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MAS Notices on Financial Measures Relating to Russia Sanctions: Impact on Financial Institutions in Singapore

Executive Summary

On 14 March 2022, the Monetary Authority of Singapore ("**MAS**") issued two MAS Notices to all financial institutions ("**FIs**") in Singapore detailing the financial measures imposed by the Singapore Government against designated Russian banks, entities and activities in Russia and fund-raising activities benefiting the Russian government and related parties.

1. [Notice SNR-N01 Financial Measures in Relation to Russia](#) ("**MAS Notice SNR-N01**") sets out the activities and transactions that FIs are prohibited from engaging in.
2. [Notice SNR-N02 Financial Measures in Relation to Russia – Non-prohibited Payments and Transactions](#) ("**MAS Notice SNR-N02**") sets out payments and transactions that are excluded from the scope of the financial measures in MAS Notice SNR-N01.

Taking effect on 14 March 2022, the MAS Notice SNR-N01 and the MAS Notice SNR-N02 apply to all FIs, including all banks, finance companies, insurers, capital markets intermediaries, securities exchanges and payment service providers (including digital payment token ("**DPT**") service providers). Failure to comply with the requirements in the MAS Notices is an offence.

This follows from an [announcement](#) by the Ministry of Foreign Affairs on 5 March 2022 that Singapore is imposing sanctions and restrictions against Russia in response to its invasion of Ukraine, which broadly includes an export ban on the export, transit, and transshipment to Russia of strategic military and high technology goods which can be used for both commercial and military purposes ("**Export Ban**"), as well as a ban on financial dealing by FIs in Singapore, in the manner detailed in the MAS Notices. For more information, please click [here](#) for our Client Update on "*Singapore Announces Implementation of Sanctions Against Russia*" dated 7 March 2022.

This Update highlights the impact of the MAS Notices on FIs, summarising the key prohibited transactions and relevant exclusions for FIs' noting and necessary action. FIs should review the MAS Notices in detail and assess their operations and businesses carefully so as to take immediate action to avoid engaging in the prohibited activities and transactions, and/or assess if the activities may fall within the permitted categories described in the MAS Notice NSR- N02.

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What FIs May or May Not Do - Prohibited Transactions & Exclusions

We set out in the table below the transactions that FIs are prohibited from engaging in under the MAS Notice SNR-N01 ("**Prohibited Transactions**"), and where relevant, the exclusions from the Prohibited Transactions as prescribed under the MAS Notice SNR-N02.

Prohibited Transactions	What is Excluded
<ul style="list-style-type: none"> FIs are prohibited from dealing with any Designated Bank and Designated Entity. <p>A Designated Bank refers to :</p> <ul style="list-style-type: none"> - VTB Bank Public Joint Stock Company; - The Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank; - Promsvyazbank Public Joint Stock Company; - Bank Rossiya; <p>and all entities owned or controlled, directly or indirectly, or acting on behalf of or under the direction of the above Russian banks.</p> <p>A Designated Entity means an entity involved in activities relating to the export from, transshipment in or transit through, Singapore or any other jurisdiction to Russia of strategic military and high technology goods that are prescribed in the Strategic Goods (Control) Order 2021 ("Prohibited Items"), and includes all entities owned or controlled, directly or indirectly, or acting on behalf of or under the direction of the Designated Entity.</p> <p>MAS will list the Designated Entities in an Annex to SNR-N01 subsequently.</p> <p>An FI must <i>not</i>, whether directly or indirectly:</p> <ul style="list-style-type: none"> - Establish business relations with or undertake any financial transaction for; - Enter into any financial transaction with; 	<ul style="list-style-type: none"> FIs may process or facilitate payments for basic expenses and reasonable fees for certain services specified in Paragraph 3 of the MAS Notice SNR-N02, and must keep accurate, complete and readable records of these permitted transactions. <p>Such payment or transfer is permitted if it is:</p> <ul style="list-style-type: none"> - Necessary for the payment of basic expenses of any Designated Bank or Designated Entity, such as for insurance premiums, reasonable fees for property management or technology-related services, remuneration, allowances or Central Provident Fund contribution of employees, tax, etc.; or - Exclusively for the payment of charges for the routine holding or maintenance of frozen funds, financial assets or economic resources; or reasonable professional fees for audit, tax, legal or payroll services. <ul style="list-style-type: none"> FIs may process or facilitate specified transactions specified in Paragraph 4 of the MAS Notice SNR-N02 ("Specified Transactions"), and must keep accurate, complete and readable records of the Specified Transactions. <p>The Specified Transactions are:</p>

