

STATE-OWNED ENTERPRISES
RELATED PROVISION: ARTICLE 5aa OF COUNCIL REGULATION 833/2014
FREQUENTLY ASKED QUESTIONS – AS OF 30 JUNE 2023

1. What is prohibited under Article 5aa?

Last update: 11 May 2022

This provision prohibits the conclusion of new contracts after 16 March 2022 with the legal persons contained in the Annex. The prohibition also applies to the execution of existing ones after 15 May 2022 or to the provision of any sort of economically valuable benefit (such as services or payments), even in the absence of such contractual relationship. The article does not prescribe the consequences that the prohibition should have on any ongoing contractual relations; an EU operator should take the measures necessary in light of its specific situation to halt its dealings by the end of the wind-down period on 15 May 2022.

2. What does “acting on behalf of the direction” mean?

Last update: 1 June 2022

Article 5aa (1) (c) prohibits to directly or indirectly engage in any transaction with a legal person, entity or body acting on behalf or at the direction of an entity referred to in point (a) or (b) of this paragraph.

Commission opinion of October 2019 addresses this notion of “acting on behalf or at the direction” and notably this excerpt : *“Ownership or control of the [targeted person/entity over the other entity] is an element that can be considered [...] to increase the likelihood of [acting on behalf or at the direction of the targeted person/entity], but cannot suffice in determining whether the conduct did occur. In the absence of a definition and/or criteria that can be used to assess whether an entity acted on behalf or at the direction of a targeted entity, the NCA should take into account all the relevant circumstances in order to establish the situation at hand. These can include, for example, the precise ownership/control structure, including links between natural persons; the nature and purpose of the transaction, coupled with the stated business duties of the entity that is owned or controlled; previous instances of acting on behalf or at the direction of the targeted entity; disclosure made by third parties and/or factual evidence indicating that directions were given by the targeted entity”.*

- 3. Regarding the scope of the exception provided in Article 5aa(2) of Council Regulation (EU) 833/2014, in the context of a credit agreement, do we understand correctly that “execution” means that the credit line can be drawn until 15 May 2022, with the subsequent repayment after such date? Or both also the repayment has to happen before 15 May 2022?**

Last update: 16 June 2022

The intention of Article 5aa is to prohibit all dealings with the legal persons listed in the Annex. In this regards, repayments in the context of a credit agreement are covered by this transaction ban since they amount to the execution of a contract and should have been finalised by 15 May 2022.

However, since 3 June 2022, in accordance with Council Regulation (EU) 2022/879, the reception of payments due by the legal persons, entities or bodies referred to in paragraph 1 pursuant to contracts performed before 15 May 2022 is allowed under paragraph 2a.

- 4. Does Article 5aa(3)(c) of Regulation 833/2014 permit the purchase of Annex XXI coal products from an entity listed in Annex XIX, in circumstances where the contract is entered into after 9 April 2022?**

Last update: 30 June 2023

Article 5aa(3)(c) should be read in conjunction with former Article 3j, in particular the wind-down period provided for in paragraph 3. Accordingly, transactions falling under the scope of Article 5aa(3)(c) were possible until 10th August 2022 only for contracts concluded before 9 April 2022.

As explained in recital 51 of Council Regulation (EU) 2023/1214 (“11th sanctions package”), which entered into force on 24 June 2023, Article 3j and Annex XXII were deleted because the prohibition concerning coal imports is covered by Article 3i and Annex XXI of Regulation (EU) No 833/2014.

- 5. Does the prohibition under Article 5aa extend to the provision of legal services to entities listed in Annex XIX?**

Last update: 16 June 2022

With regards to the provision of the related legal services, Article 5aa should be interpreted in light of the fundamental rights protected under the Charter, in particular the right of defence. This provision does not affect the provision of services that are strictly necessary for the exercise of the right of defence in judicial proceedings and the right to an effective legal remedy as

referred in Article 47 of the EU Charter of Fundamental Rights and Article 6 of the European Convention on Human Rights.

6. Does an EU operator engage indirectly with an entity targeted by Article 5aa if it provides insurance coverage to a vessel calling into a port owned by this entity?

