

**EXPLANATORY MEMORANDUM TO**  
**THE RUSSIA (SANCTIONS) (EU EXIT) (AMENDMENT) (NO. 2) REGULATIONS**  
**2024**

**2024 No. 695**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Foreign, Commonwealth and Development Office (FCDO) and is laid before Parliament by Command of His Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

**2. Declaration**

- 2.1 The Rt Hon Anne-Marie Trevelyan MP, Minister of State at the Foreign, Commonwealth and Development Office can confirm that this Explanatory Memorandum meets the required standard.
- 2.2 Abigail Culank, Deputy Director for Sanctions Directorate, at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.

**3. Contact**

- 3.1 The Sanctions Directorate at the Foreign, Commonwealth and Development Office Telephone: 0207 008 8553 or email: [fcdo.correspondence@gov.uk](mailto:fcdo.correspondence@gov.uk) can be contacted with any queries regarding the instrument.

**Part One: Explanation, and context, of the Instrument**

**4. Overview of the Instrument**

*What does the legislation do?*

- 4.1 This instrument is made under the Sanctions and Anti-Money Laundering Act 2018 (“the Sanctions Act”) to amend provisions of the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) (“the Russia Regulations”) under which the Secretary of State may apply sanctions to persons (referred to as “designation”) and to ships (referred to as “specification”). We continue to implement sanctions at pace, to impose further pressure on the Government of Russia with the ambition of urgently ending the war in Ukraine. The amendments contained in this instrument are indispensable to achieving this objective.

*Where does the legislation extend to, and apply?*

- 4.2 The instrument extends to the whole of the United Kingdom (“UK”). It is subject to any obligation arising in respect of the Windsor Framework as it may apply through section 7A of the European Union (Withdrawal) Act 2018 in respect of Northern Ireland.
- 4.3 The territorial application of this instrument is also the same as the territorial application of the instrument that it amends. That is, it applies to the whole of the UK.

4.4 This instrument also applies to conduct by UK persons where that conduct is wholly or partly outside the UK, and to conduct undertaken by any person in the territorial sea adjacent to the UK. “UK person” is defined in section 21(2) of the Sanctions Act.

## 5. Policy Context

### *What is being done and why?*

- 5.1 The UK has imposed an unprecedented package of sanctions in response to Russia’s invasion of Ukraine, aimed at cutting off funding and support for Russia’s war machine. As of May 2024, the UK has designated over 2000 individuals and entities under the Russia Regulations, over 1,700 of which have been sanctioned since Russia’s illegal invasion. We have taken major steps to cut Russia off from the global financial system; limit Russian energy-related revenues, including through the Oil Price Cap; and restrict Russia’s military-industrial complex, including by banning all items with a potential military application.
- 5.2 In response to the sanctions imposed by the UK and the Group of Seven (“G7”), Russia has resorted to extensive, elaborate and costly means to try and work around sanctions. Russia is using complex supply routes via third countries to acquire sanctioned products and is developing parallel trade networks to enable exports such as oil, which are critical sources of revenue for its war of aggression against Ukraine. In February 2024, our leaders reiterated the G7’s collective commitment to counter any attempts to evade and circumvent our sanctions and export control measures.
- 5.3 The UK is committed to taking further action to stop Russia from acquiring items critical for battlefield capability and to constrain its ability to generate war revenues from its exports. Together with our partners, we have published the Common High Priority Items List to support authorities and business in third countries to focus their efforts on limiting supply chains that are helping sustain the Russian war effort. We have also levelled further sanctions against third country suppliers of military and dual-use goods, including but not limited to Iranian drone manufacturers, as well as those involved in facilitating Russia’s circumvention of the Oil Price Cap.
- 5.4 In this context, this instrument forms part of the UK’s ongoing response to Russian aggression and reflects our resolve to mobilise all tools at our disposal. To this end, the instrument expands the basis on which the Secretary of State may designate persons under the Russia Regulations. The instrument amends regulation 6 (designation criteria) to introduce additional activities for which a person may be designated. Specifically, the additional activities for which a person may be designated are: providing financial services, or making available funds, economic resources, goods or technology to persons involved in obtaining a benefit from or supporting the Government of Russia; and for owning or controlling directly or indirectly, or working as a director, trustee, other manager or equivalent of a person, other than an individual, involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine.
- 5.5 The instrument also introduces additional activities for the specification of ships, responding to the growing risk posed by malign Russian maritime activity. The amendments to regulation 57F (specification of ships) provide that a ship may be specified for any activity whose object or effect is to destabilise Ukraine or undermine or threaten the territorial integrity, sovereignty, or independence of Ukraine, or to obtain a benefit from or support the Government of Russia. This includes the carrying of military or dual-use goods, oil or oil products that originated in Russia, or any other goods or technology that could contribute to destabilising Ukraine or undermining or

threatening the territorial integrity, sovereignty, or independence of Ukraine. Where a ship is specified under Regulation 57F, it will be subject to measures in regulations 57A – 57E. A specified ship will also be prohibited from receiving financial services and brokering services from UK providers that would otherwise be permitted under the Oil Price Cap licence.

- 5.6 Limited exceptions and licensing grounds will apply to these amendments. For example, a specified ship will be subject to the exceptions set out in Part 7 of the Russia Regulations, including, inter alia, regulations 60D and 61A (including where port entry is needed in case of emergency). Licences may be granted for various purposes derogating from a designation or specification, in line with relevant statutory criteria. The exceptions and licensing grounds are set out in full in the Russia Regulations.

