

Swiss sanctions against Russia – Partial implementation of the EU 14th Sanctions Package

On 21 August 2024, the Swiss Federal Council adopted a new set of sanctions against Russia, further aligning the Swiss sanctions with the European Union's 14th sanctions package. The newly adopted restrictions focus on several key areas, including a ban on Russian diamonds, extended deadlines for divestment transactions approval, and stricter financial and export controls. They are set to enter into force on 27 August 2024. Earlier this summer, SECO updated its "frequently asked questions" (FAQ) document to include clarifications on the definitions of ownership and control, as well as to address "ring-fencing" or "firewall" measures mitigating the effects of control, particularly concerning Swiss entities.

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1. Introduction

On 21 August 2023, the Swiss Federal Council adopted further sanctions against Russia with a view to mirroring the latest measures imposed by the EU on 24 June 2024. The corresponding amendments to the Ordinance on measures in connection with the situation in Ukraine ("**UKRO**") will enter into force **on 27 August 2024**.

A free English translation of UKRO as of 27 August 2024 and a redline against the previous version of 20 June 2024 are available, respectively [here](#) and [here](#).

2. Key elements

The new measures include the following:

- **Ban on Russian diamonds (Article 14e UKRO)**

The new package clarify and harmonize the international ban on Russian diamonds. In particular, the amendments have reduced the carat threshold from 1.0 carat to 0.5 carats (or 0.1 grams) (Article 14e (3) UKRO), expanding the range of diamonds subject to import, purchase, and transit restrictions.

Notably, the implementation of this specific measure (Article 14e (3) UKRO) will come into force on 1 September 2024.

Exemptions will apply for diamonds processed or located in third countries before the imposition of sanctions, provided proof of origin is submitted during customs procedures.

- **Extension of the divestment transactions approval deadlines (Article 30a UKRO)**

SECO can now authorize exemptions related to the sale, delivery, transit, or transport of goods and technologies listed in Annexes 1, 3, 4, 5, 16, 18, 19 and 23 UKRO and goods listed in Annex 2 of the Ordinance on the control of goods necessary for market withdrawal **until 31 December 2024**. These provisions aim to facilitate the exit of Swiss companies from joint ventures or operations in Russia.

- **Extension of the deadlines for the service and software exemptions (Article 30c UKRO)**

Exemptions can now be authorized **until 31 December 2024**. SECO may permit exemptions from the prohibitions specified in Article 28e UKRO, which restrict the provision of certain services and software, such as accounting, IT consultancy, and business management software. These exemptions apply when relevant services or software are strictly necessary for the transfer of assets or liquidation of activities in the Russian Federation and benefit only the legal entities resulting from these transactions.

3. Upcoming review by the Federal Council of additional EU measures

The 14th sanctions package adopted by the EU on 24 June 2024 introduced several additional restrictions that Switzerland is currently reviewing. These include enhanced anti-circumvention efforts, obligation for EU companies to ensure compliance by non-EU subsidiaries, financial sanctions targeting Russia's SPFS system (Russia's alternative to SWIFT), and some other restrictions. The Swiss Federal Council will study these measures to decide on their implementation in Switzerland.

4. SECO FAQ Update: Clarifications on Sanctions Compliance

In conjunction with these additional restrictions, various updates were made to SECO's "frequently asked questions" (FAQ) document, released on 13 June 2024.^[1] These updates provide guidance on asset-freeze restrictions applicable across all sanctions regimes:

- **Ownership and control (sections 1.8 and 1.9 FAQ)**

The FAQ defines "ownership" as holding, directly or indirectly, more than 50% of a company's ownership interests and outlines criteria for determining "control", which could trigger asset-freeze measures.

- **Ring-fencing measures (section 1.10 FAQ)**

The FAQ also introduces guidelines for implementing "ring-fencing" or "firewall" measures to prevent sanctioned individuals or entities from actually exercising their control. The implementation of such measures is designed for entities operating in essential sectors in Switzerland.

- **Pre-sanction transfers (section 1.9 FAQ)**

The FAQ includes guidance on the treatment of assets or funds transferred before sanctions were imposed, stating that these may still be subject to asset freezes if there is evidence of continued control by the sanctioned party, regardless of the formal transfer date.

[1] An unofficial translation into English is available [here](#).

5. Future developments

Sanctions are amended and adapted on an ongoing basis. Given the importance of the topic and the potentially serious legal and reputational consequences of a breach, it is essential to keep abreast of the latest measures and any guidance issued by the Swiss government. We are monitoring these developments closely.

At this juncture, the introduced restrictions raise a number of interpretation and implementation questions. Some of those questions are expected to be clarified based on EU sanctions guidance and FAQs, if any, whereas other issues will require formal confirmation from SECO. We are working with our clients to clarify the expectations of competent authorities and to find practical solutions for an efficient operational implementation of the sanctions framework.

6. Useful links

Given the fluid nature of the sanctions, we enclose some relevant resources which we trust will be of assistance for monitoring the developments:

6.1. Swiss Sanctions

Swiss Sanctions

UKRO, as of 27 August 2024

- Official publication:
 - [UKRO German version](#)
 - [UKRO French version](#)
 - [Unofficial English translation](#)
 - [Redline against the version of 20 June 2024 \(English\)](#)

SECO FAQ, as amended on 27 August 2024

- Official publication:
 - [German version](#)
 - [French version](#)
 - [Unofficial English translation](#)
 - [Redline against the version of 13 June 2024 \(English\)](#)

6.2. EU Sanctions

- Consolidated texts of sanctions regulations
 - [Consolidated text of Regulation \(EU\) No 833/2014 \(Russia\)](#)
 - [Consolidated text of Regulation \(EU\) No 269/2014 \(Ukraine territorial integrity\)](#)
- Compilation of frequently asked questions regarding EU sanctions available [here](#).

Please do not hesitate to contact us in case of any questions. You may reach out to your usual contact at our firm or direct any sanction-specific queries to our dedicated task force at sanctions@clutterlenzstaehelin.com.

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