

SheppardMullin

REMOVING RUSSIA

THE EVERYTHINGNESS OF SANCTIONS

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Introduction

Hello.

Agenda

- Trade restrictions landscape
- Sanctions economic impacts
- Further sanctions effects
- Everythingness of Sanctions
- Why does this matter to you

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Extraterritorial Jurisdiction – U.S. Sanctions

- U.S. person
- U.S. territory
- Evade / avoid / conspire
- “Causing”
- U.S. products
- U.S. currency
- Secondary sanctions

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Extraterritorial Jurisdiction – U.S. Sanctions



- Clearing transactions in USD
- Considered “causing” a violation
- Applies to all persons
- Could apply to actions anywhere

Global Restrictions on Russia

	United States	European Union	United Kingdom
Asset Freezes	✓	✓	✓
Sectoral Sanctions	✓	✓	✓
Financial Restrictions	✓	✓	✓
Export Restrictions	✓	✓	✓
Import Restrictions	✓	✓	✓
Investment Restrictions	✓	✓	✓
Broadcasting Restrictions	✓	✓	✓

Sanctions on Covered Regions

- Comprehensive sanctions on the Donetsk (DNR) and Luhansk (LNR) regions
- Prohibitions
 - Export, reexport, or supply (directly or indirectly) any goods, services, or technology
 - New investments
 - Imports of goods, services, or technology
 - Approval, financing, facilitation, or guarantee of a transaction

Blocking & Designations

- SDN designations (banks/defense)
- Designations of Russian oligarchs / individuals
 - Asset freezes
- Non-SDN designations / Sectoral Sanctions
 - Financing Prohibitions (Directive 4)
 - Accounting, trust, corporate formation, and management consulting activities
- Additions to the Entity List

Export Restrictions

- Export restrictions on certain products/technologies
 - Russia and Belarus
 - CCL Categories 3-9, limited license exceptions
 - Review policy – presumption of denial
 - Energy-related items, HTS codes
- Russia FDPR
- Russia-MEU FDPR

Energy

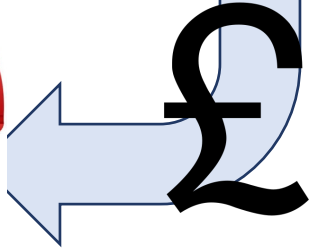
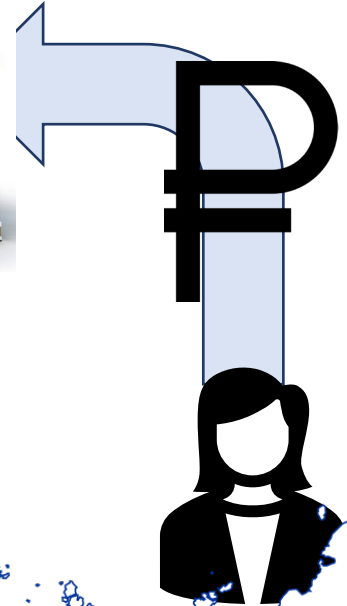
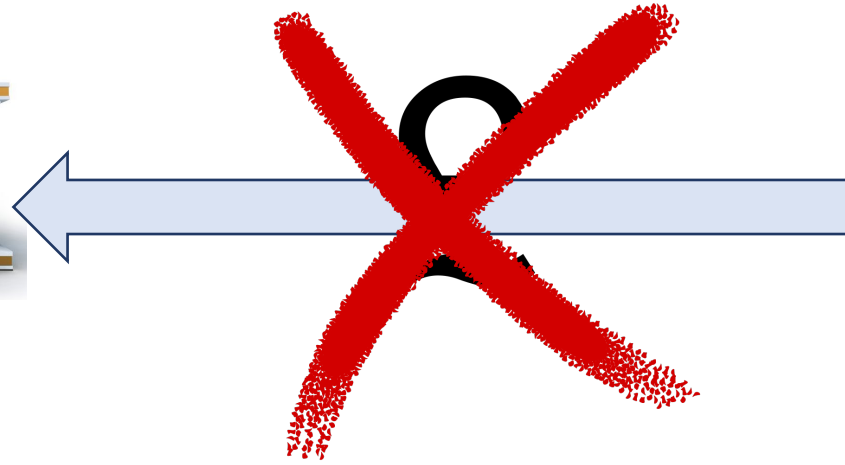
- Prohibition on import of oil, gas, coal to US
- Prohibition on new investments by US persons
- EU planning near total ban on imports by end of 2023

