

April 4, 2022

Outline of economic sanctions against Russia resulting from the situation in Ukraine (2)

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In response to Russia's invasion of Ukraine, the Japanese government has imposed economic sanctions against Russia since February 26, 2022. Our newsletter dated March 10, 2022 introduced an overview of the economic sanctions imposed by Japan as of March 8, 2022. Since then, additional economic sanctions have been imposed. This newsletter provides an overview of the additional sanctions (dated March 11, 15 and 18).

1. Expansion of Designated Persons Subject to an Asset Freeze

The sanctions imposed in 2022 upon Russia's military invasion of Ukraine added relevant persons and organizations of the Russian Federation and the Republic of Belarus to the list of Designated Persons subject to an asset freeze under the 2014 Sanctions imposed upon the Annexation of Crimea. The Designated Persons as of March 8, 2022 are described in our newsletter dated March 10, 2022. Since March 8, 2022, the Japanese government subsequently has designated additional persons subject to an asset freeze. The following organizations and individuals have been included in the list of Designated Persons subject to an asset freeze as of March 23, 2022, and the following sanctions without an effective date took effect from the date of designation:

- (1) 3 banks of the Republic of Belarus (and their subsidiaries in which they hold 50% or more of equity interest) were designated on March 11 (effective from April 10).
- (2) 17 individuals from Russia, including representatives of the Russian Federation and business oligarchs, were designated on March 15.
- (3) 9 organizations, including Rosneft Aero and JSC Rosoboronexport (and their subsidiaries in which they hold 50% or more of equity interest), were designated on March 18.
- (4) 15 individuals from Russia, including senior Russian government officials and a relative of the CEO of Rosneft, were designated on March 18.

Please refer to the table at the end of this newsletter for the Designated Persons having been subject to an asset freeze.

On March 14, 2022, the Ministry of Finance (“**MOF**”) and the Financial Services Agency confirmed that payments made by the transfer of crypto-assets are also subject to restrictions on payments under an asset freeze, and issued a request to crypto-asset exchange operators not to transfer crypto-assets to Designated Persons.

2. Materialization of Export Control

As described in our newsletter dated March 10, 2022, upon Russia’s invasion of Ukraine, the economic sanctions have imposed export restrictions on 49 Designated Organizations in the Russian Federation and on 2 Designated Organizations in the Republic of Belarus designated by the Ministry of Foreign Affairs. Previously, permission from the Minister of Economy, Trade and Industry (“**METI**”) was required for specified capital transactions pertaining to exports (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, among others) between a Japanese resident and a Designated Organization in the Russian Federation under the Sanctions of 1 March 2022, and between a Japanese resident and a Designated Organization in the Republic of Belarus under the Sanctions of 8 March 2022, respectively. Permission from METI was also required for the receipt of payments from a Designated Person pertaining to the export of goods, the transfer of industrial property rights or their licensing, and the provision of specified technology.

These measures indirectly restricted certain transactions and payments, such as set-offs related to export transactions. At the time of the introduction of these measures, the Japanese government published a press release where it introduced these measures as a “first” step, and planned additional export controls in the future. The Japanese government announced and promulgated specific export regulations on March 11 and 15, followed by the issuance of relevant ordinances and notifications that came into effect on March 18 (the “**Export Control of 18 March 2022**”). The Export Control of 18 March 2022 directly restricts exports by requiring approval of METI. The outline is as below at items (1)-(5). In addition, it also restricts the provision of certain services (such as the provision of specified technology). The requirements for items subject to export restrictions are set forth in various notifications and circular notices concerning the Export Trade Control Order. In order to determine whether any export restrictions apply to individual export transactions, it is necessary to review the relevant notifications and circular notices together.

