

How to comply with trade sanctions against Russia

An IOE&IT webinar

2 March 2022



Agenda



- Introduction from the government 11:05-11:15
- Latest on sanctions and their impact on trade flows 11:15-11:25
- Complying with sanctions on Russia 11:25-11:45
- Questions and answers 11:45-12:00



Today's presenters



**Aimee
Maltman**

- ◆ Director of the IOE&IT Academy
- ◆ 11 years as a customs and trade expert at Caterpillar – leading its Brexit Task Force and engaging with government
- ◆ Specialised in execution of preferential rules of origin and use of customs special procedures



Ray Burgin

- ◆ Customs and trade specialist with 40+ years' experience
- ◆ Specialist in imports, exports, customs-compliance and export controls
- ◆ Ten years in Saudi Arabia as a supply chain trainer-instructor and five in EMEA in regional logistics and customs roles



**Paul
McComb**

- ◆ Director of UK Exports at the Department for International Trade
- ◆ Established DIT in 2016
- ◆ Director General for Trade and Investment in Hong Kong (2017-21)
- ◆ Principal Private Secretary to Right Honourable Iain Duncan Smith MP, when Secretary of State for Work and Pensions (2011-16)
- ◆ Director, Working Age Benefit Operations, Department for Work and Pensions (2009-11)



**Rebecca
Harding**

- ◆ Founder and CEO of trade data and analytics provider Coriolis Technologies
- ◆ Trade and trade finance economist
- ◆ Senior positions at Deloitte, London Business School, The Work Foundation and as Chief Economist of the British Bankers Association
- ◆ Co-authored *The Weaponization of Trade: the Great Unbalancing of Policy and Economics*