Last update: 22 June 2022

The provision of insurance coverage for a vessel calling into a port owned by an entity listed in Annex XIX is not prohibited under Article 5aa.

However, should the insured damage materialize, an EU insurer would not be allowed to make a direct payment to the port or reimburse liabilities for damages occurring in such a port if the latter is owned by an entity targeted by Article 5aa and listed in Annex XIX.

7. The Russian Maritime Registry of Shipping was already subject to EU sanctions, what is the difference with the current measure?

Last update: 10 November 2022

On 9 March 2022, the Russian Maritime Registry of Shipping ('RMRS') was added to the list of entities subject to financing limitations via loans, transferable securities and money market instruments (Article 5, paragraph 4, Council Regulation 833/2014).

On 7 October 2022, the Council decided to subject this entity to a transaction ban under Article 5aa of Council Regulation 833/2014. This measure prohibits the carrying out of any transaction, including for the provision of any sort of economically valuable benefit to the Russian Maritime Registry of Shipping. Such transactions cannot, for instance, be carried out by any EU vessel or any company incorporated or constituted under the law of a Member State, irrespective of where it is located. This prohibition also applies within the territory of the Union and where business is done in whole or in part within the Union (per Article 13 of Council Regulation 833/2014). EU sanctions do not apply extra-territorially, hence Article 5aa does not prohibit foreign operators, including non-EU vessels, from transacting with RMRS outside of the EU *e.g.* receive certification.

8. Can a non-EU vessel with RMRS certification enter EU territorial waters?

Last update: 10 November 2022

Yes. EU sanctions do not prohibit the recognition of an RMRS certificate required to enter EU territorial waters. From 8 April 2023, all vessels with an RMRS certification will be prohibited access to EU ports (see FAQs relating to the port access ban provision, Article 3ea of Council Regulation 833/2014). However, the access to ports of such vessels remains allowed, subject to an authorization by the national competent authorities, for the purchase, import or transport of pharmaceutical, medical, agricultural and food products, including wheat and fertilisers.

9. Can the Russian Maritime Registry for Shipping still act as an EU ‘Recognised Organisation’?

Last update: 18 October 2022

The EU has withdrawn the recognition of the Russian Maritime Register of Shipping to act as a recognised ship inspection and survey organisation¹ in the EU (so-called ‘Recognised Organisation’) **with immediate effect**². This means that an EU flag State can no longer enter into, or renew, any authorisations with RMRS nor delegate any work to it. Likewise, the Member States cannot delegate any verification in the ship security field or any safety inspection for the inland waterways purposes.

10. What does the placing of the Russian Maritime Registry for Shipping in Annex XIX imply for Member States’ obligations?

Last update: 18 October 2022

It is necessary for Member States that still have any delegations with this entity to withdraw these for the measure to take full effect. Accordingly, Article 1ab, paragraphs 1, 4, and 5 of Council Decision 2014/512/CFSP sets out a timeframe for the Member States to arrange for an orderly wind-down of such authorisations.

Any EU Member State as flag State having delegated any work to the Russian Maritime Register of Shipping for **maritime safety related work on ships** must withdraw those authorisations before 5 January 2023 (Article 1ab, paragraph 1).

The same wind-down period and end date, 5 January 2023, applies for any authorisation by any EU flag State to RMRS to act as a ‘Recognised Security Organisation’ (Article 1ab, paragraph 4).

The wind-down period for any authorisations to RMRS to perform any work on Inland Waterway ships is earlier and should be done before 6 November 2022 (Article 1ab, paragraph 5).

Until such authorisations have been withdrawn, Member States shall not allow, or grant a delegation to, the Russian Maritime Register of Shipping to perform any of the tasks which, in accordance with Union rules on maritime safety, are reserved to organisations recognised by the Union, including to undertake inspections and surveys related to statutory certificates as well as to issue, endorse or renew the related certificates.

¹ Classification Society/Recognised Organisation is a technical body that can be authorised via a delegation agreement, to carry out certain technical work on vessels on behalf of the flag State and may also be authorised to issue the relevant statutory certificates to economic operators on behalf of the flag State.

