

2022-N-016
25 February 2022

Impact of UK and US Sanctions on our link with Russia

Target audience

- Network Managers
- Compliance Officers
- Settlement Operations
- Back-office teams

Effective date

Immediately

Highlights

Following the:

- United Kingdom Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855), including but not limited to the HMT Financial Sanctions Notice dated 24 February 2022 which includes, among others, VTB Bank as target of an asset freeze (the **UK Sanctions**)
- US Executive Order 14024 on Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine and which, as of 24 February 2022 includes, among others, VTB Bank as target of a full blocking (the **US Sanctions**)

we are taking certain actions with regards to the setup of our link with the Russian market. See below for more details.

Actions

1. Ensure that you (and your underlying clients) carry out the necessary due diligence in order to comply with the UK/US Sanctions.
2. Review your pending transactions to assess if they are in scope of UK/US Sanctions.
3. Ensure that you send your instruction as early as possible taking into account all relevant input deadlines.
4. Check carefully beforehand the format and content of your MT 599 confirmations before sending them to us.
5. We encourage you to use EasyWay/SWIFT reporting to verify the status of your settlement instructions.

On **Thursday, 24 February 2022** OFSI updated its [list](#) of Designated Persons and OFAC updated its [list](#) of Specially Designated Nationals and Blocked Persons, which are both now including, among others, VTB Bank. The actions by OFSI were pursuant to authority provided under the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855) (the **UK Sanctions**); and the actions by OFAC were pursuant to authority provided under the Executive Order 14024 on Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine (the **US Sanctions**).



What does this mean for you?

- **Effective immediately**, we have closed the Bridge with Clearstream Banking Luxembourg for the settlement of all domestic Russian securities (RU ISINs).
- **As soon as possible**, we will change the setup of our link to the Russian market, we will:
 - disable VTB Bank (PJSC) (VTB) as our account operator with the National Settlement Depository (NSD)
 - activate our direct account with NSD
- **In the meantime**, we are implementing measures to monitor that any transfer of securities takes place within the limits of permitted activities under the UK Sanctions and/or the US Sanctions, as applicable.

For this purpose, processing of instructions on the securities will be excluded from straight-through processing and such instructions would be suspended until the necessary due diligence checks are performed

We will accept but only release new external settlement instructions on the Russian market upon receipt of a declaration from our clients confirming that the instruction does not form part of a transaction or activity prohibited under UK Sanctions and US Sanctions.

Participants are required to complete and provide an MT 599 in the format specified in Annex 1. The MT 599 is required to confirm that the transaction meets the necessary requirements of UK Sanctions and US Sanctions.

Important

We kindly remind you that in accordance with section 3.1.1 of the Operating Procedures of the Euroclear System, Euroclear Bank may suspend and/or block your instructions if they require manual investigation as part of our compliance policy.

We will not take any liability for any damage or loss resulting from such investigation and/or delay in processing of your instruction due to such investigation. If we obtain sufficient comfort that your instructions fall within the permitted activities, then such instructions would be allowed to continue their processing cycle. If it is not the case, then your instructions would be rejected.

In addition to the actions and measures we have taken, we expect you, as our Participant (and any other underlying entity), to also ensure due diligence and compliance with the sanctions, as they should be respected in every step throughout the custody chain.

Keeping you informed

We are closely monitoring the situation and will keep you informed of any further developments.

Who to contact?

Contact	Contact details
Settlement Client Service	+32 2 326 2098
Account Management	+32 2 326 2812



Annex – MT 599 template

You must:

- use this template to confirm to us that the relevant transaction in the impacted securities falls under the scope of permitted activities under UK or US Sanctions and therefore, is not in violation of UK or US Sanctions
- send us an MT 599 confirmation each time you send an instruction for external settlement

Important: to ensure your instruction(s) is processed without delay, you must send us an MT 599 confirmation template in the **exact provided format** together with your settlement instruction. This template is applicable as from the publication of this Newsletter.

You can include up to **ten transfers** per MT 599 template, by listing the details of each transfer as follows:

Transfer [n]: [Euroclear account], [Euroclear reference], [ISIN], [number of units]

To avoid delays in processing or rejection of your related settlement instruction you must:

- use the exact MT 599 confirmation template below
- list only the transfer details requested and in the order provided
i.e. [Euroclear account], [Euroclear reference], [ISIN], [number of units]

UK or US Sanctions MT 599 required format

Attention: Euroclear Settlement team (SWIFT BIC: MGTCBEBE)

Transfer 1: [Euroclear account], [Euroclear reference], [ISIN], [number of units]
(repeat as necessary)

We hereby confirm that the transfer of [number of units] units of security [ISIN and name of security] from our Euroclear Bank account [account number] does not represent a transaction or activity prohibited by:

- (i) the United Kingdom Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855), including but not limited to the HMT Financial Sanctions Notice dated 24 February 2022 which includes, among others, VTB Bank as target of an asset freeze (the **UK Sanctions**) or
- (ii) the US Executive Order 14024 on Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine and which, as of 24 February 2022 includes, among others, VTB Bank as target of a full blocking (the US Sanctions).

To that extent, we confirm that this transaction does not involve, directly and indirectly, any instructions from and generally any implication whatsoever of a US person or a UK person which would represent a breach of UK Sanctions and/or US Sanctions.

Contact person's details: [Name], [Phone number], [Email address]