

BRIEFING NOTE

Singapore's financial regulator (the MAS) spells out the details of Russia sanctions – some key take aways

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Introduction

In our 10 March 2022 briefing note, we reviewed the recently announced unilateral sanctions imposed by Singapore on Russia (see link [here](#)).

On Monday 14 March 2022, Singapore's financial regulator (the Monetary Authority of Singapore (the "MAS")) announced details of the sanctions that will apply to all financial institutions in Singapore, via MAS Notice SNR-N01 (which can be found [here](#)) as well as exceptions to the sanctions regime, via MAS Notice SNR-N02 (which can be found [here](#)).

In this article, we cover some of the key take aways from the MAS Notice including, who is affected and what sort of activity is now prohibited.

Who is affected?

MAS Notices SNR-N01 and SNR-N02 apply to all Singapore financial institutions.

Financial institutions include all organisations which are licensed, approved, authorised, designated, recognised, registered or otherwise regulated by the MAS. This includes:

- Banks (including retail and investment banks and finance companies);
- Capital markets entities (including fund managers, REIT managers, corporate financial advisors; trustees, dealers and credit rating agencies).
- Financial advisory firms;
- Insurers and reinsurers;
- Financial and insurance brokers;
- Exchanges;
- Payment service providers (including clearing and settlement systems).

Who has been sanctioned?

The sanctions apply to all funds, assets or economic resources of:

- VTB Bank Public Joint Stock Company; The Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank; Promsvyazbank Public Joint Stock Company; Bank Rossiya;
- all entities owned or controlled by, directly or indirectly, or acting on behalf of or under the direction of those banks;

- entities (which will be announced at a later date) involved in the export, transshipment or transit of restricted items to Russia (including military and strategic goods and certain dual use goods (including electronics, computer and telecommunications and information security goods); and
- all entities owned or controlled by, directly or indirectly, or acting on behalf of or under the direction of those entities.

These are referred to as Designated Banks and Designated Entities respectively.

Additionally, the sanctions apply to:

- the Russian government;
- the Central Bank of the Russian Federation;
- legal persons or legal arrangements that are owned or controlled by, directly or indirectly, or act on behalf of those two entities; and
- anyone involved in the sale, transfer or export of goods or technology to the breakaway regions of Donetsk and Luhansk in the following specific sectors:
 - transport;
 - telecommunications;
 - energy; and
 - prospecting, exploration and production of oil, gas and mineral resources.

What sanctions have been imposed?

We summarise the sanctions below.

Asset freeze

Any financial institution which has in its possession, custody or control funds, assets or economic resources of any Designated Bank or Designated Entity, must freeze them.

Prohibition on dealing

Financial Institutions must not deal with Designated Banks or Designated Entities, either directly or indirectly. This includes the following activities:

- establishing business relations with or undertaking any financial transactions
- entering into any financial transactions;
- providing, or facilitating or procuring the provision of, any financial assistance or service (including but not limited to the granting of export credits, guarantees, insurance or re-insurance); or
- transferring any financial assets or resources, or other assets or resources.

Prohibition on trade

If a company or individual is engaging in the export, transshipment or transit of restricted items to Russia (including military and strategic goods and certain dual use goods (including electronics,

computer and telecommunications and information security goods), then financial institutions may not engage in the following activities with that company or individual:

- financial transactions;
- providing, or facilitating or procuring the provision of, any financial assistance or service (including but not limited to the granting of export credits, guarantees, insurance or re-insurance) to; or
- transferring any financial assets or resources, or other assets or resources.

Prohibition on raising new funds

Financial Institutions are prohibited from engaging in the following activities in respect of the Russian government, the Central Bank of the Russian Federation and/or a legal person or legal arrangement that is owned or controlled by, directly or indirectly, or acts on behalf of or under the direction of them:

- directly or indirectly, purchasing, selling, providing financial services for or assisting in the issuance of, or otherwise dealing with, securities or certificates of deposit issued by any person on or after 14 March 2022;
- directly or indirectly, making or being part of any arrangement to make any new loans or credit to any person on or after 14 March 2022.

Prohibitions on crypto-currency and related digital payment token transactions

To avoid circumvention of the sanctions via digital payment mechanisms (including crypto-currency transactions), financial institutions are prohibited from entering into or facilitating any digital payment transaction where the benefits or proceeds will be used for sanctioned purposes.

This includes the following activities:

- offering the purchase, sale or exchange of digital payment tokens;
- brokering transactions between counterparties on digital payment tokens;
- offering or arranging financing for digital payment token transactions;
- offering the borrowing or lending of digital payment tokens; and making or arranging any primary and secondary market offerings of digital payment tokens that make available the services referred to in the above to other persons.

Prohibitions on entering financial transactions with or providing financial assistance or services in relation to the breakaway regions of Donetsk and Luhansk

Financial institutions are also restricted on dealing with companies and persons in restricted sectors in the breakaway regions of Donetsk and Luhansk.

Duty to report

In addition to the non-dealing prohibitions, financial institutions are also under a duty to report any breach of the sanctions regime.

This includes:

- Whether they have possession, custody or control of any funds, financial assets or economic resources owned or controlled, directly or indirectly, by any Designated Bank or Designated Entity; and
- Have information about breaches of sanctions or transactions (actual or proposed) that would breach the sanctions.

What are the exceptions?

The MAS has set out the following exceptions to the sanctions regime (in MAS Notice SNR-N02):

- Payments for basic expenses and reasonable fees for certain services, including:
 - insurance premiums;
 - reasonable fees for the provision of property management services or technology-related services;
 - employee remuneration, allowances or Central Provident Fund contributions;
 - tax;
 - rent or storage services payments;
 - mortgage payments;
 - utility or telecommunication charges, and
 - certain expenses that are necessary for compliance with regulatory requirements.
- Payments that are exclusively made for the payment of:
 - fees or service charges imposed for the routine holding or maintenance of frozen funds, financial assets or economic resources;
 - reasonable professional fees and associated expenses for the provision of audit, tax, legal or payroll services.

Furthermore, it is possible for a financial institution to carry out the following specified transactions when dealing with Designated Banks:

- transactions to allow a business relationship to be terminated (i.e. to facilitate a person's withdrawal of funds, financial assets or economic resources pursuant to the termination of existing business relations between the person and the Designated Bank, for the benefit of the person, where such person is not a Designated Bank); and
- transactions specific to the Embassy of the Russian Federation in Singapore to allow it to perform its functions.

What is the impact of these sanctions likely to be?

Although Singapore's trade with the Russian Federation is relatively modest¹, Singapore's position as a global financial centre and as a centre for banking, financial advisory and insurance, means that these sanctions will have a wide impact.

¹ [In 2019, Russia exported US\\$2.55 billion to Singapore.](#)

Firms who are financial institutions based in Singapore who do business with Russia and Russian businesses globally, must take care to ensure they comply with the sanctions regime, including the duty to report.

This will have some practical implications for certain industries, not least in view of the ongoing obligation to report breaches to the MAS.

In practice, what the new MAS requirements impose is an obligation on all financial institutions in Singapore to review their client and business portfolios, identify any sanctioned activities, terminate those activities and report the same to the MAS. Financial institutions in certain sectors, such as mining and resource extraction, insurance and reinsurance and finance may be at particular risk here.

More information

We will be following up this article with further information looking at the impact of the sanctions on certain industries. Please look out for new content that can be found on our website [here](#).

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