

Sanctions and Export Controls at the Southern Border — overview and summary

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On 24 February 2022 the steel traders of Lugano woke up to a war that concerned them more directly than any other Swiss financial centre. Several of the largest Russian steel groups had placed their export companies in the Luganese, and some of the most important Ukrainian producers sold through traders on the shores of the lake. Within a month the owners of two of these Russian houses were on the Swiss sanctions list, the European Union had closed its market to Russian iron and steel, and banks in Lugano were cutting credit lines to traders whose cargoes had become unsellable.¹ The question that this chapter asks follows from that experience. It concerns the law that governs the movement of goods, money and services across Switzerland's southern border when the Confederation, its largest trading partner and the United States restrict trade with a state at war. It also asks what that law demands from a trading house, a bank or a fiduciary in Ticino that wants to remain on the right side of it.

The argument of the chapter is that sanctions and export controls have become a permanent part of the legal order in which the Ticino financial and trading centre operates. Until 2022 they were a specialist matter for a few banks and exporters of machinery. Since then Switzerland has adopted, with delays that grew over time and a small number of deliberate deviations, almost every package of measures that the European Union has enacted against Russia. In doing so it has relied on a statute of 2002, the Embargo Act, whose scope Parliament refused to widen in 2022. On the Italian side of the border the same measures apply as directly applicable European law, enforced by the Guardia di Finanza and, since January 2026, protected by new offences in the Italian Penal Code.² Behind both stands the United States, whose secondary sanctions reach banks that have no American customer at all. A Lugano trader therefore works under three

overlapping regimes. Their differences often concern technical details that decide whether a particular shipment or payment is lawful.

The chapter proceeds in ten steps. It sets out the Embargo Act and its constitutional setting, the Ukraine Ordinance and the chronology of its amendments, and the trade measures that affect commodity traders most: steel, coal, oil, gold and the obligation to prevent re-exports to Russia. It then treats the financial measures, including the freezes and the ban on services to trusts, and the enforcement record of the State Secretariat for Economic Affairs (SECO), the Federal Office for Customs and Border Security (FOCBS) and the Office of the Attorney General. A section is devoted to the Lugano traders affected since 2022. The chapter then crosses the border to the European regulations and their Italian enforcement and turns to the American secondary sanctions. Export controls under the Goods Control Act and the War Material Act and the customs front at Chiasso follow, and a compliance programme for a Ticino trader or bank closes the chapter. Trade finance belongs to Chapter G.I, the anti-money laundering framework and the role of the Federal Criminal Court to Chapter G.III, and beneficial ownership and the transparency register to Chapter G.IV.

1 Conclusion

The sanctions against Russia have done to Lugano's trading centre what the end of banking secrecy did to its private banks. A business model that had rested on proximity to particular markets and on discretion about counterparties has been subjected to rules that require documentation, screening and reporting at every step. For the Russian steel houses of the Luganese the rules were fatal to their original function, because Swiss law now forbids persons in Switzerland to buy the products they were created to sell. For the rest of the trade they have become part of the cost of doing business, comparable to the documentary requirements of trade finance or the substance requirements of tax law. The steel trade has survived by changing its suppliers and by learning to prove the origin of the metal it sells.

The legal framework that produced this change is older and narrower than its effects suggest. The Embargo Act of 2002 was not written for a programme of the scale that the European Union has built since 2022, and Parliament refused in September 2022 to give the Federal Council a power to list persons of its own motion. Switzerland has nevertheless adopted, with growing delays and a few deliberate deviations, almost every European package, so that the Swiss ordinance now mirrors the European

regulations in most respects. Its enforcement has remained administrative and small-scale: dozens of proceedings, modest fines for negligent exports and a single serious case taken over by the Office of the Attorney General. Across the border, Italy has turned the violation of restrictive measures into a criminal offence punishable by up to six years' imprisonment, investigated by the Guardia di Finanza and coordinated by the antimafia prosecutor.

That asymmetry defines the position of the Ticino practitioner. A Lugano company is legally bound by Swiss law, but its Italian employees, its Italian parent or subsidiary, its euro and dollar banks and its buyers in Lombardy bring the European and American standards into its daily business. The safest course is to treat the strictest applicable standard as the working rule and to document why any transaction that relies on a Swiss deviation is lawful. The export control regime adds a second layer of obligations, which the popular vote of 29 November 2026 on the War Material Act may reshape for arms but not for dual-use goods. The compliance programme outlined in this chapter is the instrument by which a Ticino trader or bank turns these overlapping regimes into a manageable process. The following chapter turns from the restrictions imposed by states on trade to the criminal law that protects the financial centre against the proceeds of crime.

2 In five sentences

Switzerland implements the sanctions against Russia under the Embargo Act of 2002, which allows it to adopt the measures of the United Nations, the OSCE and its main trading partners but not to list persons of its own motion. Since 28 February 2022 the Federal Council has adopted almost every European package in the Ukraine Ordinance, with growing delays and a few deliberate deviations such as the refusal of the "best efforts" obligation for subsidiaries. The ban on purchasing Russian iron and steel, the third-country processing rule, the price cap and the re-export clause have transformed Lugano's commodity trade, and the Russian steel houses of the Luganese lost their original function. Swiss enforcement by SECO has produced many small penalties and one serious case before the Office of the Attorney General, while Italy has made sanctions violations a crime punishable by up to six years' imprisonment. A Ticino trader or bank must therefore apply the Swiss, European and American regimes together through a documented compliance programme that covers persons, ownership, goods, vessels, contracts and reporting.

3 Notes

1. Federico Franchini, "Lugano, l'acciaio e la guerra", swissinfo.ch, 29 March 2022, <https://www.swissinfo.ch/ita/business/lugano-l-acciaio-e-la-guerra/47470938> (Russian steel export companies in Ticino, EU import ban on Russian steel of 15 March 2022, blocked credit lines); RSI, "Oligarchi in lista nera, pagano anche le società", 19 March 2022, <https://www.rsi.ch/info/ticino-grigioni-e-insubria/Oligarchi-in-lista-nera-pagano-anche-le-societ%C3%A0--1787706.html>. ↩
2. Decreto legislativo 30 dicembre 2025, n. 211, published in the Gazzetta Ufficiale of 9 January 2026 and in force since 24 January 2026; see Barbara Bennato, "La nuova disciplina in materia di sanzioni per la violazione di misure restrittive dell'Unione europea", Sistema Penale, 2026, <https://sistemapenale.it/it/scheda/la-nuova-disciplina-in-materia-di-sanzioni-per-la-violazione-di-misure-restrittive-dellunione-europea-dlgs-30-dicembre-2025-n-211>. ↩

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