*What was the previous policy, how is this different?*

- 5.7 The Secretary of State previously had extensive existing powers under regulation 6 of the Russia Regulations. These included grounds to designate persons providing financial services, or making available funds, economic resources, goods or technology, that could contribute to destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, as well as persons owning or controlling directly or indirectly, or working as a director, trustee, or other manager or equivalent of a person, other than an individual, involved in obtaining a benefit from or supporting the Government of Russia. This instrument introduces equivalent designation grounds for the first in relation to persons that are involved in obtaining a benefit from or supporting the Government of Russia, and for the second in relation to persons that are involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine.
- 5.8 The Secretary of State previously had only limited powers to specify ships under regulation 57F of the Russia Regulations, namely where a ship was used for any activity whose object or effect was to contravene or circumvent, or to enable or facilitate the contravention or circumvention of, provisions contained in the Russia Regulations. This instrument amends regulation 57F to substantially expand the activities for which the Secretary of State may specify ships, commensurate with the risk posed by malign Russian maritime activity. This includes powers to specify ships carrying oil that originated in Russia, designed to supplement UK objectives of constraining Russian revenues that could otherwise be used to fund Russia's war in Ukraine while maintaining global market stability and protecting energy security.

## **6. Legislative and Legal Context**

*How has the law changed?*

- 6.1 This instrument applies to regulations made under powers in the Sanctions Act. The Sanctions Act establishes a legal framework which enables His Majesty's Government to impose sanctions for a number of purposes, including that it is in the interests of international peace and security and furthers a foreign policy objective of the government of the UK.
- 6.2 This instrument exercises powers in sections 11(5) and 14(8) of the Sanctions Act to which enable the Secretary of State to make provision as to the meaning, for the purposes of the regulations, of a person and a ship being involved in activity specified in the regulations.

- 6.3 The instrument makes amendments to the designation criteria in regulation 6 of the Russia Regulations to specify additional activities for which a person may be designated.
- 6.4 The instrument also makes amendments to the ship specification criteria in regulation 57F of the Russia Regulations to specify additional activities for which a ship may be specified.

*Why was this approach taken to change the law?*

- 6.5 As noted above, this instrument forms part of the UK's ongoing response to counter Russia's efforts to circumvent UK and G7 sanctions and amends the Russia Regulations to specify additional activities for the designation of persons and specification of ships. Amending the Russia Regulations under the legal framework provided by the Sanctions Act is considered the most effective and appropriate way to change the law, in line with the approach previously taken to expand designation and specification activities.

## **7. Consultation**

*Summary of consultation outcome and methodology*

- 7.1 No public consultation has been carried out on this instrument. The Explanatory Memorandum to the Russia Regulations themselves explains that consultation was carried out in relation to the Sanctions Act.
- 7.2 There is neither a requirement in the Sanctions Act for public consultation on instruments made under the Act, nor is there any other legal obligation to consult in respect of this instrument. His Majesty's Government will continue engagement with stakeholders on the implementation of UK sanctions.

## **8. Applicable Guidance**

- 8.1 In accordance with section 43 of the Sanctions Act, guidance has been published in relation to the prohibitions and requirements under the Russia Regulations. This guidance will be updated to reflect the amendments to the Russia Regulations made by this instrument. This guidance will be available on GOV.UK once these regulations come into force.

## **Part Two: Impact and the Better Regulation Framework**

## **9. Impact Assessment**

- 9.1 A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, public or voluntary sector is foreseen. A de minimis assessment has been prepared as this instrument is likely involve only minor administrative costs for UK businesses.

*Impact on businesses, charities and voluntary bodies*

- 9.2 There may be impact on business, with minor administrative costs for UK businesses, including but not limited to those operating in the shipping industry (including providers of ancillary services related to shipping). The legislation does impact small or micro businesses. No specific action is proposed to mitigate regulatory burdens on small or micro businesses.

- 9.3 The FCDO does not believe it is possible to exempt smaller businesses from the requirements to comply with the measures introduced by this instrument, as this could provide a route for the circumvention or evasion of sanctions.
- 9.4 There is no significant impact on the public sector because the main cost would be administration and enforcement and the infrastructure for this is already in place.

## **10. Monitoring and review**

### *What is the approach to monitoring and reviewing this legislation?*

- 10.1 If His Majesty's Government determined that it was no longer appropriate to maintain a sanctions regime or specific sanctions measures, that regime would be removed or amended accordingly. In the case of the Russia 2019 Regulations, that would include the measures introduced by this instrument. As such, the Minister does not consider that a review clause in this instrument is appropriate.

## **Part Three: Statements and Matters of Particular Interest to Parliament**

### **11. Matters of special interest to Parliament**

- 11.1 This instrument, which is subject to the made affirmative procedure, is laid before Parliament on 24 May 2024 under section 55(3) of the Sanctions Act and comes into force on the 28 May 2024.

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

- 12.1 The Rt Hon Anne-Marie Trevelyan MP, Minister of State at the Foreign Commonwealth and Development Office, has made the following statement regarding Human Rights:
- “In my view the provisions of the Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2024 are compatible with the Convention rights.”

### **13. The Relevant European Union Acts**

- 13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023.