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put up on 29/3/2022

No 5564

The Embassy of the Russian Federation presents its compliments to the Ministry of External Affairs, Government of India, and has the honour to forward a list of explanations on unilaterally imposed sanctions on the largest Russian lender Sberbank, which has a branch in India.

Enclosure:
as mentioned,
on 3 pp.

The current challenges to a great extent result from inaccurate interpretation by Indian banks of the unilateral sanctions imposed on Russia by third countries.

As it is clear from the enclosed list, the restrictions do not pose any risk to Indian companies, financial institutions and private clients dealing with Sberbank. Moreover, international transactions (subject to compliance with certain orders) are also carried out by Sberbank in an ordinary manner.

MINISTRY OF EXTERNAL AFFAIRS
GOVERNMENT OF INDIA
New Delhi

cc: MINISTRY OF FINANCE
GOVERNMENT OF INDIA
New Delhi

MINISTRY OF COMMERCE & INDUSTRY
GOVERNMENT OF INDIA
New Delhi

RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
Mumbai



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SO(FT-CIS)

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The Indian Side is requested to render necessary assistance in communicating this information to Indian banks.

The Embassy avails itself of this opportunity to renew to the Ministry the assurances of its highest consideration.



Explanations on sanctions against Sberbank and its subsidiaries:

We inform you that PJSC Sberbank, including its branch in India, as well as its subsidiaries can perform the following:

- Interaction/transaction with any financial institutions except the U.S/UK entities as well as specific branches/offices/agencies of foreign institutions “specifically located” within USA and UK.
- Transactions and other banking operations, including the international operations are carried out as usual and are subject to a number of restrictions listed below related to the sectoral sanctions applicable to Sberbank Group. However, such sanctions imposed do not restrict in any type, account opening and account management and serving the clients from the Indian credit institutions and also do not pose any risk to companies, financial institutions and private clients while working with PJSC Sberbank, including its branch in India.
- There is no restriction of any kind related to the settlements in national currencies of Russia and India.

As of 02.03.2022, the newly introduced restrictions relate to:

- To the settlements and correspondent relations with the financial institutions located or incorporated in the USA (from 26.03.2022), and does not includes subsidiaries of such foreign financial institutions outside the USA. This will affect Sberbank’s international settlements in US dollars.
- Transactions concerning the trade of securities and of money market instruments issued by including PJSC Sberbank, regardless of the term/tenor of their circulation/repayment for European institutions and in the jurisdiction of the countries of the European Union (from 12.04.2022). This will affect the acquisition of securities and other money market instruments by European individuals and entities.
- Establishing/maintaining correspondent relations with PJSC Sberbank, as well as performing the settlement and clearing the operations in “Pounds Sterling” by UK financial institutions. This will affect the implementation of Sberbank international settlements in “British pounds”.

In addition, we provide a brief explanation on the sanctions against PJSC Sberbank and its subsidiaries:

1. From USA

On February 24, 2022, in connection to PJSC Sberbank and its Subsidiaries a number of restrictions on operations with correspondent accounts with American Financial Institutions were imposed.

So, from March 26, 2022, for financial institutions "located or incorporated in USA" (including branches of American financial institutions outside the USA, but not including their subsidiaries outside the United States - see FAQ #972), and also not including subsidiaries of foreign financial institutions outside the USA ban will be imposed on:

- Establishing new or maintaining existing correspondent relations regardless of currency (see FAQ #971) with PJSC Sberbank and its subsidiaries,
- Transactions involving PJSC Sberbank and its subsidiaries, regardless of the currency, such payments must be rejected from the date the ban comes into force (blocking is not provided - see FAQ #967).

PJSC Sberbank and a number of other financial institutions of Sber Group were named in a special list - OFAC's CAPTA List. The restrictions are applicable to the organizations listed in this list prepared by the US Treasury as part of Directive No. 2, issued under the order No 14024 dated, April 15, 2021 ("on blocking the assets in connection to the malicious actions of the Government of the Russian Federation"). Directive No. 2 applies similar restrictions to foreign financial institutions, the share of participation, which is from the part of those named in OFAC's CAPTA List equals or exceeds 50%.

Inclusion in OFAC's CAPTA List does not mean blocking and sanctions against PJSC Sberbank or a change in the US sectoral sanctions which is already in force (new operations related to financing (including bonds and similar instruments) of PJSC Sberbank for a period of more than 14 days, and also the management of new shares).

Please note, For American institutions, who are not financial institutions, it is not prohibited to carry out transactions involving institutions listed in OFAC's CAPTA List.

2. On the part of the European Union

From February 26, 2022, any loans/loans to Sberbank PJSC (regardless of the term) are prohibited for European persons and in the jurisdiction of the European Union countries.

From April 12, 2022, any transactions related to trade in securities and money market instruments issued by PJSC Sberbank, regardless of their maturity, will be prohibited for European institutions and in the jurisdiction of the European Union countries. However, until April 12, 2022, the previous i.e existing restriction applies to transactions related to securities, debt obligations and similar financial instruments of the bank "with a maturity of more than 30 days".

3. From the UK side

With effect from 01.03.2022, The United Kingdom introduced a ban on establishing/maintaining correspondent relations with PJSC Sberbank, as well as on performing settlements and clearing operations in "pounds sterling" with PJSC Sberbank. In this connection, the Ministry of Finance of the United Kingdom issued general licenses:

* INT/2022/1277778 for a period until March 31, 2022 for the completion of continuing relations (the license allows to maintain correspondent relations and make payments in pounds sterling);

* INT/2022/1277877 for a period up to June 24, 2022 for making payments for oil, petroleum products and gas that will be used in the UK.

Both licenses apply to subsidiaries of PJSC Sberbank, including those registered in the UK.

The list of sanctions from other foreign states which apply to Sberbank Group mainly repeat the sectoral sanctions of USA, EU and UK. These measures should be taken into account when performing transactions with one or the other jurisdictions.

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New Delhi

RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
Mumbai



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