

## **Protiviti - Uncharted territory: Managing multiple Russian sanctions regimes**

The rapid changes and nuances in the Russian sanctions regimes have created challenges for global financial institutions. Organizational consensus on the approach to managing them will help financial institutions stay within regulatory boundaries and minimise the risk of penalties.

This article is based on the recent Protiviti webinar series Uncharted Territory: Managing the Risk of Russian Sanctions held in the US, the UK and the EU.

The impact of the sanctions on Russia has been far reaching. Following Vladimir Putin's invasion of Ukraine in February 2022, governments have imposed thousands of sanctions on Russia, including freezing assets, halting or phasing out commodity imports and blocking financial institutions and individuals with ties to the country from accessing global financial markets. The moves have unleashed what has been described as [shock and awe](#) on Russia's financial system and economy and put globalisation under the microscope.

The depth and breadth of the sanctions have created significant exposures for global financial institutions and highlighted geopolitical risks. Institutions have been working to understand the impact of the sanctions on their customers, trading partners and financial transactions in the face of anticipated regulatory scrutiny and enforcement.

But while the sanctions rolled out by [the US](#), [the UK](#), [the EU](#) and their allies are broadly similar in principle, they vary by degree.

For example, the US is banning all [oil and gas imports](#) from Russia, while the UK will phase out oil imports by the end of 2022. The EU has said it will phase out coal imports by August but has a greater dependence on Russian gas supplies than its western peers. The UK, US, EU and Canada have banned flights from Russia from their airspace, but they have applied [varying approaches](#) to chartered private jets.

As a result, global financial institutions need to consider multiple sanctions programmes and make both legal and strategic decisions about compliance.

Early in the Ukraine crisis, institutions set up task forces and crisis management committees to strategize responses to the dynamic landscape, agreeing to treat all sanctions programmes equally, to comply only with those that apply to their operations today, or to take some middle ground.

'Either of the three approaches has its complexities, challenges, benefits and risk profiles and the response will depend on the size of the firm, its footprint, products and services', says Christine Reisman, managing director at Protiviti in St. Louis. 'But in each case, close coordination is needed between sanctions and compliance teams, the board and counsel'.

Consensus across the organization on addressing multiple sanctions regimes will help to reduce the risk of inadvertent breaches and regulatory penalties, and additionally promote training and knowledge sharing across the three lines of defence. Once institutions have determined their approach, they can begin to assess its effectiveness.

For more information on sanctions compliance, please contact Bernadine Reese, managing director at Protiviti UK at [bernadine.reese@protiviti.co.uk](mailto:bernadine.reese@protiviti.co.uk).