

Russia and Ukraine at war

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What you need to know right now

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Explainer: Russian banks isolated, UK cuts insurance ties with Moscow

By Huw Jones and Tommy Wilkes

5 minute read



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A view shows a Russian rouble coin and a U.S. dollar banknote in this picture illustration taken October 26, 2018. REUTERS/Maxim Shemetov

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LONDON, March 3 (Reuters) - Britain will ban Russian companies from London's multi-billion dollar aviation and space insurance market, the latest restrictions Western allies are imposing to isolate Russia from international financial markets.

Here is a rundown of how Western sanctions already announced impact banks and investors:

WHAT HAS BEEN ANNOUNCED SO FAR?

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Britain's finance ministry will legislate to prohibit UK-based insurance and reinsurance providers, such as those who use the Lloyd's of London market, from undertaking transactions linked to a Russian entity or for use in Russia. [read more](#)

Separately, the London Stock Exchange said it had suspended nearly 30 listings in Russian companies as sanctions begin to bite. [read more](#)

The United States, Britain, Europe and Canada have agreed to remove some Russian banks from the SWIFT global payments messaging system, potentially damaging Russia as well as its trading partners.

The EU has named the seven banks it will excluding from SWIFT on March 12: Russia's second-largest bank VTB ([VTBR.MM](#)), along with Bank Otkritie, Novikombank, Promsvyazbank ([PSKBI.MM](#)), Bank Rossiya, Sovcombank and VEB. [read more](#)

Sberbank ([SBER.MM](#)), Russia's largest lender, and Gazprombank have not been included in the list because they are the main channels for payments for Russian oil and gas, which EU countries are still buying. The two banks are subject to other measures, an EU official said.

EU leaders previously agreed sanctions on Moscow that they said targeted 70% of the Russian banking market.

The bloc also imposed a ban on issuing bonds, shares or loans in the EU for refinancing Alfa Bank and Bank Otkritie, after freezing assets at Rossiya Bank, Promsvyazbank and VEB earlier last week.

Sberbank, VTB and Gazprombank do not face the EU asset freeze.

Refinancing in the EU of Russian state-owned enterprises is also forbidden, with the exception of some utilities. Securities settlement houses in the EU are barred from serving Russian counterparties, with Euroclear and Clearstream saying they will not accept transactions in roubles. [read more](#)

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The U.S. Treasury Department last week

"infrastructure" of

Russia's financial system and sanctioning Sberbank and VTB. Also on the U.S. sanctions list are Otkritie, Sovcombank and Novikombank and some senior executives at state-owned banks.

U.S. banks must sever their correspondent banking ties with Russia's largest lender, Sberbank, within 30 days. These links allow banks to make payments between one another and move money around the world.

Washington officials also wielded the government's most powerful sanctioning tool, adding VTB, Otkritie, Novikombank and Sovcombank to the Specially Designated Nationals (SDN) list. The move effectively kicks the banks out of the U.S. financial system, bans their trade with Americans and freezes their U.S. assets.

The U.S. sanctions also target two Belarusian state-owned banks - Belinvestbank and Bank Dabrabyt - over the country's support for Moscow's attack.

Britain last week said it would impose an asset freeze on all major Russian banks, including VTB, and stop major Russian companies from raising finance in the country.

WHAT NEXT?

Russia's large banks are deeply integrated into the global financial system, and sanctions on the biggest institutions are already being felt far beyond its borders -- the European arm of Sberbank has been forced to close after a run on the bank. [read more](#)

The U.S. Treasury said its sanctions would disrupt billions of dollars worth of daily foreign exchange transactions conducted by Russian financial institutions. Overall, these institutions conduct about \$46 billion worth of forex transactions, 80% of which are in dollars.

These sanctions target nearly 80% of all banking assets in Russia.

For the EU, the next shoe to drop would be extending its bans to all Russian banks, including those that are heavily involved in energy-related transactions.

The consequences of that are complex, however, especially for Russia's trading partners. There are concerns about how payments for Russian energy imports would be made and whether foreign creditors would get paid.

Analysts have said that while Russian institutions are better able to cope with sanctions than eight years earlier after Russia annexed Crimea, their scale and the coordination of current measures will hit hard.

Shares in Sberbank and VTB tumbled in Moscow before Russian authorities halted trading to prevent capital outflows. Sberbank's depositary receipts in London fell more than 90% on Wednesday.

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Sberbank has closed most of its Europe:

d that regulators were

preparing for the possible closure of VTB's European arm. [read more](#)

Sberbank has previously said that it was prepared for any developments. VTB said last week it had prepared for the most severe scenario.

The Russian embassy in the United States has not replied to requests for comment.

WHICH FOREIGN BANKS ARE MOST EXPOSED?

Many foreign banks have significantly reduced their exposure to Russia since 2014 but several Western lenders have been involved in deals and have other relationships.

Shares of banks with significant operations in Russia such as Austria's Raiffeisen Bank International ([RBIV.VI](#)) and France's Societe Generale ([SOGN.PA](#)) have fallen sharply.

SocGen, which has a \$20 billion exposure to Russia, warned of the possibility that Russia could strip the bank of its local operations. [read more](#)

Raiffeisen is looking into leaving Russia, two people with knowledge of the matter told Reuters this week. An RBI spokesperson said it had no plans to leave Russia. [read more](#)

Italian and French banks each had outstanding claims of some \$25 billion on Russia in the third quarter of 2021, based on Bank of International Settlement figures.

Austrian banks had \$17.5 billion. That compares with \$14.7 billion for the United States.

Bank exposure to Russia

Banks in France, Italy and Austria are the most exposed to Russia, exceeding those in the United States. After years of buildup, exposure decreased following Moscow's annexation of Crimea in 2014.



Note: Data is missing for Austria and Italy for some periods. Exposure in France and Italy is currently around \$25 billion.

Source: Bank for International Settlements

Bank exposures to Russia

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London's FTSE 100 edged higher on Tuesday, aided by strong gains in energy stocks as oil prices jumped after Britain and the United States announced Russian crude import bans, while insurer and asset manager M&G was the top index gainer on a share buyback programme.

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