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Prohibited Transactions	What is Excluded
<ul style="list-style-type: none"> - Provide, or facilitate or procure the provision of, any financial assistance or service¹ to; or - Transfer any financial assets or resources, or other assets or resources, to, <p>any Designated Bank or Designated Entity.</p> <p>Where an FI has in its possession, custody or control in Singapore, any funds, financial assets or economic resources owned or controlled, directly or indirectly, by a Designated Bank or a Designated Entity, the FI must:</p> <ul style="list-style-type: none"> - Immediately freeze all such funds, financial assets or economic resources; and - Not make available such funds, financial assets or economic resources to or for the benefit of Designated Banks and Designated Entities. <p><i>[Paragraph 3 of the MAS Notice SNR-N01]</i></p>	<ul style="list-style-type: none"> - Transactions to facilitate a person's withdrawal of funds, financial assets or economic resources where the existing business relationship between the person and the Designated Bank is terminated (such person must not be a Designated Bank); and - Transactions that are necessary for the performance of the functions of the Embassy of the Russian Federation in Singapore. <ul style="list-style-type: none"> • FIs may apply to MAS to exempt certain transactions or business relations from the Prohibited Transactions ("Specific Exemption") (if applicable). <p>MAS may exempt any transaction or business relations from the Prohibited Transactions pursuant to section 178(2) of the Monetary Authority of Singapore Act 1970, upon application by an FI. Such exemption will be subject to any conditions or restrictions as may be prescribed by MAS.</p>
<ul style="list-style-type: none"> • FIs are prohibited from entering into financial transactions or providing financial assistance or services in respect of delivery of Prohibited Items. <p>FIs must <i>not</i>, whether directly or indirectly:</p> <ul style="list-style-type: none"> - enter into financial transactions with; - provide, or facilitate or procure the provision of, any financial assistance or services to; or - transfer any financial assets or resources, or other assets or resources, to, 	<ul style="list-style-type: none"> • Specific Exemption (if applicable)

¹ Including but not limited to the granting of export credits, guarantees, insurance or re-insurance.

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<p>any person if any of the above activity relates to the export from, transshipment in or transit through Singapore or any jurisdiction to Russia of any Prohibited Items.</p> <p><i>[Paragraph 4 of the MAS Notice SNR-N01]</i></p>	
<ul style="list-style-type: none"> FIs are prohibited from raising new funds for the Russian Government and the Central Bank of the Russian Federation ("Prohibited Russian Entities").² <p>On or after 14 March 2022, FIs are prohibited from, whether directly or indirectly:</p> <ul style="list-style-type: none"> (i) Purchasing, selling, providing financial services for or assisting in the issuance of, or otherwise dealing with, securities or certificates of deposit issued by the Prohibited Russian Entities; and (ii) Making or being part of any arrangement to make new loans or credits to the Prohibited Russian Entities. <p><i>[Paragraph 5 of the MAS Notice SNR-N01]</i></p>	<ul style="list-style-type: none"> Sub part (ii) does not apply to loans or credit that have a specific and documented objective of making funds available for trade that does not involve the export from, transshipment in or transit through, Singapore or any other jurisdiction to Russia of any Prohibited Items. Specific Exemption (if applicable)
<ul style="list-style-type: none"> FIs are prohibited from entering into financial transactions or providing financial assistance/services relating to breakaway regions of Donetsk and Luhansk. <p>FIs must <i>not</i>, whether directly or indirectly:</p> <ul style="list-style-type: none"> – enter into financial transactions with; – provide, or facilitate or procure the provision of, financial assistance or services to; or – transfer any financial assets or resources, or other assets or resources, to, 	<ul style="list-style-type: none"> Specific Exemption (if applicable)

² Including any legal persons or legal arrangements (including trusts) that are owned or controlled directly or indirectly by, or act on behalf of or under direction of the Russian Government and the Central Bank of the Russian Federation.

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Prohibited Transactions	What is Excluded
<p>any person in relation to any activity pertaining to specific sectors of the breakaway regions of Donetsk and Luhansk.</p> <p>The specific sectors are transport, telecommunications, energy, and prospecting, exploration and production of oil, gas and mineral resources.</p> <p><i>[Paragraph 6 of the MAS Notice SNR-N01]</i></p>	
<ul style="list-style-type: none"> • FIs must not enter into or facilitate Prohibited DPT Transactions. <p>Prohibited DPT Transactions means any DPT transactions where the proceeds or benefits from such transactions may be used to facilitate any of the prohibited transactions set out in Paragraphs 3 to 6 of the MAS Notice SNR-N01 (discussed above).</p> <p>Examples of Prohibited DPT Transactions include:</p> <ul style="list-style-type: none"> - offering the purchase, sale or exchange of DPTs; - brokering transactions relating to DPTs; - offering or arranging financing for DPT transactions; - offering the borrowing or lending of DPTs; and - making or arranging any primary and secondary market offerings of DPTs that make available the above services to other persons. <p><i>[Paragraph 7 of the MAS Notice SNR-N01]</i></p>	<ul style="list-style-type: none"> • Specific Exemption (if applicable)

FIs Obligated to Provide Information to MAS

In addition, an FI must immediately provide information to MAS concerning any Prohibited Transactions and/or Prohibited DPT Transactions where it has:

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- Any fact or information about any Prohibited Transaction and/or Prohibited DPT Transaction or proposed Prohibited Transaction and/or proposed Prohibited DPT Transaction;
- Possession, custody or control in Singapore of any funds, financial assets or economic resources owned or controlled, directly or indirectly, by any Designated Bank or Designated Entity; or
- Information about any transaction or proposed transaction in respect of any funds, financial assets or economic resources owned or controlled, directly or indirectly, by any Designated Bank or Designated Entity.

