

## Russia Sanctions Hub

# Glossary

(Full version for members only)

Here are some commonly used terms in the context of sanctions against Russia

## A-Z

- **Arms embargo:** prohibit the sale weapons and related services to restricted individuals, groups, or states.
- **Beneficial owner:** Also referred to as “ultimate beneficial owner.” Refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.
- **Blocking:** Another word for “blocking” is “freezing.” It is simply a way of controlling targeted property. Title to the blocked property remains with the target, but the exercise of powers and privileges normally associated with ownership is prohibited without authorization from OFAC. Blocking immediately imposes an across-the-board prohibition against transfers or dealings of any kind with regard to the property.
- **Comprehensive sanctions:** Employ extensive trade embargoes against the target of sanctions and involve wide-sweeping bans on trade, diplomatic relations, and or other relationships between target and sender. For example, sanctions that prohibit the import or export of goods and services that benefit a country or region.
- **Designation:** Refers to the identification of a person, entity, aircraft or vessel that is subject to targeted sanctions.
- **Extraterritorial sanctions:** Traditionally, unilateral sanctions prohibit only a home country’s or region’s corporations and citizens from doing business with a blacklisted entity. However, extraterritorial sanctions restrict the economic activity of governments, businesses, and nationals of third countries. As result, governments typically consider these sanctions a violation of sovereignty and international laws. These are sometimes called secondary sanctions.
- **Facilitation:** Facilitation provisions under U.S. sanctions programs are measures that make it an offense for any U.S. person to approve, facilitate, guarantee or finance any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by the US person.
- **KYC:** Know Your Customer or Know Your Client. The term used to describe a set of financial crime control policies and procedures that are used to determine the true identity of a customer/client and the type of activity that will be “normal and expected” for the customer, and to detect activity that should be considered “unusual” for the particular customer. In the sanctions world this is important, because of the 50% rule: In some cases, a company owned at least 50% by a sanctioned entity is also sanctioned. So, you need to know your customer and its ownership structure to detect any sanctioned subsidiary or entity owned by it.

# Restrictions on Russian Banks

- **License:** A license is an authorization from a government agency such as OFAC to engage in a transaction that otherwise would be prohibited. There are two types of licenses: general licenses and specific licenses. A general license authorizes a particular type of transaction for a class of persons without the need to apply for a license. A specific license is a written document issued by OFAC to a particular person or entity, authorizing a particular transaction in response to a written license application. Persons engaging in transactions pursuant to general or specific licenses must make sure that all conditions of the licenses are strictly observed. OFAC's regulations may contain statements of OFAC's specific licensing policy with respect to particular types of transactions.
- **Multilateral sanctions:** Sanctions agreed upon between multiple countries. UN sanctions are by definition multilateral sanctions. In the case of Russia, the UN has not imposed sanctions, because they need to be unanimously agreed upon by the permanent members of the UN Security Council. Russia has vetoed the sanctions.
- **OFSI:** As of March 2016, the United Kingdom has created the Office of Financial Sanctions implementation (OFSI) (replacing the HM Treasury's Asset Freezing Unit), which is responsible for the implementation and administration of international financial sanctions in the UK.
- **Prohibited transactions:** OFAC defines prohibited transactions as trade or financial transactions and other dealings in which U.S. persons may not engage unless authorized by OFAC or expressly exempted by statute. Because each program is based on different foreign policy and national security goals, prohibitions may vary between programs.
- **Restrictive Measures:** Official terms for sanctions in the European Union.
- **Swift**  
Stands for Society for Worldwide Interbank Financial Telecommunications. It is a global cooperative of financial institutions that is based in Belgium. It is a messaging service that connects more than 10,000 financial institutions as they transfer money around the world. Swift does not actually hold or transfer funds, but allows banks and other financial firms to talk to each other about transactions that are about to take place. Swift started in 1973 when 239 banks from 15 countries came together to figure out how to best handle cross-border payments. It is a neutral or apolitical player in the international financial system, but Swift has at times found itself in diplomatic disputes. In March 2022, several Russian banks have been cut off from Swift.
- **Travel ban:** consists of restrictions or prohibitions on travel by designated individuals.
- **Unilateral Sanctions:** Sanctions imposed by a single country, such as the US sanctions against Cuba.