- (1) Restrictions on the exportation of products subject to the International Export Control Regime to Russia and Belarus
(Products covered: machine tools, carbon fibers, high-performance semiconductors and others)
- (2) Restrictions on exports to Designated Persons in Russia and Belarus
(Organizations covered: the Russian Ministry of Defense, Russian aircraft manufacturers, and others)
- (3) Restrictions on the export to Russia and Belarus of general-purpose products that are seen as capable of contributing to the the military capabilities of Russia and Belarus
(Products covered: general-purpose products (such as semiconductors, computers, and communication equipment) and their related technologies)
- (4) Restrictions on the export of oil refining equipment and other equipment to Russia

(5) Restrictions on exports to the "Donetsk People's Republic" (self-proclaimed) and the "Luhansk People's Republic" (self-proclaimed)

The Export Control of 18 March 2022 restricts not only exports to Designated Persons, but also exports of certain goods to Russia and Belarus, regardless of who receives such goods. As a general rule, it is necessary to confirm the applicability of the economic sanctions to goods destined for Russia and Belarus. In addition, exports to Designated Persons in Russia and Belarus subject to the approval of METI ((2) above) are defined as exports made "through direct or indirect transactions with a Designated Person" (Article 2 (1) 1-6 and 1-7 of the Export Trade Control Order after the revision), and attention should be paid to the possibility that the Export Control of 18 March 2022 may apply when a Designated Person is not the direct export destination but the final recipient of goods.

Approval by METI is required for the above exports under the Export Control of 18 March 2022, but METI has also issued a circular notice¹ to the effect that such approval will not in principle be granted to any exports. As exceptions, approval may be granted for the export of such goods as food and medicine, exports for humanitarian aid and exports for cybersecurity. Another exception is when exports are made to subsidiaries of corporations of Japan or of certain other countries (exports in which an end-user is a legal entity, all shares of which are held by a corporation in Japan or in certain countries/regions).

With regard to (5) above, the import of goods from Ukraine originating in the "Donetsk People's Republic" (self-proclaimed) and the "Luhansk People's Republic" (self-proclaimed) are already subject to the approval of METI under the Sanctions of 26 February 2022. Therefore, together with the Export Control of 18 March 2022, both imports to and exports from these regions are now restricted.

Previously, permission from METI was required for specified capital transactions with, and the receipt of certain payments from, Designated Persons, but the Export Control of 18 March 2022 abolished said permission procedure for such transactions and payments, in conjunction with the introduction of the aforementioned specific export control measures.

[Appended Table]

Outline of Asset Freeze and Other Measures (as of March 23, 2022)			
Main Sanctions		Designated Organizations	Designated Individuals
Permission from MOF (or METI) is required for	Payment by a resident to a Designated Person, irrelevant of whether the payment is made from Japan or abroad	16 organizations subject to the 2014 Sanctions <ul style="list-style-type: none"> · Chernomorneftegaz · Self-proclaimed Donetsk People's 	66 individuals subject to the 2014 Sanctions <ul style="list-style-type: none"> · Officials of the Crimean Republic

¹ "Operation of the Export Trade Control Order" (62 Trade Bureau No. 322 and Export Notes 62 No.11, dated November 6, 1987) and "Export Approval to Belarus, Russia or Ukraine" (20220311 Trade Bureau No. 3, and Export Notes 2022 No. 10)

payments to the Designated Persons	Payment by a non-resident to a Designated Person made overseas from Japan	Republic · Self-proclaimed Donbass People's Militia, etc. 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) · Bank Russiya	· People associated with the self-proclaimed Donetsk People's Republic, etc. 24 individuals subject to the Sanctions of 26 February 2022 · People associated with the self-proclaimed Donetsk People's Republic · People associated with the self-proclaimed Luhansk People's Republic
	Payments by a Designated Person made overseas from Japan		
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)	3 banks subject to the Sanctions of 1 March 2022, and subsidiaries in which said banks (excluding the Central Bank of the Russian Federation) hold 50% or more of equity interest · Central Bank of the Russian Federation (effective from March 1) · Promsvyazbank (effective from March 31) · Vnesheconombank (VEB RF) (effective from March 31)	· People associated with the self-proclaimed Donetsk People's Republic · People associated with the self-proclaimed Luhansk People's Republic 6 individuals subject to the Sanctions of 1 March 2022 · President of Russia · Senior Russian officials
	Trust agreement between a resident and a non-resident who is a Designated Person (however, this does not apply where a resident is entrusted)		
	Transactions pertaining to the occurrence of claims based on a loan agreement by a resident to a non-resident who is a Designated Person	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) · VTB Bank · Sovcombank · Novikombank · Otkritie 2 organizations subject to the Sanction of 3 March 2022 · State Authority for Military Industry of the Republic of Belarus	18 individuals of Russia subject to the Sanctions of 3 March 2022 · Senior Russian officials · CEO of Rosneft · CEO of Rostec, etc. 37 individuals of Belarus subject to the Sanctions of 3 March 2022 · President of Belarus · Senior Belarusian