Poll question for today's attendees

**How do you trade with
Russia?**



Introduction from the Department for International Trade

Paul McComb

Director of UK Exports

Department for International Trade





Poll question for today's attendees

**Have you been impacted
by sanctions?**



Latest on sanctions and their impact on trade flows

Rebecca Harding

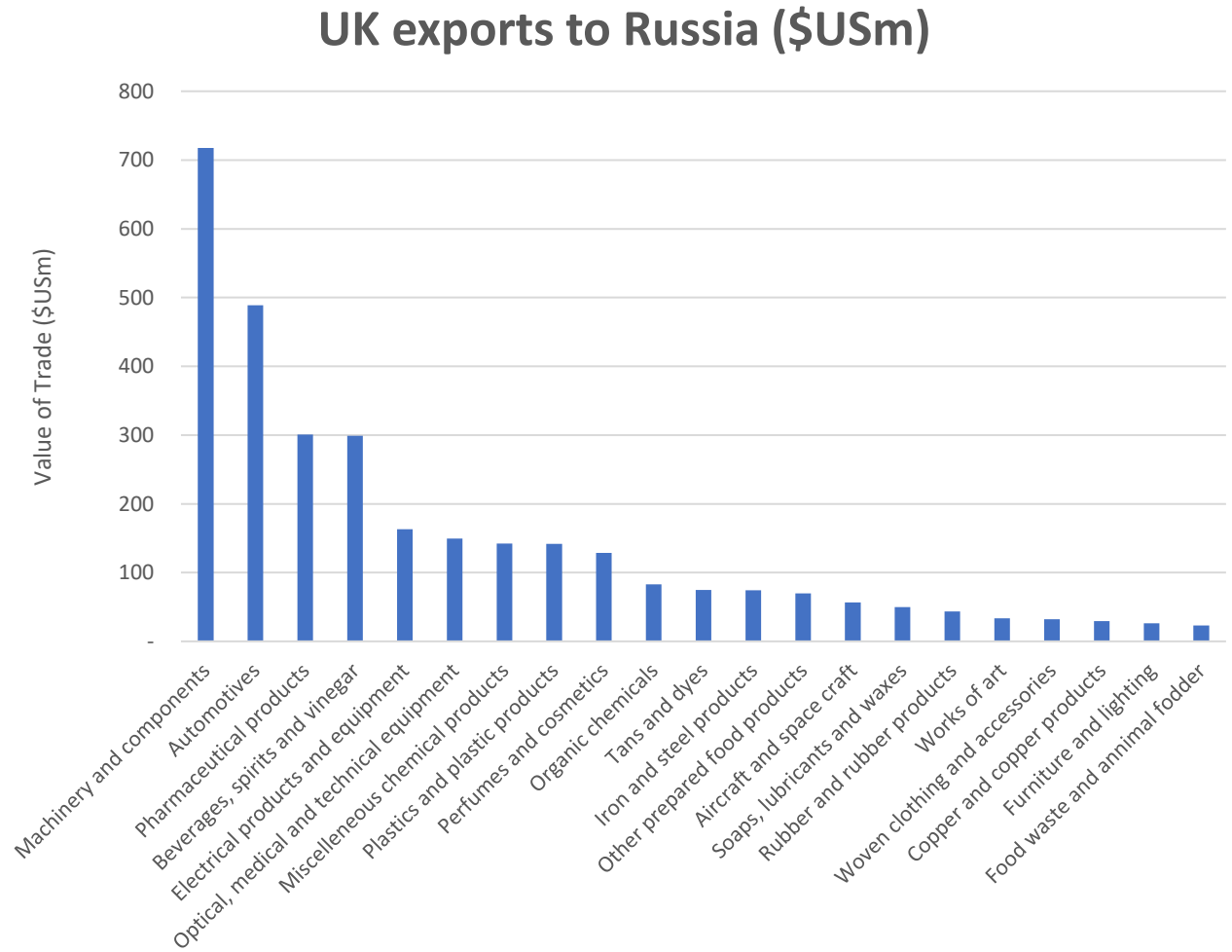
CEO

Coriolis Technologies

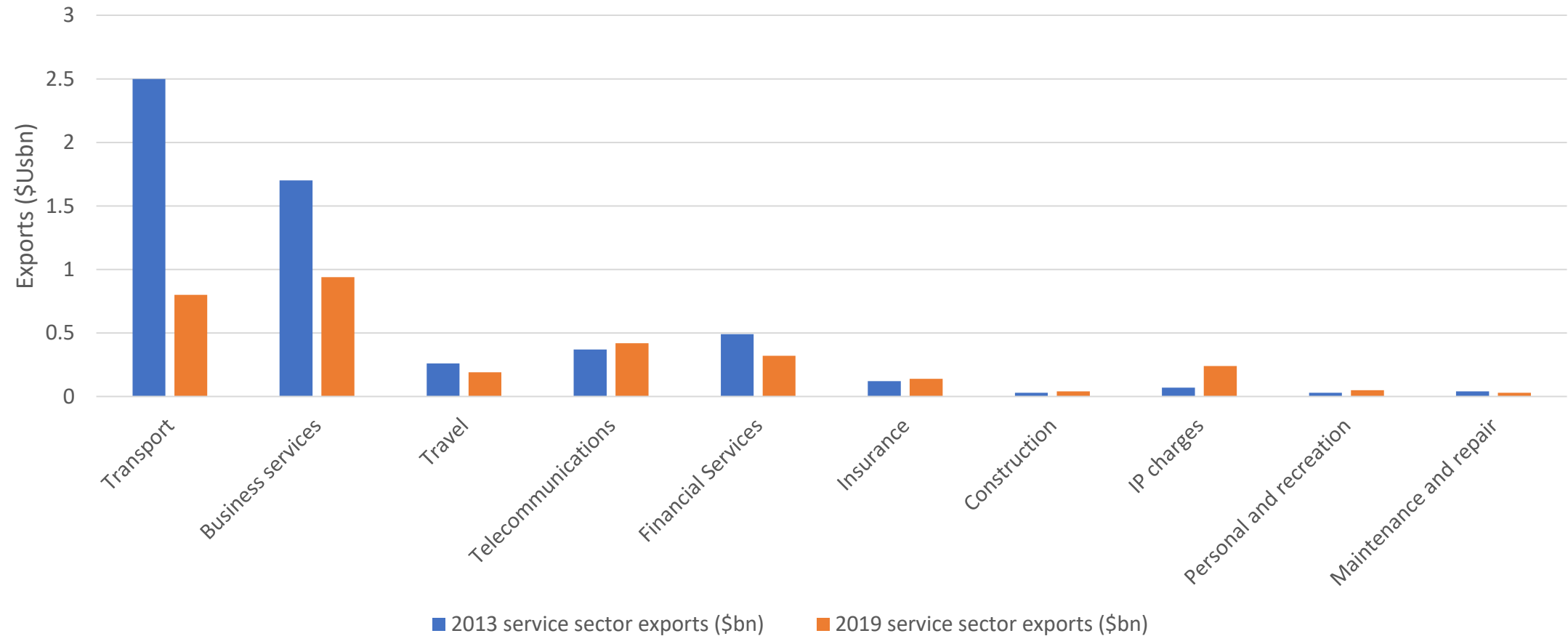


UK exports to Russia 2020

- Russia is our 15th largest import partner
 - We mostly import precious metals and stones (\$19.3bn), and oil and gas (\$3.2bn)
- Russia is our 21st largest export partner
 - Evenly spread across top four sectors
- We have a trade deficit with Russia:
 - Imports \$673bn
 - Exports \$420bn
- By way of comparison, we export \$789.3m to Ukraine – automotive is the largest sector
- We import \$736.1m – cereals and iron and steel



