



Russia's war in Ukraine: a review of legal acts relevant for business

December 2022

Russia's war in Ukraine has prompted an unprecedented reaction from countries all over the world, economic sanctions and other restrictive measures against Russian and Belarusian entities. Lithuanian companies having business or other business relationships in those countries feel the impact of these measures, too. These companies currently encounter various legal issues, such as termination of business or transfer of activities, performance of agreements etc. Therefore, this newsletter will help you follow the legislation or its amendments important for business in Europe, Lithuania, Ukraine, Russia and Belarus.

European Union's response

- EU agrees on the eighth [package](#) of sanctions against Russia:
 - the implementation of a “price cap derogation” related to maritime transport which allows European operators to undertake and support the transport of Russian oil to third countries, provided its price remains under the pre-set cap.
 - an extension of the list of restricted items which might contribute to Russia's military, industrial and technological enhancement, as well as its ability to develop its defence and security sector. For example, the expanded list includes coal, certain electronic components (found in Russian weapons) and chemicals;
 - the Package widens the scope of (business-relevant) services that no longer can be provided to the government of Russia/legal persons established in Russia. The Package widens this scope to consultancy, legal advisory, engineering and architecture services.

- tightening the existing prohibition on providing services to Russia related to crypto assets by banning all crypto-asset wallets, accounts, or custody services, irrespective of the amount of the wallet (previously, up to EUR 10,000 was allowed);
 - the Council has added around 30 persons and seven entities responsible for actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine to the EU asset-freeze list;
 - expanding the prohibition on engaging in any transaction with certain Russian state-owned or controlled legal persons, entities or bodies, by including a ban on EU nationals from holding a post on the governing bodies of those persons, entities or bodies.
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- The European Parliament (EP) [declares](#) Russia to be a state sponsor of terrorism:
 - the EP adopted a resolution on the latest developments in the Russia's brutal war of aggression against Ukraine. The EP highlights that the deliberate attacks and atrocities committed by the Russian forces and their proxies against civilians in Ukraine, the destruction of civilian infrastructure and other serious violations of international and humanitarian law amount to acts of terror and constitute war crimes;
 - as the EU currently cannot officially designate states as sponsors of terrorism, the EP calls on the EU and its member states to put in place the proper legal framework and consider adding Russia to such a list. This would trigger a number of significant restrictive measures against Moscow and have profound restrictive implications for the EU relations with Russia;
 - the EP also wants diplomatic ties with Russia to be reduced, the EU contacts with official Russian representatives to be kept to the absolute minimum and the Russian state-affiliated institutions in the EU spreading propaganda around the world to be closed and banned.

- The EU Commission [proposes](#) the ninth package of sanctions against Russia, which includes the following:
 - the designation of nearly 200 people and entities, including the Russian armed forces and individual officers, defence industrial companies, members of the State Duma and Federation Council, ministers, governors and political parties;
 - sanctions against 3 additional Russian banks, including a full transaction ban on the Russian Regional Development Bank;
 - additional export controls and restrictions, particularly on dual-use goods, including key chemicals, nerve agents, electronics and IT components. The press is reporting that aircraft engines and their parts, laptops, hard drives, cameras and lenses are certain other goods that will be subject to new restrictions;
 - a ban on the direct export of drone engines to Russia and the export to any third countries, such as Iran, that could supply drones to Russia;
 - a ban on 4 Russian TV channels;
 - further economic measures against the Russian energy and mining sector, including a ban on new mining investments in Russia.

In Lithuania

- The [announcement](#) from the Ministry of the Economy and Innovation:

- the Government approved the Ministry's proposal to maintain the possibility to terminate/exclude contracts with companies linked to hostile states from public procurement tenders, even if the state of emergency remains in force only in certain territories;
- the list of hostile states and territories includes Russia, Belarus, annexed Crimea, the territory of Transnistria not under the control of the Moldovan government, the territories of Abkhazia and South Ossetia not under the control of the government of the Republic of Sakartvel;
- the Public Procurement Law provides that the provision allowing suppliers to be evaluated on the basis of their links with hostile states applies in public procurement as long as the country is in the state of emergency, and in any other cases determined by the government (if the state of emergency is imposed only in certain border areas, the above provisions would no longer apply);

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- The [announcement](#) of the Ministry of Economy and Innovation indicates that the loan facility for affected businesses is starting to operate:
 - businesses affected by the consequences of Russia's military aggression against Ukraine and rising energy prices can now apply to the national development institution "Investments and Business Guarantees" (INVEGA) for direct loans to ensure the liquidity of working capital and finance investments;
 - loans will be available to businesses that meet at least one of the three conditions (for example, if the costs of natural gas supply, heat supply and electricity supply services make up at least 8 percent of the company's annual costs (according to the 2021 data) or if one of the economic activities is among the most affected sectors, which are indicated in [Annex I of the European Commission's communication](#);

- direct loans will be provided to small and medium-sized business entities and large companies;
- a loan will also be available if the share of exports to or imports from Ukraine and/or imports from Russia and/or Belarus is at least 25% of the company's total share of imports or exports (including to EU countries) between 1 January 2021 and 31 December 2021;

In Russia

- On 8 September 2022, the President of the Russian Federation signed [Decree](#) No. 618 “On Special Procedure for Consummation (Execution) of Certain Types of Transactions (Operations) between Certain Persons” (“Decree No. 618”):
 - Decree No. 618 introduces a special regime for consummation (execution) of the transactions (operations) that lead to direct and/or indirect creation, modification, and/or termination of rights of possession, use, and/or disposal of participatory interests in Limited Liability Companies (except for credit and non-credit financial institutions) or other rights allowing to exercise control over the management of Limited Liability Companies and/or their business activities, by and between (“Prohibited Transactions”):
 - 1) Russian residents and foreign persons related to “unfriendly” states (including if an “unfriendly” state constitutes such foreign person’s citizenship, place of registration, primary place of business activity or earning profit) or persons which are controlled by such foreign persons (“Foreign Persons of “Unfriendly” States”);
 - 2) Foreign Persons of “Unfriendly” States and Foreign Persons of “Unfriendly” States; and
 - 3) Foreign Persons of “Unfriendly” States and foreign persons which are not Foreign Persons of “Unfriendly” States.

- effective immediately, the Prohibited Transactions can be consummated (executed) only subject to a special permission of the Governmental Commission for Control over Foreign Investments, and such permission may (if necessary) stipulate terms and conditions for the consummation (execution) of the Prohibited Transactions;
- the procedure for issuance of special permissions for the purposes of Decree No. 618 shall be established by the Government of the Russian Federation within 10 days from 8 September 2022;
- it is expressly provided that Decree No. 618 does not apply to transactions (operations) which are regulated by or are subject to the special regime established by (“Special Regulations”):
 - 1) Decree of the President of the Russian Federation No. 416 “On the Application of Special Economic Measures in the Fuel and Energy Sector related to Unfriendly Actions of Certain Foreign States and International Organizations” dated 30 June 2022; and/or
 - 2) Decree of the President of the Russian Federation No. 520 “On Application of Special Economic Measures in Finance and Fuel and Energy Areas related to Unfriendly Actions of Certain Foreign States and International Organizations” dated 05 August 2022.

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