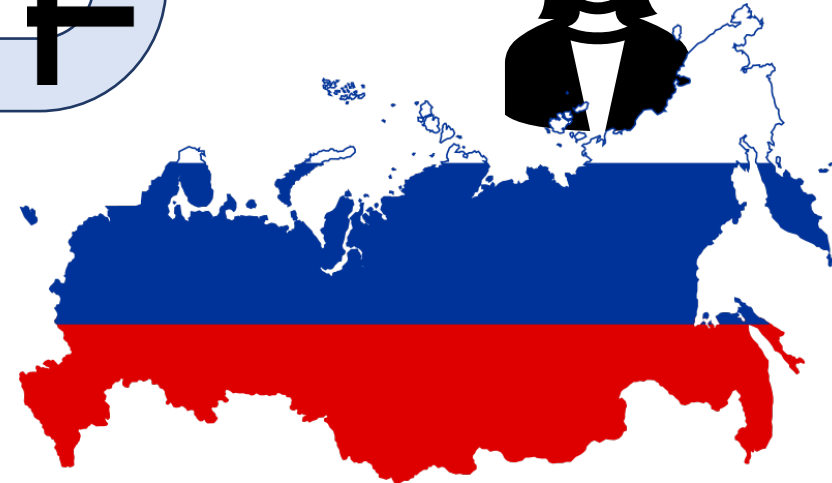
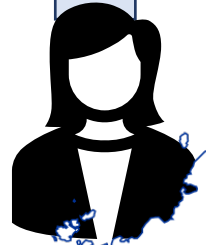
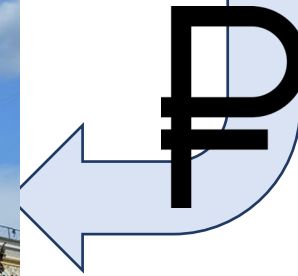
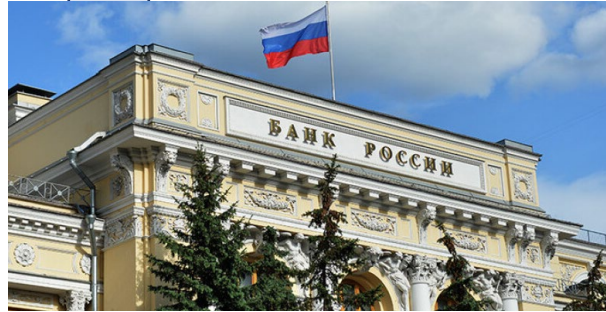
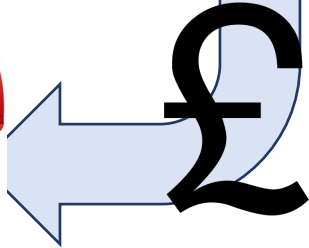
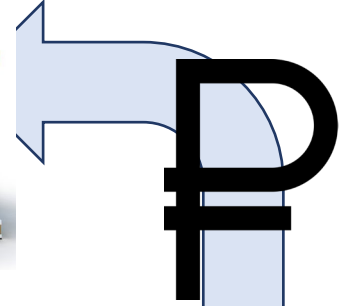
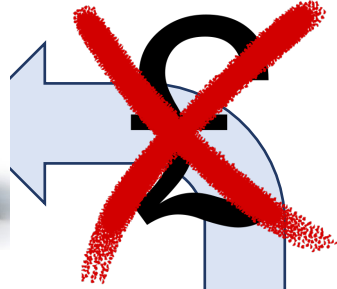
Banking & Finance

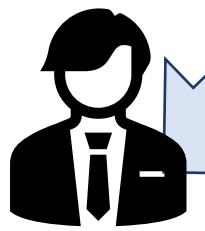
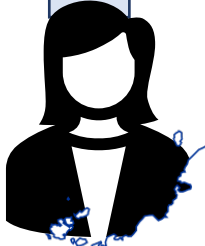
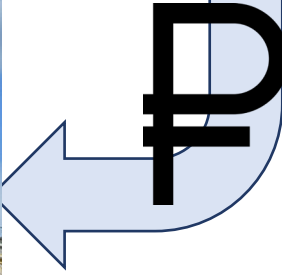
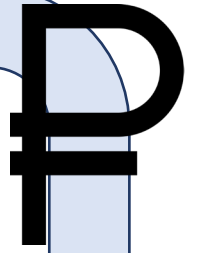
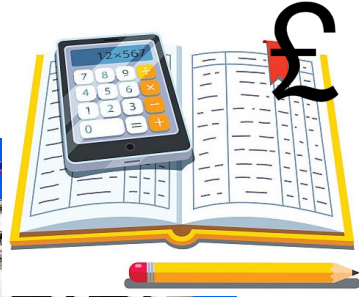
- Central Bank of Russia, Central Bank of Belarus, Russian Ministry of Finance, Russian National Wealth Fund
- Blocking Russian and Belorussian banks
- SWIFT prohibitions on certain Russian, Belarusian banks
- Prohibitions on securities and new debt and equity

