



Sanctions on Russia and Belarus – contract and dispute settlement toolkit

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Budapest | Paris | Warsaw



Companies must screen their operations for sanctions

imposed on Russia and Belarus, particularly by the EU, the US and the UK.

You may fall under sanctions regime:

01.

because you have a contract with a sanctioned Russian or Belarussian entity, or their subsidiary

02.

because you sell or purchase goods/services originating from or destined to Russia or Belarus



The lists of sanctions are changing on a daily basis.
In the comments we provide links to the most important lists.

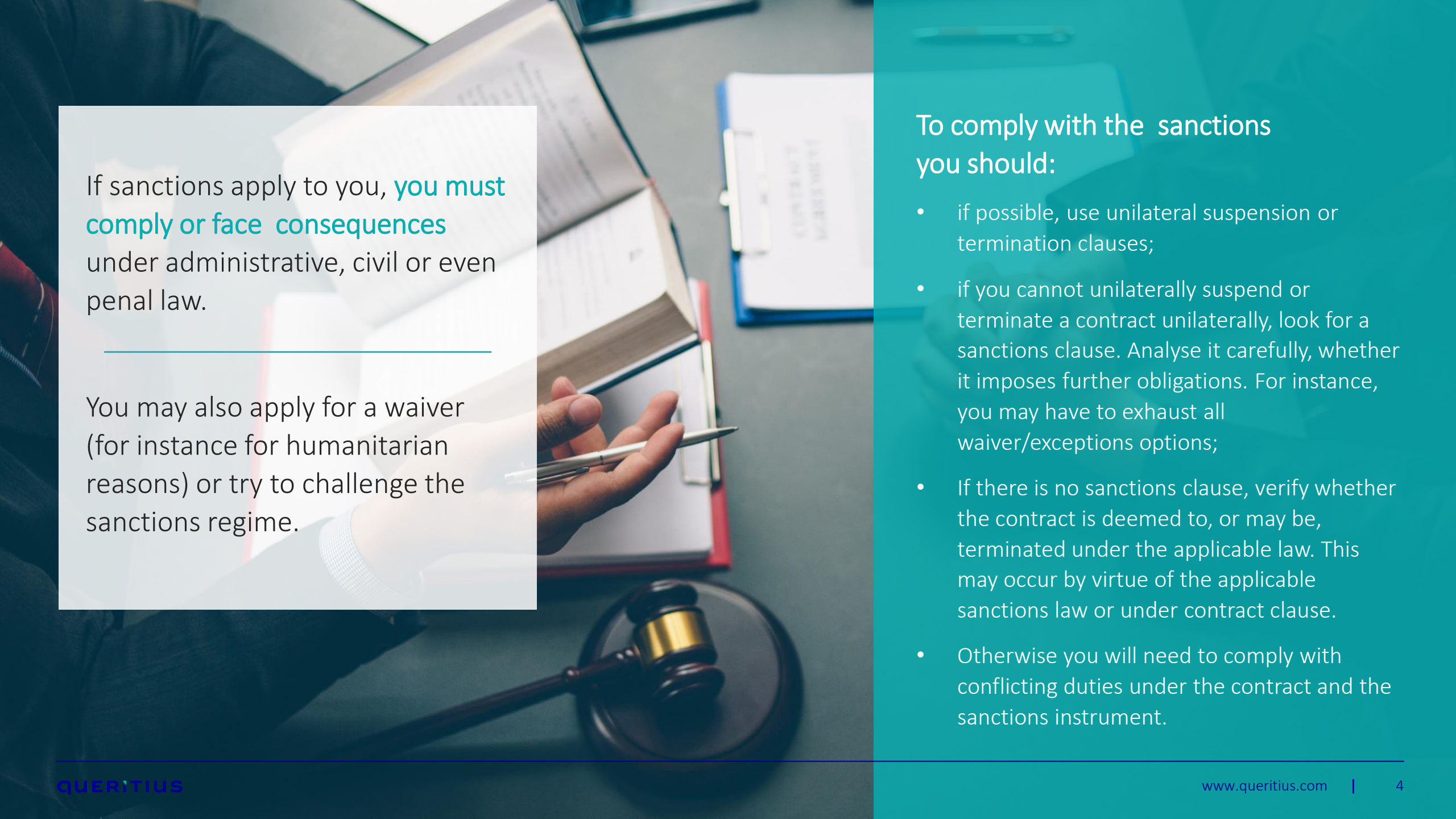
Most sanctions include non-circumvention clauses.

Using legal tricks may put you in trouble.

While screening your legal risks:

- ✓ Remember that dual-use goods may be subject to sanctions even if you sell them for civilian purposes;
- ✓ Be sure to check not only the sanctioned entities, but also (a) your counterparty's possible ties to the sanctioned individuals and (b) your counterparty's ownership structure to see whether it includes a sanctioned entity anywhere in the company group;
- ✓ For a comprehensive check, including transliteration from Cyrillic or into Cyrillic, sanction check software is recommended.





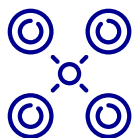
If sanctions apply to you, **you must comply or face consequences** under administrative, civil or even penal law.

You may also apply for a waiver (for instance for humanitarian reasons) or try to challenge the sanctions regime.

To comply with the sanctions you should:

- if possible, use unilateral suspension or termination clauses;
- if you cannot unilaterally suspend or terminate a contract unilaterally, look for a sanctions clause. Analyse it carefully, whether it imposes further obligations. For instance, you may have to exhaust all waiver/exceptions options;
- If there is no sanctions clause, verify whether the contract is deemed to, or may be, terminated under the applicable law. This may occur by virtue of the applicable sanctions law or under contract clause.
- Otherwise you will need to comply with conflicting duties under the contract and the sanctions instrument.

If none of the above is applicable, **look for other grounds to terminate the contract**
e.g., force majeure, state of necessity, hardship, frustration etc. clauses



the factual grounds may relate to the armed conflict per se, or its likely effects such as energy costs surge, transportation costs surge, cut supply chains or another surge of Covid-19 cases



“wars” and “riots” are often explicitly mentioned in such clauses



mere occurrence of such event is generally not in itself sufficient to claim that it precludes wrongfulness of a contract breach



Remember that under Russian law, Russian courts can declare their exclusive jurisdiction contrary to a contractual dispute resolution clause. Arbitration clauses may be declared ineffective in Russia.



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