

Executive Order 14114 and foreign financial institutions

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The most important American measure for Swiss banks came on 22 December 2023. Executive Order 14114 authorized OFAC to impose full blocking sanctions on foreign financial institutions, or to prohibit or restrict their correspondent and payablethrough accounts in the United States, if they conduct or facilitate significant transactions for persons designated for operating in the technology, defence, construction, aerospace or manufacturing sectors of the Russian economy. The same applies to transactions involving Russia's military-industrial base, including the sale of specified items such as machine tools, semiconductor manufacturing equipment and electronic components. OFAC accompanied the order with a compliance advisory that urged foreign banks to review their client base and to apply enhanced due diligence to customers trading in the specified items.¹ The order changed the risk calculation of Swiss banks, including those in Lugano. A bank that finances a Ticino exporter of machine parts to Kazakhstan or Turkey must now ask whether the goods could reach the Russian military-industrial base. It must make this assessment because the transaction may expose the bank itself to American sanctions, whether or not Swiss law prohibits the export. The consequence has been a general reluctance of banks to finance any trade with Russia and its neighbours, including trade that remains lawful under Swiss law, such as the export of food or medicine. Swiss radio reported in 2023 that after American measures against Russian payment systems, banks in Kazakhstan and Uzbekistan stopped processing such transactions.² The same mechanism operates in Lugano.

1 Designations of trading companies and vessels

The United States has also designated trading companies, shipping companies and vessels in third countries that participate in the Russian oil trade above the price cap or in the supply of the Russian military-industrial

base. The designation of MMK's Turkish subsidiary in August 2022 is an example from the steel sector. The European Union and Switzerland have followed with their own listings of vessels of the so-called shadow fleet: the Swiss measures of August 2025 alone covered 105 vessels from third countries, and those of December 2025 more than one hundred further vessels.³ For a Lugano trader that charters vessels or sells cargoes on cost and freight terms, screening the vessel by its IMO number against the American, European, British and Swiss lists has become as necessary as screening the counterparty.

The United Kingdom adds a fourth regime. Its sanctions, administered by the Office of Financial Sanctions Implementation, bind British nationals and companies and apply to transactions with a British nexus, such as payments in sterling or insurance placed in the London market. British marine insurers and protection and indemnity clubs, which cover a large share of the world's tanker fleet, apply the price cap through their own attestation requirements.⁴ A Lugano trader with a London office or a London insurer is therefore subject to British law for that part of its business.

For the practitioner. - Treat dollar payments, American employees and American-origin goods as triggers for American law. - Apply both the American 50 per cent aggregation rule and the European and Swiss control test. - Screen vessels by IMO number against all relevant lists before chartering or accepting a cargo. - Assess transactions in items covered by Executive Order 14114 for indirect supply to Russia's military-industrial base. - Expect banks to apply American standards to trade that is lawful under Swiss law.

2 Notes

1. Ryan Last, "U.S. Issues Warning to Foreign Financial Institutions That Assist Russia's War Machine", Troutman Pepper Locke, 10 January 2024, <https://www.troutman.com/insights/locke-lord-quickstudy-us-issues-warning-to-foreign-financial-institutions-that-assist-russias-war-machine/>; Executive Order 14114 of 22 December 2023, Taking Additional Steps With Respect to the Russian Federation's Harmful Activities. ↩
2. SRF, "Verdacht auf Umgehungsgeschäft: Schweizer Exporte nach Zentralasien massiv gestiegen", 16 August 2023, <https://www.srf.ch/news/wirtschaft/verdacht-auf-umgehungsgeschaeft-schweizer-exporte-nach-zentralasien-massiv-gestiegen>. ↩

3. U.S. Treasury press release jy0905 (above); Federal Council press release of 12 August 2025 (above); Baker McKenzie, listings of the 19th package (above). ↩
4. Russia (Sanctions) (EU Exit) Regulations 2019, SI 2019/855, as amended, <https://www.legislation.gov.uk/ukSI/2019/855/contents>; OFSI, UK Maritime Services Ban and Oil Price Cap: Industry Guidance (above) (application to UK persons anywhere in the world and to all persons in the UK; tiered attestation model in which P&I clubs and insurers form tier 3A; crude cap of USD 44.10 per barrel from 31 January 2026). ↩

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