Russia Sanctions: 5 Key Points for Compliance

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Governments are announcing multi-lateral sanctions at an unprecedented pace. The critical first step for companies and financial institutions is to understand their legal implications and what they actually mean.

However assessing and ensuring sanctions compliance is lockstep with fast-moving legal analysis will be a considerable challenge – even for experts – given the historic scope, magnitude, and complexity of the measures. We outline five key areas to consider, when you, your business or your clients are asking, "What next?"

Every business will be different. Compliance and legal teams will need to be flexible and deploy resources efficiently to meet this challenge in the face of government actions and public scrutiny.

Want to hear more? Register for our 30-minute webinar

OUR GLOBAL SANCTIONS EXPERTS

Get in touch for a tailored discussion about how your company or clients can respond

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1 PERFORM A RISK ASSESSMENT

Consider your operations and supply chain, and perform a targeted/focused risk assessment:

- Do you have any exposure (direct or indirect) to Russia, or to Russian-owned entities or individuals?
- Does a Russian product appear further down your supply chain?
- What mitigation measures (if any) do you already have in place?

2 EFFECTIVE SCREENING

Designations of individuals and entities are happening rapidly:

- Screen business partners on a timely and ongoing basis against the latest published lists, and that any automated screening is also incorporating the new designations.
- Ensure all applicable sanctions authorities are considered – to date most sanctions have come from the US, EU, UK and Canada.
- Consider the unique corporate designations and transliteration (Cyrillic to Latin script) related to screening Russian entities.
- Consider automated screening across your complete portfolio to create an informed position of your exposure.

3 SCREEN ALL CONNECTED PARTIES AND APPLY SYSTEM BLOCKS

Make best efforts to know who the ultimate beneficial owners of your customers and business partners are. Screening cannot be fully effective if the underlying beneficial owners are not understood.

- Ensure managers or agents, shipping entities and even vessels are all screened.
- Consider whether this information is available in relation to all your business partners, and if not, remediate the gaps.
- Remember OFAC's 50 Percent Rule and the EU 25% beneficial owner threshold.
- Where there are known connected parties, consider what blocks should be applied (e.g. payment blocks in the ERP system, order blocks within the procurement system, etc).

4 CONSIDER THE NATURE AND DESTINATION OF EXPORTS

Ensure that you know where your exports are moving, considering the end destination as well as any interim stops.

- What type of products are being exported?
- Are your products potentially subject to newly enacted export controls?

5 ACT QUICKLY

OFAC expects companies to stay up to speed on new actions and developments, to a degree commensurate with their size and commercial sophistication.

- OFAC is providing some leeway – for example, wind-down general licenses – and will take the complexity and magnitude of the new sanctions into account. Nonetheless it will expect banks and companies, especially large and sophisticated ones, to act quickly to ensure compliance.
- Consider whether there is a general license in place which allows for a wind-down of investment activity; or whether you need to apply for a specific licence.
- Review any contractual arrangements that are impacted. If in doubt, seek legal advice.