UK service sector exports to Russia have been declining since last crisis, except IP, telecoms and recreation





Poll question for today's attendees

**What types of items do
you trade with Russia?**



Complying with sanctions against Russia

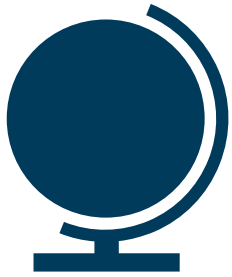
Raymond Burgin

Trade and Customs Specialist

Institute of Export & International Trade Academy



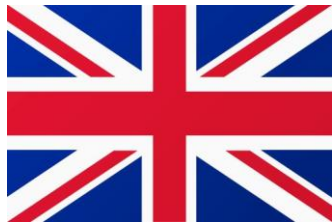
Sanctions – a global effort



- ◆ The UK, EU, US, Japan, Australia and others have all imposed coordinated sanctions
- ◆ International collaboration on restricting access for Russian banks to SWIFT
- ◆ MasterCard and VISA block Russian institutions
- ◆ Restrictions on travel to/from Russia
- ◆ Bans from international activities eg sport



- ◆ Blocks on major Russian banks operating in US
- ◆ Block on major Russian companies raising finance in the US
- ◆ Prohibited trade of hi-tech goods
- ◆ Individual sanctions
- ◆ Apple Pay and Google Pay suspended in Russia



Financial:

- ◆ Russian banks cannot clear Sterling
- ◆ Brits banned from transactions with Russian central bank

Individuals:

- ◆ Several individuals banned from UK with UK assets frozen

Trade:

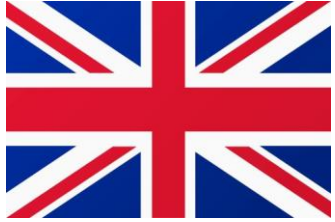
- ◆ Suspension of licences for all dual-use items
- ◆ Hi-tech exports banned



- ◆ Targeting 70% of the Russian banking market and key state-owned firms, including defence firms
- ◆ Export bans including materials for oil refineries, aircraft and aviation equipment
- ◆ Individual and financial sanctions similar to the US and UK

And much more – this is not an exhaustive list!

Key legislation and authorities



- ◇ Export Control Order 2002
- ◇ HM Treasury: Office of Financial Sanctions (OFSI)
- ◇ Foreign Commonwealth and Development Office, Sanctions Unit
- ◇ Department for Transport for transport sanctions
- ◇ Export Control Joint Unit
- ◇ UK Sanctions List



- ◇ US Treasury Department's Office of Foreign Assets Control's (OFAC)
- ◇ US Department of Commerce & Bureau of Industry and Security
 - ◇ Commerce Control List (CCL) for licence requirements for Russia



- ◇ European Commission
- ◇ Council of the European Union
- ◇ EU Sanctions List
- ◇ United Nations Security Council
- ◇ Council Regulation (EU) 2022/259 of 23 February 2022 amending Regulation (EU) No 269/2014

What are sanctions?

◆ Trade sanctions

- ◆ Import, export, transfer, movement, making available and acquisition of goods and technology
- ◆ Provision and procurement of services related to goods and technology
- ◆ Provision and procurement of certain other non-financial services
- ◆ Involvement of UK people in these activities
- ◆ Licences for dual-use items have been suspended

◆ Financial sanctions (incl. asset freezes)

◆ Immigration sanctions (travel sanctions)

◆ Aircraft and shipping sanctions

Risk of non-compliance

UK fines and penalties

- ◇ Breaching export controls is a criminal offence
- ◇ Penalties can vary depending on the nature of the offence
- ◇ They range from:
 - ◇ revocation of a licence
 - ◇ seizure of goods
 - ◇ issuing of compound penalty fine
 - ◇ imprisonment for up to 10 years
- ◇ Breach of US export regulations carries even higher punitive penalties



“If you think compliance is expensive, try non-compliance”

Paul McNulty – former US Deputy Attorney General

Practical steps to take for compliance



Knowledge is king

1. Know your product

- ◆ [Use the Trade Tariff tool](#) to find out your commodity code
- ◆ Review the [government's Russia sanctions advice](#) to see if your goods are currently sanctioned or controlled
 - ◆ You may need to get legal advice / consult the ECJU
 - ◆ You will need to know the technical specifications of your product
- ◆ Know the origin of your products
 - ◆ Will they need to comply with UK, EU or US controls/sanctions?

