

Switzerland aligns with the European Union's 16th sanctions package: implications and action points for companies

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Key takeaways

- **Switzerland implemented the core elements of the EU's 16th sanctions package against Russia on 15 May 2025.**
- **New prohibitions target Russian infrastructure and financial messaging systems, and expand existing trade and service bans.**
- **Swiss entities are now entitled to compensation for damages caused by retaliatory Russian measures, with extended procedural protections.**
- **Reporting and due diligence requirements for businesses and financial institutions have been tightened.**
- **The Federal Council also announced its intention to align with the EU's latest sanctions against Belarus.**

New sanctions against Russia

On 15 May 2025, the Swiss Federal Council adopted comprehensive amendments to the Ordinance on Measures in Connection with the Situation in Ukraine (SR 946.231.176.72; the "Ordinance"), thereby concluding the implementation of those aspects of the EU's 16th sanctions package that are relevant for Switzerland. The revised Ordinance expands existing prohibitions and introduces a number of targeted new measures, some of which are tailored to reflect Swiss legal and institutional frameworks.

These measures entered into force immediately and supplement the latest designations of 4 March 2025, which already aligned with EU listings targeting 48 individuals, 35 entities and 74 vessels connected with Russia's military and logistics networks.

New trade and service restrictions

The Ordinance introduces additional trade restrictions. The list of banned goods now includes primary aluminium (Article 14c and Annex 20). Existing measures on liquified natural gas have been extended to crude oil, while prohibitions on dual-use goods and goods enhancing military or technological capabilities have been expanded, particularly where final recipients are listed in Annex 2.

Exports of components from Switzerland to countries listed in Annex 34 (including EU and EEA states) are now permitted under certain conditions, notably if the Swiss contribution to manufacturing is below 50%.

On the services side, Article 28e of the Ordinance now prohibits the provision of construction, auditing and certain IP-related services to designated Russian entities and to recipients located in the territories listed in Annex 6 (non-government-controlled areas of Donetsk, Luhansk, Kherson and Zaporizhzhia).

Restrictions on infrastructure and financial systems

Article 24d prohibits any direct or indirect transactions involving the Russian ports, locks or airports listed in Annex 15c. Paragraphs 2 and 3 of Article 24d carve out a narrow, exhaustive list of exceptions to this prohibition. These exceptions include:

- transport of crude oil or refined petroleum products of non-Russian origin and ownership;
- shipment of essential goods (such as pharmaceuticals, foodstuffs, aluminium and gas); and
- activities undertaken in response to maritime emergencies or urgent health or safety needs.

Swiss operators relying on any of these exceptions must notify the State Secretariat for Economic Affairs (SECO) within two weeks of the transaction. With the exception of these enumerated cases, the ban on dealings with the listed infrastructure remains fully in force.

Article 27a of the Ordinance imposes new restrictions on financial messaging services and on transactions with designated Russian financial institutions (those listed in Annex 14a to the Ordinance). Building on the existing SWIFT ban (Article 27 of the Ordinance), Article 27a of the Ordinance explicitly forbids Swiss entities from connecting with the Central Bank of Russia's messaging system or any equivalent specialised financial messaging service, thereby blocking potential SWIFT alternatives. It also prohibits any Swiss participation in transactions with banks, companies or other entities listed in Annex 14a. These measures are aimed at preventing sanctioned Russian institutions from circumventing financial restrictions. Limited narrow exceptions apply: Swiss parties may still receive payments due under contracts concluded before 24 March 2024, and SECO may grant temporary derogations (e.g. to repay export credits or perform contracts entered into before 15 May 2025 with Swiss or EEA counterparties) – in any event, only until 26 August 2025.

Enhanced legal protection for Swiss parties

Article 30f has been significantly expanded to enhance remedies for Swiss entities subject to foreign retaliatory measures. In particular, the revised Article 30f provides:

- explicit standing for Swiss entities to claim damages for harm suffered by affiliates they control (new para. 2bis), not only for losses they directly incur;
- expanded scope of liability to include sanctioned persons and any entities exercising control over them (new para. 2ter), broadening the pool of liable parties; and
- a “forum necessitates” clause (new para. 2quater in some texts) permitting Swiss courts to assert jurisdiction when no other adequate forum exists (provided a sufficient Swiss nexus is present).

Collectively, these enhancements allow Swiss companies to recover a wider range of sanction-related damages (both direct and indirect) and ensure access to a domestic judicial forum if foreign recourse is unavailable. They thus significantly bolster legal protections for Swiss entities by enabling broader damage claims and by precluding enforcement of hostile foreign judgments (such as Russian “retributive” sanctions).

Strengthened reporting and compliance duties

The Ordinance includes enhanced reporting requirements concerning asset freezes, sanctioned banking relationships and blocked securities. Financial institutions must conduct heightened due diligence, particularly in relation to high-risk transactions, including crude oil trades and financial flows potentially linked to sanctioned entities.

International cooperation and enforcement trends

On 9 May 2025, SECO and the US Office of Foreign Assets Control (OFAC) signed a memorandum of understanding to strengthen cooperation in sanctions enforcement. While not legally binding, the memorandum of understanding signals a coordinated enforcement approach and highlights the importance of managing multi-jurisdictional risks.

Anticipated sanctions against Belarus

On 14 May 2025, the Federal Council announced its intention to adopt the EU's recently expanded sanctions against Belarus, which were introduced on 24 February 2025. These measures are expected to target, among others, Belarusian aluminium in its raw form and impose stricter export restrictions, further aligning the Swiss sanctions regime with EU efforts to prevent circumvention through allied jurisdictions.

Implications for compliance

The latest measures increase the complexity of navigating Swiss and cross-border sanctions regimes. Businesses must reassess their contractual arrangements, trading relationships and financial transactions in light of the expanded prohibitions. Companies active in dual-use, energy, logistics or financial sectors should pay particular attention to the interplay between Swiss and EU law.

Legal reviews of business-critical arrangements and proactive adjustments to compliance policies are advisable. In practice, delays in the Swiss implementation of EU sanctions – as seen again with the three-month gap between the EU and Swiss adoption of the 16th package – continue to create legal uncertainty. On 20 May 2025, the EU adopted its 17th package, underscoring the need for continuous monitoring and adaptability.

Next steps

Companies involved in international trade are advised to update their sanctions screening, compliance processes and contractual frameworks. Particular attention should be paid to the updated annexes of the Swiss sanctions' ordinance. In this context, it is worth noting that SECO has also updated its FAQs, which provide further official guidance on the interpretation and application of the regime. Given the complexity of the regime and the risk of enforcement, legal guidance may be warranted in high-risk situations.

Official guidance from SECO and the EU – in particular, the recently updated SECO FAQs that clarify the interpretation and practical application of key provisions – provides important points of reference for navigating the Swiss sanctions regime. Legal advice may be appropriate where extraterritorial exposure is possible.

Pestalozzi supports clients in identifying and mitigating legal risks arising from sanctions. Our team has longstanding experience in regulatory compliance and contractual structuring and is available to assist in assessing the implications for your supply chain and counterparties.

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No legal or tax advice

This legal update provides a high-level overview and does not claim to be comprehensive. It does not represent legal or tax advice. If you have any questions relating to this legal update or would like to have advice concerning your particular circumstances, please get in touch with your contact at Pestalozzi Attorneys at Law Ltd. or one of the contact persons mentioned in this legal update.

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