

**EXPLANATORY MEMORANDUM TO**  
**THE UKRAINE (EUROPEAN UNION FINANCIAL SANCTIONS) (No. 3)**  
**(AMENDMENT) REGULATIONS 2014**

**2014 No. 2445**

1. This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

2.1 These Regulations amend the Ukraine (European Union Financial Sanctions) (No.3) Regulations 2014 (S.I. 2014/2054) (“the 2014 Regulations”). The 2014 Regulations make provision relating to the enforcement of Council Regulation (EU) No. 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p.1) (“the First Council Regulation”).

2.2 The First Council Regulation has been amended by Council Regulation (EU) No. 960/2014 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine dated 12 September 2014 (OJ L 271, 12.9.2014, p.3) (“the Amending Council Regulation”). The Amending Council Regulation includes a revised definition of transferable securities, and refers to investment services instead of brokering. The Amending Council Regulation also includes measures prohibiting a person from dealing with transferable securities and money-market instruments with a maturity exceeding 30 days for, or on behalf of, persons, entities or bodies in the Russian financial, defence and energy sectors. This extends the prohibition in the First Council Regulation in respect of the same activities in relation to transferable securities and money-market instruments with a maturity exceeding 90 days, issued after 1 August 2014. The Amending Council Regulation also prohibits a person from making or being part of any arrangement to make loans or credits with those persons, entities or bodies.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 These Regulations have been laid before Parliament less than 21 days before they come into force. The Amending Council Regulation came into force on the day of its publication in the Official Journal, on 12 September 2014. Penalties for breach of the financial sanctions measures contained in the First Council Regulation are contained in the 2014 Regulations. As the Amending Council Regulation amends and extends existing financial sanctions measures and is already in force, it is important to ensure that the

provisions in the 2014 Regulations contain penalties for breaching those measures that reflect the changed position more quickly than following the 21 day rule would allow.

3.2 The Treasury has issued a notice of the requirements in the 2014 Regulations, and the Amending Council Regulation. The Treasury also provides a dedicated email, address and telephone number to deal with queries from the financial sector and other affected persons.

#### **4. Legislative Context**

4.1 These Regulations amend the 2014 Regulations. They reflect amendments made by the Amending Council Regulation to the First Council Regulation.

4.2 No Explanatory Memorandum on the amending Regulation has yet been submitted for Parliamentary scrutiny by the Foreign and Commonwealth Office because of the speed at which the documents have been negotiated and come in to force. The Minister for Europe is writing to the Parliamentary Committees to update them on events. We understand that a memorandum will be submitted shortly.

#### **5. Territorial Extent and Application**

This instrument applies to all of the United Kingdom and, outside the United Kingdom, to any UK national and any body incorporated in the UK.

#### **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

#### **7. Policy background**

- What is being done and why

7.1 On 12 September 2014, the Council of the European Union adopted the Amending Council Regulation, which amends and extends the prohibitions in the First Council Regulation. These Regulations amend the 2014 Regulations to reflect the changes made to the First Council Regulation.

7.2 The First Council Regulation has direct effect, and requires Member States to put in place effective, proportionate and dissuasive penalties for infringements of the Council Regulation. The Amending Council Regulation also has direct effect.

7.3 The amendments to the 2014 Regulations include:

- reference to investment services instead of brokering;
- a prohibition on a person from dealing with transferable securities and money-market instruments with a maturity exceeding 30 days for, or on behalf of, persons, entities or bodies in the Russian financial, defence and energy sectors, issued after 15 September 2014 (where previously it had been on such securities and instruments with a maturity exceeding 90 days); and
- a prohibition on a person from making or being part of any arrangement to make loans or credits with those persons, entities or bodies in the Russian financial, defence and energy sectors.

- Consolidation

7.4 There are no plans to consolidate relevant legislation.

## **8. Consultation outcome**

No consultation has been carried out in relation to these Regulations.

## **9. Guidance**

Guidance on the asset freezing and other financial sanctions measures in relation to the Ukraine is available on the Treasury's website. Financial Sanctions, within the Treasury, operate a free subscription email service alerting subscribers to changes to the asset freezing regime, and to other financial sanctions measures. A dedicated telephone line and email address are available for the financial sector and any other persons to submit queries on the asset freezing and financial sanctions regimes. A notice explaining the Amending Council Regulation is available on the Treasury website and was emailed to subscribers.

## **10. Impact**

10.1 The impact on business, charities or voluntary bodies is negligible, because these Regulations do not themselves impose requirements, but only put in place penalties in relation to activities which are prohibited by the directly effective Amending Council Regulation.

10.2 The impact on the public sector is also negligible.

10.3 An Impact Assessment has not been prepared for this instrument, because any impact results from the Amending Council Regulation rather than these Regulations which only provide for enforcement powers.

## **11. Regulating small business**

The legislation applies to small business. To minimise the impact of the requirements on firms employing up to 20 people, the Treasury work with the financial sector on the requirements for complying with the sanctions measures set out in the first Council Regulation and the amending Regulation. The Treasury provides detailed guidance to assist business in complying with these measures.

## **12. Monitoring & review**

The EU monitors and reviews its financial sanctions measures. The Treasury will review the penalties for breach of the restrictions imposed by the First Council Regulation if it is amended or repealed.

## **13. Contact**

Financial Sanctions at the Treasury Tel: 020 7270 5454 or email: [financialsanctions@hmtreasury.gsi.gov.uk](mailto:financialsanctions@hmtreasury.gsi.gov.uk) can answer any queries regarding the instrument.