as of March 8, 2022)	
Main Sanctions	Designated Persons
<p>Permission from MOF is required for the issuance and offering of new securities in Japan by the Designated Persons.</p> <p>* This applies to securities with a maturity period exceeding 30 days in relation to the Designated Persons subject to the 2014 Sanctions (Sberbank, VTB Bank, etc.).</p> <p>* The maturity period is irrelevant in relation to the Designated Persons subject to the Sanctions of 26 February 2022 (the Russian government, the Central Bank, etc.).</p>	<p><b>5 banks subject to the 2014 Sanctions, and subsidiaries in which said banks have 50% or more equity interest</b></p> <ul style="list-style-type: none"> <li>· Sberbank</li> <li>· VTB Bank</li> <li>· Vnesheconombank (VEB RF)</li> <li>· Gazprombank</li> <li>· Russian Agricultural Bank</li> </ul> <p><b>3 organizations subject to the Sanctions of 26 February 2022</b></p> <ul style="list-style-type: none"> <li>· Government of the Russian Federation</li> <li>· Government agencies of the Russian Federation</li> <li>· Central Bank of the Russian Federation</li> </ul>
<p>Permission from MOF is required for services by a resident pertaining to the issuance and offering of new securities by the Designated Persons subject to the 2014 Sanction (Sberbank, VTB Bank, etc.) and the Sanctions of 26 February 2022 (the Russian government, the Central Bank, etc.),</p>	
<p>Permission from MOF is required when (1) a resident acquires from a non-resident securities issued by the Designated Persons subject to the Sanctions of 26 February 2022 (the Russian government, the Central Bank, etc.) on and after February 26, 2022 and (2) a resident transfers such securities to a non-resident.</p>	

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