

## Political and public reactions in Ticino

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The presence of these companies became a political issue. On 15 April 2022 the Movimento per il socialismo (MPS) filed an interpellation in the Grand Council of the Canton of Ticino that named MMK Steel Trade AG in Pazzallo and Severstal Export GmbH in Manno. It asked whether the cantonal authorities had frozen their assets, how large the frozen holdings were and what properties Russian residents owned in the canton. It described Ticino as a canton that "attracts diverse Russian citizens and their economic and financial enterprises", in particular through the raw materials trade in Lugano.<sup>1</sup> Sanctions are a federal competence under the Embargo Act. The canton's part is limited to its land registry and to the support that its police and courts give to federal authorities.

In Italy, where Mordashov's assets were located, the sanctions had more visible effects. In March 2022 the Guardia di Finanza froze, on the order of the Financial Security Committee, a complex of villas at Portisco near Olbia in Sardinia valued at about EUR 105 million, and his yacht *Lady M*, valued at about EUR 65 million, was frozen in Imperia.<sup>2</sup> The contrast is instructive for the reader of this book. The same owner was affected on both sides of the border, but on the Italian side the measures concerned his personal assets, while on the Swiss side they reached a trading company with employees, banks and contracts.

### 1 Ukrainian producers and the trade in Ukrainian steel

The Ukrainian side of the Lugano steel trade suffered from the war itself. Interpipe, the producer of tubes and railway wheels controlled by Viktor Pinchuk, had two companies in Paradiso.<sup>3</sup> The largest Ukrainian steel group, Metinvest, sells through its own trading company, Metinvest International SA, which is based in Geneva, so that Lugano was connected with it mainly through independent traders and former employees.<sup>4</sup> Metinvest's two plants in Mariupol, Azovstal and the Ilyich works, were

destroyed or occupied in the spring of 2022, and the Black Sea ports through which Ukrainian steel had been shipped were blocked for months.<sup>5</sup> For Lugano traders this meant the loss of a principal source of semi-finished products and the sudden risk that steel offered from the occupied territories, through intermediaries in Russia, Turkey or the Middle East, had been looted.

The legal answer to that risk lies in three places. Articles 13 and 14 of the Ukraine Ordinance restrict trade with the Ukrainian territories designated in Annex 6, which include Crimea and the occupied parts of the oblasts of Donetsk, Luhansk, Zaporizhzhia and Kherson. Goods originating there may be imported only with a certificate of origin issued by the Ukrainian authorities, and financing and insurance of imports without such a certificate are prohibited. Article 14 restricts the export of certain goods to these territories.<sup>6</sup> The war crimes provisions of the Criminal Code apply to the trade in looted property, as the Attorney General warned in July 2022. The anti-money laundering rules, finally, treat the proceeds of such trade as criminal property. A trader who buys Ukrainian-origin steel or grain from an unusual intermediary must therefore establish the chain of title to the producing plant.

## 2 Notes

1. tio.ch, MPS interpellation of 15 April 2022 (above). ↩
2. Domani, "Guerra in Ucraina, sanzioni: congelato complesso immobiliare in Sardegna all'oligarca Mordaschov", 18 March 2022, <https://www.editorialedomani.it/fatti/guerra-ucraina-sanzioni-congelato-complesso-immobiliare-sardegna-oligarca-mordaschov-105-milioni-djedcuw3>. ↩
3. Franchini, swissinfo.ch, 29 March 2022 (above); see also Chapter F.I. ↩
4. Metinvest, Annual Report 2019: Parent company and principal subsidiaries, [https://metinvestholding.com/ar2019/assets/pdf/Metinvest\\_AR\\_2019\\_Parent\\_Company\\_and\\_Principal\\_Subsidiaries.pdf](https://metinvestholding.com/ar2019/assets/pdf/Metinvest_AR_2019_Parent_Company_and_Principal_Subsidiaries.pdf) (Metinvest International SA, 2 Rue Vallin, 1201 Geneva). On a Lugano trader whose director had previously worked for Metinvest see Chapter F.I. ↩
5. Metinvest, statements of 2022 on the Mariupol plants. ↩

6. Ukraine Ordinance, Art. 13 paras 1–2 (import only with "un certificat d'origine établi par les autorités ukrainiennes"; Annex 6), <https://www.droit-bilingue.ch/fr-de/9/94/946.231.176.72-13-22.html>; Art. 14, table of contents (above). ↩

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