² Article 5aa, paragraph 4, of Council Regulation 833/2014 and Article 1ab, paragraph 3, of Council Decision 2014/512/CFSP.

11. When will statutory certificates issued by the Russian Maritime Registry of Shipping to economic operators be invalidated?

Last update: 18 October 2022

Statutory certificates issued on behalf of a Member State by RMRS to any EU flagged ships or inland waterway vessels before 7 October 2022 will expire on the date indicated on the certificate without possibility of renewal, if not withdrawn before that date by the national competent authorities. They will in any case cease to be valid by the 8 April 2023 at the latest (Article 1ab, paragraphs 2 and 6 of Council Decision 2014/512/CFSP).

This applies with regards to maritime safety³, maritime security⁴ and for inland navigation⁵.

EU flagged vessels still having RMRS certification can remain under the same EU flag, and can have new certificates issued on their behalf by another EU ‘Recognised Organisation’ after a transfer of class, or by the flag State itself.

12. Can a currently EU recognised organisation work with RMRS for the purpose of transfer of class?

Last update: 18 October 2022

Yes. EU recognised organisations that have been delegated to undertake the inspection and certification of ships classed or certified for statutory purposes until now by RMRS could continue working with RMRS for the purposes of transfer of class until 8 April 2023.

13. Does Article 5aa prohibit transactions with the Russian Maritime Register of Shipping for the transport of agricultural and food products?

Last update: 8 March 2023

No. The transaction ban contains an exemption for transactions necessary for the purchase, import or transport of agricultural and food products, including wheat and fertilisers whose import, purchase and transport is allowed under Council Regulation (EU) 833/2014.

Accordingly, under this exemption, EU operators such as EU insurance providers can provide the services to RMRS, directly or indirectly, if they are necessary for the purchase, import or transport of such products without having to request an authorisation to a Member State.

EU sanctions do not apply extra-territorially, hence Article 5aa does not prohibit operators that are not established under the jurisdiction of an EU Member State, including non-EU vessels, from transacting with RMRS outside of the EU, for purchase, import or transport in the aforesaid products.

³ Russian Maritime Registry of Shipping acting as an EU ‘Recognised Organisation’ per Directive 2009/15/EC

⁴ Russian Maritime Registry of Shipping acting as an EU ‘Recognised Security Organisation’ per Regulation (EC) No 725/2004 or Directive 2005/65/EC

⁵ Russian Maritime Registry of Shipping acting as an EU ‘Recognised Organisation’ per Directive (EU) 2016/1629

14. Does Article 5aa prohibit transactions with a company that is minority owned by an entity listed in Annex XIX?

Last update: 30 June 2023

Article 5aa does not apply to companies in which an entity or entities listed in Annex XIX owns a minority shareholding (meaning that proprietary rights are directly or indirectly owned for less than 50 % by an entity listed in Annex XIX), except if such a company is found to be acting on the behalf or at the direction of an entity listed in Annex XIX (Article 5aa paragraph 1(c)).

Accordingly, it is necessary to assess, on a case-by-case basis, whether such a minority owned company is owned directly or indirectly for more than 50% or is acting on behalf of or at the direction of the entity listed in Annex XIX. Please refer to FAQ 2 for more information regarding this assessment.

Moreover, the fact that an entity listed in Annex XIX holds a minority ownership interest in a company, even where such a company carries out a project located in Russia, does not mean that an EU operator would automatically ‘directly or indirectly engage in transactions’ with a person listed in Annex XIX or with an entity acting on behalf or at the direction of that entity. In such a scenario, it is required to make a case-by-case assessment for each transaction.

15. Are maintenance and repair services considered strictly necessary for the purposes of Article 5aa paragraph 3(aa)?

Last update: 30 June 2023

Unless prohibited under Article 3m or 3n as well as Article 3f, it is possible to provide or receive maintenance and repairs services to vessels transporting natural gas, oil, or refined petroleum products from or through Russia required for concerns of maritime safety. Other services, such as tug services can also be provided.