Sanctions Priorities
Autumn 2023

Stream 1. Battlefield components

Components

- Russia cannot receive western technologies (microelectronics) to use in the weapons:

- Align sanctions across the coalition. Unify sanctions lists among all coalition countries, extend them to encompass additional companies identified as producers, developers, or suppliers of military production components.

- Streamline Dual-Use Goods Classification. Centralized approach to formation of dual-use goods lists is essential for better regulation of critical component supplies.

- Expand Export Controls. Utilizing broader categories of goods based on 6-digit HS codes, simplifying the restriction of supply to Russia. Regular reviews and updates of dual-use goods lists are necessary. Additionally, any exceptions should be eliminated.

- Enhancing Companies' Compliance. Clear compliance guidance should be developed and made obligatory for all manufacturers and distributors. Establishing a database for companies to access information about potential business partners, including their sanctions status and previous violations.

- Increasing Responsibility and Accountability. Authorities should conduct investigations involving well-known companies to demonstrate commitment to preventing and prosecuting violations. Implementation of explicit procedures and rigorous documentation requirements can establish responsibility.

Raw materials + Machinery

- Russia cannot receive and use western machinery, software, and raw materials to produce weapons

- All regulations imposed for dual-use goods are also applicable for the raw materials and machinery supplies for Russian military production.

Yermak-McFaul Sanctions Group Paper #13 Strengthening Sanctions on Foreign Components in Russian Military Drones

Yermak-McFaul Sanctions Group Paper #12 Strengthening Sanctions to Stop Western Technology from Helping Russia's Military Industrial Complex

Stream 2. Energy

- Better Price cap enforcement of Price cap, in addition to its lowering

• Improve existing attestation system for Russian oil. Implement risk-based audits of attestations, focusing on transactions with highest risk of price cap violations; require all actors to provide underlying evidence regarding price of purchase.

• Strengthen overall energy sanctions regime Align penalties for violations across jurisdictions and increase fines as well as lock-out periods; enforce price cap on strict-liability based; investigate 3rd country entities that "caused" sanctions violations by G7/EU service providers and impose penalties; monitor complex schemes intended to conceal cargo or contractual terms.

• Address price cap violations via inflated shipping and services costs. Undertake investigations and provide guidelines for what constitutes "commercially reasonable rates" under the price cap regulations.

• Reduce Price cap on Russian crude oil to $45/barrel at the next review and, ultimately, to $30/barrel. Price caps on products need to be lowered in line with the crude cap and pre-invasion spreads between product and crude prices

- Measures to fight with Russia's shadow fleet

• Ban vessels with insufficient spill insurance from G7/EU territorial waters, including in the Baltic Sea, English Channel, and Mediterranean.

• Prohibit G7/EU companies from selling vessels (or facilitating the sale) to Russia or entities with unclear beneficial ownership structures.

- Steps to sanction Russia's exports of LNG

• Ban of all Russian LNG imports into the EU;

• Ban of Russian natural gas imports into the EU, expect via Ukrainian pipeline;

Yermak-McFaul Sanctions Group Paper #14: Using Energy Sanctions to Shorten the War

Stream 3. Implementation

Facilitators

- Those persons and entities, including professional services provide (law firms, investment firms, banks, trade brokers, etc.), who in any form assist and/or facilitate sanctions evasion should be held liable and sizable dissuasive penalties should be imposed. Self sanctioning is most welcomed.

Trade

- EU need to consider to fully utilize mechanism adopted in 11th package, that allows to ban exports of certain critical goods to third countries, that were proven to be assisting Russia in sanctions circumvention
- Proposal of new categories of trade to be sanctioned (i.e.on railway wheels (HS code 8607 19); pig iron and iron ores (HS codes 7201 and 2601); ferromanganese (HS code 7202)
- Complete ban on Russian diamonds, enhanced by origin-detection mechanism to prevent Russian diamonds entering G7/EU market via 3rd countries.
- Full embargo on all iron and steel products without exemptions, but with long transition periods (as in the case of EU imports of slabs, which have been permitted up to a quota of more than 3.7 million tons per year until 2024). Ban on steel products processed in third countries using steel originating from Russia among all members of the sanctions coalition.

Financial

- List of 3rd countries financial institutions facilitating Russia's access to international financial system (offering services to Russian clients);

- Listing Russian banks and financial institutions to be sanctioned;
  - Extension of financial sector sanctions to all Russian banks, including Gazprombank.
- Pushing for EU guidance for financial institutions (increased vigilance for sanctions evasion);
  - Use frameworks in the financial sphere (e.g., AML) for enforcement of other sanctions (e.g. export controls).
- Expedite exit of remaining foreign banks from the Russian market (address the ECB re RBI, Unicredit);
  - Creation of deadlines by regulators for exit of foreign financial institutions from Russia
- FATF needs to consider blacklisting Russia on October plenary (Ukraine's submission; political outreach to strongest allies & hesitating countries).

Yermak-McFaul Sanctions Group Paper #11: Action Plan 2.0 on Strengthening Sanctions Against the Russian Federation

Stream 4. National and individual sanctions

Country Level Sanctions

- National governments could proceed with implementation of sanctions which might be hard to implement by all members of the sanctions coalition. Unity and coordination in the sanctions coalition remaining a priority.

Individual designations:

- Propagandists are sanctioned and cannot travel freely
- Further categories
  - Extension of sanctions to close family members or proxy owners, in cases where such individuals hold the sanctioned person's assets or otherwise benefit from their relationship with the sanctioned person. For that purpose, a clearer legal framework needs to be adopted by the sanctions coalition countries to target the family members of sanctioned individuals.
- Expansion of the listing criteria for inclusion in the sanctions lists
  - Necessary amendments to designation criterias need to be adobled to allow sanctioning of broader categories of Russians, who facilitate sanctions circumvention and Putin's regime

Global South countries demonstrate more respect regarding the sanctions

Stream 5. Confiscation. Legislation.

Protecting decision-making on sanctions from influence of supporters of russia

- Given serious security implications, the EU could consider adoption of a sanctions package based on qualified majority principle, rather than by unanimity in certain cases.
- The proposal put forth by nine EU Member-States regarding shift to qualified majority vote on foreign policy matters should be supported by the remaining EU Members and further enacted into EU legislation.

Criminal responsibility

- The European Commission's draft directive on criminal offenses and penalties for the violation of EU sanctions needs to be adopted as soon as possible.

Assets should be confiscated

- Confiscation of Russian central bank assets:
  - Other aligned governments are recommended to follow suit of Canada, who adopted amendments to the Special Economic Measures Act to allow

Canadian authorities to make an order to forfeit frozen property of foreign states and nationals upon complying with the special procedure, which includes judicial review of the forfeiture order.

- An adoption of relevant legislation, that would identify and empower a competent national authority to initiate a confiscation or transfer or Russian sovereign assets, and allow for the abrogation of any applicable sovereign immunity protections in exceptional circumstances such as Russia's manifest violation of Article 2 of UN Charter (prohibition of aggression) by Sanction coalition governments is needed;

- Windfall profits generated from $180 billion of frozen CBR's reserves, that are held by Brussels-based Euroclear, should be transferred to Ukraine.

- Confiscation of private assets:
  - Assets of Russian tycoons should be confiscated for violations of the sanctions regime, money laundering and other crimes.

  - Other sanctioning nations should follow suit of the USA and Canada and authorize transfer of forfeited private Russian assets to Ukraine.

Yermak-McFaul Sanctions Group Paper #15: Why and How the West Should Seize Russia's Sovereign Assets to Help Rebuild Ukraine