2. Know your product's destination

- ◆ Where is the final-end destination of your product?
- ◆ How will it be used?



Knowledge is king

3. Know your customer

◆ Export screening procedures

- ◆ Know who your consignees, intermediaries, end-users, end-customers and ultimate end-users are

◆ Transactional screening

- ◆ No internal transaction made without required licence or against any relevant trade restriction or prohibition

4. Know your suppliers

- ◆ Tier 1: Module or supplier system
- ◆ Tier 2: Component supplier
- ◆ Tier 3: Parts supplier

Consider denied party screening



Transaction screening process

◆ Shipping

- ◆ Identify unusual shipping, packaging or labelling arrangements
- ◆ Alerts if the sealing of containers/trucks and the confirmation of receipt by the consignee/end-user are refused
- ◆ Notified if end user is tied to military, defence industry or governmental research body

◆ Finance & contracts

- ◆ Identify unusually favourable payment terms
- ◆ Understand how payment is made by other parties
- ◆ Action if routine services are declined
- ◆ Know if installation site is in an area under strict security control

Licences and contracts

5. Revisit your licences

- ◇ Review licence suspensions
- ◇ New and existing licences suspended for dual-use items
- ◇ Stop shipments until there's any change
- ◇ Sign up to alerts from the [IOE&IT](#) and [ECJU](#) for updates

6. Revisit your contracts

- ◇ Check which Incoterms you are using
- ◇ Review your payment, IP, liquidated damages and insurance terms
- ◇ Check termination clauses



7. What is an Internal Compliance Programme (ICP)?

- ◇ Required for any trade of controlled goods with EU under recent EC legislation
- ◇ EU defines it as:
 - ◇ Ongoing effective, appropriate and proportionate policies and procedures adopted by exporters to facilitate compliance with provisions and objectives of this regulation
 - ◇ Includes due diligence measures assessing risks related to export of items to end-users and end-uses
- ◇ It is best practice to have an ICP if trading controlled goods in any market – not just the EU

7. ICP should cover

- ◆ Top-level management
- ◆ Organisational structure
- ◆ Training and awareness
- ◆ Transaction screening
- ◆ Reporting
- ◆ Record-keeping and documentation
- ◆ Security

Further IOE&IT support: consultancy



8. Working with agents

- Exporter (UK)
- Importer (Russia)



Direct representation

- ◇ Customs intermediary acts in the name of and on behalf of another party
- ◇ Party represented is declarant and liable for declarations
- ◇ Must maintain records of goods movement and provide audit trail

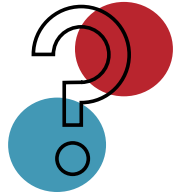
Indirect representation

- ◇ Intermediary acts on behalf of another party but acts in their own name
- ◇ Incumbent on intermediary to maintain a full audit trail re declaration
- ◇ Indirect representative jointly and severally liable for all customs liabilities arising from customs-related transactions

Getting paid if your goods are on route to Russia

- ◆ Getting paid is still possible but becoming increasingly difficult due to escalating financial sanctions
- ◆ Getting goods to Russia also becoming increasingly difficult – eg many major shipping lines no longer going to Russia
- ◆ Payments terms may need to be renegotiated
- ◆ If goods are already imported into Russia, but cannot be delivered, they may have to be diverted into a storage facility
 - ◆ Screening required to ensure this location and its owners aren't on any sanctions lists
- ◆ **Worse-case scenario:** goods might need to be returned to the shipper/seller (if feasible)

Q&A



If we do not get to your question, please contact either:

- [IOE&IT International Trade Technical Helpline](#) (for Business Members)
- [Export Support Service](#)



11:35-11:55



Aimee Maltman



Paul McComb



Ray Burgin



Rebecca Harding

Further support and useful links

- ◇ Traders need to check if their product is on the export ban list which can be found in the Russian sanctions [here](#)
- ◇ There is a suspension of dual-use goods
 - ◇ Traders can assess their products to determine whether or not they are controlled and are subject to this suspension [here](#)
- ◇ Consular support is available to British nationals in Ukraine and Russia:
 - ◇ [Ukraine](#)
 - ◇ [Russia](#)
- ◇ Get the latest government notifications on export controls by signing up to the Export Control Joint Unit (ECJU) e-alert service: [Notice to Exporters e-alerts](#)
- ◇ Contact the [Export Support Service](#) if you have any queries
- ◇ Get [practical advice and guidance from the IOE&IT](#)

**Thank you for
attending**

For further support go to
**[export.org.uk/
membership](https://export.org.uk/membership)**