		<ul style="list-style-type: none"> · Minsk Wheel Tractor Plant <p>2 Russian organizations subject to the Sanctions of 3 March 2022</p> <ul style="list-style-type: none"> · Internet Research Agency · Private Military Company Wagner <p>10 organizations of Belarus subject to the Sanctions of 8 March 2022</p> <ul style="list-style-type: none"> · Beltechexport · Sinesis Group, etc. <p>3 banks of Belarus subject to the Sanctions of 11 March 2022, and subsidiaries in which said banks hold 50% or more of equity interest (effective from April 10)</p> <ul style="list-style-type: none"> · Belagroprombank · Bank Dabrabyt · Development Bank of the Republic of Belarus <p>9 Russian organizations subject to the Sanctions of 18 March 2022 and subsidiaries in which said organizations hold 50% or more of equity interest</p> <ul style="list-style-type: none"> · Rosneft Aero · JSC Rosoboronexport, etc. 	<p>officials</p> <ul style="list-style-type: none"> · People associated with the self-proclaimed Donetsk People's Republic · People associated with the self-proclaimed Luhansk People's Republic <p>20 individuals of Russia subject to the Sanctions of 8 March 2022</p> <ul style="list-style-type: none"> · Senior Russian officials · Gas pipe construction company owners · CEO of Transneft, etc. <p>12 individuals of Belarus subject to the Sanctions of 8 March 2022</p> <ul style="list-style-type: none"> · Belarusian officials · Belarusian logistics company owners, etc. <p>17 individuals of Russia subject to the Sanctions of 15 March 2022</p> <ul style="list-style-type: none"> · Representatives of Russia · Business oligarchs, etc. <p>15 individuals of Russia subject to the Sanctions of 18 March 2022</p> <ul style="list-style-type: none"> · Senior Russian officials · A relative of Rosneft's CEO, etc.
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Outline of Export-Import Related Measures (as of March 23, 2022)	
Permission from METI (approval from the competent authority) is required	Designated Items, Designated Persons, Designated Regions
Export of products subject to the International Export Control Regime to Russia and Belarus	(Designated Regions) Russia, Belarus (Designated Items) Machine tools, carbon fibers, high-performance semiconductors, etc.
Export of goods to Designated Persons in Russia and Belarus	(Designated Persons) 49 Russian organizations subject to the Sanctions of 1 March 2022 (effective from March 8) <ul style="list-style-type: none"> · Communication Center of the Ministry of Defense · International Center for Quantum Optics and Quantum Technologies · Rocket and Space Center - Progress · Moscow Institute of Physics and Technology · Rostec (Russian Technologies State Corporation) · Uniform Engine Corporation, etc. 2 organizations in Belarus subject to the Sanctions of 8 March 2022 (effective from March 15) <ul style="list-style-type: none"> · Ministry of Defense · Integral
Export to Russia and Belarus of general-purpose products that are seen as capable of contributing to the military capabilities of Russia and Belarus	(Designated Regions) Russia, Belarus (Designated Items) General-purpose products (semiconductors, computers, communication equipment, etc.)
Export of oil refining equipment and other equipment to Russia	(Designated Regions) Russia (Designated Items) Oil refining equipment, etc.
Export and import to the "Donetsk People's Republic" (self-proclaimed) and the "Luhansk People's Republic" (self-proclaimed)	(Designated Regions) The "Donetsk People's Republic" (self-proclaimed), the "Luhansk People's Republic" (self-proclaimed)

Outline of Measures Concerning Issuance and Trading of Securities (as of March 23, 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>5 banks subject to the 2014 Sanctions, and subsidiaries in which said banks have 50% or more equity interest</p> <ul style="list-style-type: none"> · Sberbank · VTB Bank · Vnesheconombank (VEB RF) · Gazprombank · Russian Agricultural Bank <p>3 organizations subject to the Sanctions of 26 February 2022</p> <ul style="list-style-type: none"> · Government of the Russian Federation · Government agencies of the Russian Federation · Central Bank of the Russian Federation
<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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