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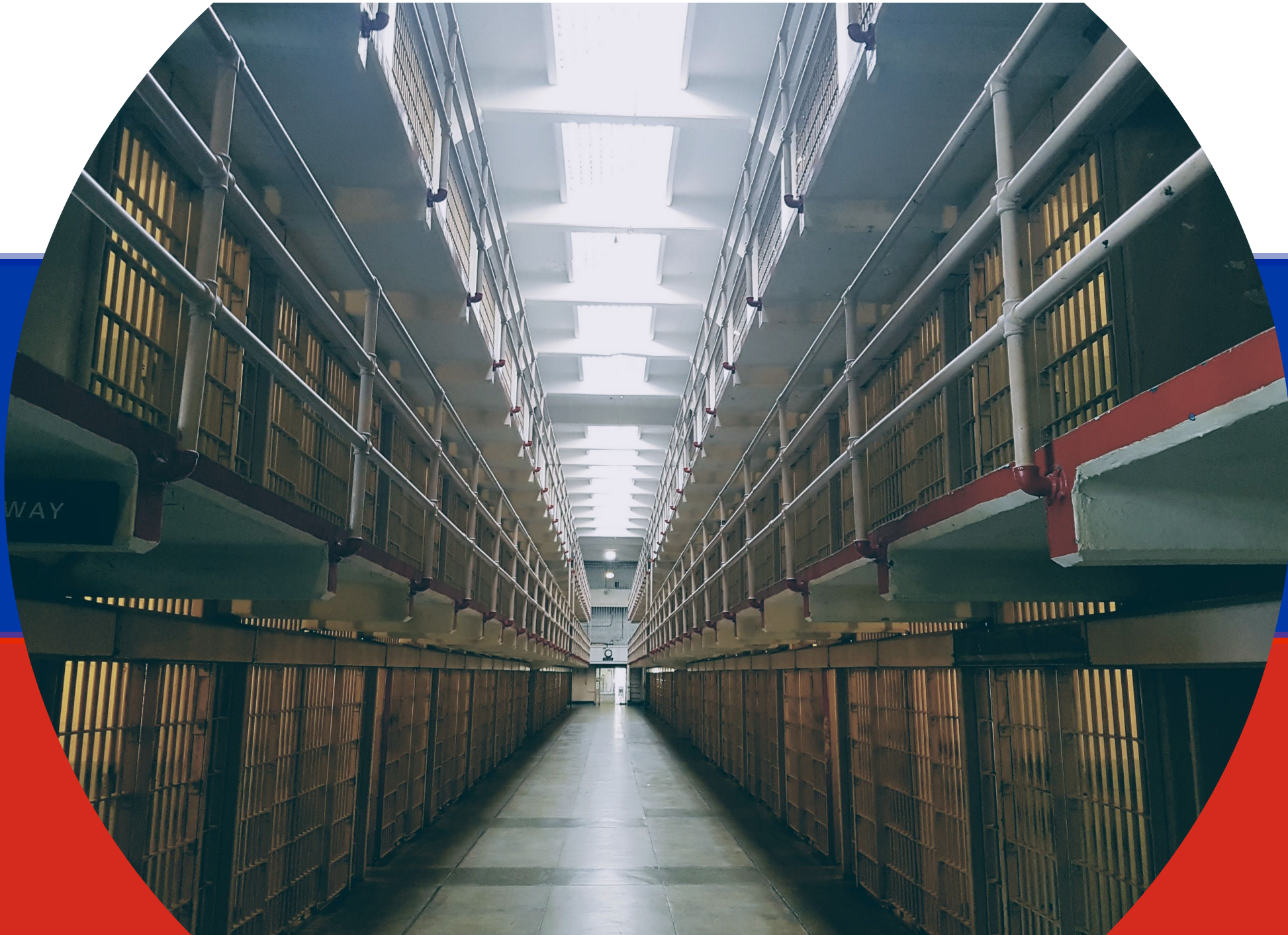
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Energy Industry Dissociation



Bloomberg Opinion
Money Stuff



Matt Levine

I suppose you could donate them back to the company — call up Rosneft and say “cancel our shares, don’t bother paying us” — but I am not sure that that’s a good way to impose sanctions on Russia; it is in some sense good for Rosneft (or Shell’s Russian partners in its joint ventures, etc.) to cancel equity claims on its business for free.

If you’re writing the assets down to zero anyway I suppose one option (depending on the mechanics of the sanctions regime) is to give them to charity; there would be something a bit satisfying about a Ukraine relief charity owning 20% of Rosneft.

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What are Sanctions?

War is the continuation of politics by other means.

- Carl Von Clausewitz

What are Sanctions?

Economic tool used by nation-states to impose their own foreign policy or national security goals on the behavior of foreign state-actors.

What is ESG?

Environmental, Social, and Governance

Shareholders using investment as an economic tool to impose social goals on the behavior of target companies.

Alignment of Sanctions and ESG

- Sanctions move capital in line with political choices of nations that can afford to impose them
- ESG moves capital in line with social choices of multinationals and their investors
- It is critical to examine the direction of those political and social choices

Sanctions and Corporate Values

Two types of reasons to get out of Russia:

1. Moral: Stopping business in Russia punishes the country for bad actions by raising costs of aggression.
2. Risk. If you continue to invest in Russia, further sanctions may make it impossible to get returns, the government may seize it, or consumers may not buy your products.

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Why Does This Matter to You?

- Assessing Russian Risk
 - How does a company go back in?
 - What is the risk premium on future investments?
 - What cost for compliance?
 - At what level is a project a no-go?

Why Does this Matter to You?

- Where else could we see trade and ethics intersecting?
- Where do your company's values align with trade laws and where could they differ?
- What risk do these trends create?

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