FIs are also obliged to provide any further related information if required by MAS.

Listed FIs

FIs whose securities have been admitted to listing on the Singapore Exchange Securities Trading Limited (SGX-ST) or are the subject of an application for listing must also note the Guidance on "What SGX expects of issuers in respect of sanctions-related risks, subject or activity" issued by the Singapore Exchange Regulation ("**SGX RegCo**") on 7 March 2022. The Guidance sets out SGX RegCo's expectations if a listed issuer, or any person or entity closely associated with the listed issuer, is exposed to sanctions-related risks. Please click [here](#) for our Client Update on "SGX-Listed Issuers Must Review, Assess and Disclose Exposure or Nexus to Sanctions-Related Risks".

Concluding Words

Financial sanctions are not new, and FIs are reminded to comply with other targeted financial sanctions that are imposed to give effect to decisions of the United Nations Security Council. For instance, there are existing sanctions against dealings with the Democratic People's Republic of Korea, Iran and Somalia or other international bodies (where applicable). For more information on the targeted financial sanctions applicable to FIs, non-FIs and natural persons in Singapore, please refer to the MAS Website at [Home > Regulation > Anti-Money Laundering > Targeted Financial Sanctions](#).

As the situation evolves, FIs are advised to keep a vigilant eye on how their businesses and operations may be impacted by new/revised measures imposed.

We follow these developments closely and aim to provide you with timely updates to help you with your legal and regulatory compliance.

Should you require any legal advice on addressing and managing any potential legal or regulatory concerns arising from the rapidly evolving legal and regulatory changes relating to the recent sanctions imposed by the Singapore government and other jurisdictions against the Russian government and its banks and related entities, please feel free to contact our team members below who will be happy to assist.

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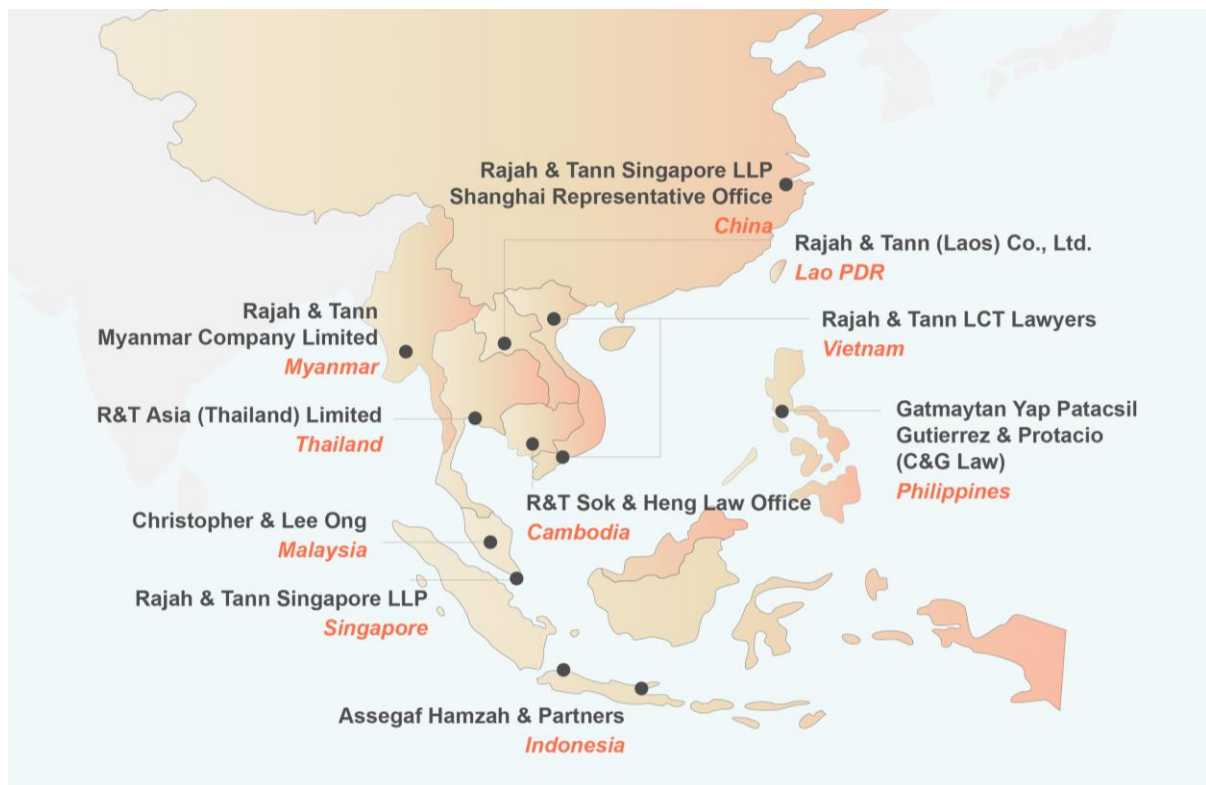
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