

CLIENT ALERT

Russia Sanctions Update: Expanding U.S. Sanctions Put Further Pressure on Key Russian Sectors

May 26, 2023

AUTHORS

David Mortlock | Britt Mosman | Michael J. Gottlieb | William J. Stellmach
Nikki M. Cronin | Ahmad El-Gamal | Joshua Nelson

UPDATE: The United States and its allies are not slowing down their effort to use restrictive economic measures to degrade Russia's capacity to wage war in Ukraine. In the wake of the G7 Leaders' Summit in Japan, the United States announced new sanctions and export controls measures to implement commitments made at the Summit to further hold Russia accountable. Specifically, the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") [announced](#) new measures that prohibit the exportation of architecture or engineering services (see update to Section IV(A)) and expand the designation authorization to include the architecture, engineering, construction, manufacturing, and transportation sectors of the Russian economy. In addition, OFAC and the Department of State blocked more than 300 individuals, entities, vessels, and aircraft engaged in sanctions evasion, the Russian energy industry, and Russian technology and electronics importers. OFAC also amended Directive 4 under E.O. 14024 to impose reporting requirements on U.S. persons with respect to any property in their possession or control in which the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance has an interest (see update to Section II(D)). Moreover, the Department of Commerce took several actions to expand export controls for Russia, including the addition of 71 entities to the Entity List in connection with Russian export controls evasion and a [joint supplemental alert](#) issued in coordination with the Treasury Department's Financial Crimes Enforcement Network related to Russian export controls evasion.

Although the United States has still not imposed a full embargo against Russia, the sanctions and export controls framework continues to expand in scope and complexity, heightening the compliance challenges for the companies that

continue to do business in Russia. This client alert was updated on May 26, 2023, to include a description of significant new designations, determinations, licenses, and other changes to the U.S. sanctions for Russia.

This alert summarizes the full package of sanctions announced to date by the Biden administration in response to Russia's invasion of Ukraine:

- comprehensive sanctions
 - comprehensive sanctions against the so-called Donetsk People's Republic and the so-called Luhansk People's Republic
- targeted sanctions against specified persons
 - prohibition on engaging in any transaction involving the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance
 - the evolution of sanctions on PJSC Sberbank ("**Sberbank**")
 - designation of major Russian financial institutions, including JSC Alfa-Bank ("**Alfa-Bank**"), VTB Bank PJSC ("**VTB**"), Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank ("**VEB**"), and others
 - designation of Nord Stream 2 AG and its chief executive officer
 - designation of individuals with close ties to President Putin, government officials, and prominent corporate executives
 - designation of major entities operating in specified sectors of the Russian economy
 - expanded authorizations for the designation of companies operating in the defense and related materiel, technology, accounting, trust and corporate formation services, management consulting, finance, quantum computing, aerospace, electronics, marine, metals and mining, architecture, engineering, construction, manufacturing, and transportation sectors of the Russian economy
- debt and equity restrictions
 - expanded prohibitions on dealing in Russian sovereign debt
 - certain debt and equity prohibitions against identified entities

- prohibitions on imports
 - prohibitions on the importation of Russian energy and new investment in the Russian energy sector
 - prohibitions on the importation of Russian-origin fish, seafood and preparations thereof, alcoholic beverages, and non-industrial diamonds
- prohibitions on exports of goods and services
 - prohibitions on the exportation of certain luxury goods
 - prohibitions on the exportation of U.S. dollar-denominated banknotes
 - prohibition on the provision of accounting, trust and corporate formation, and management consulting services by U.S. persons
 - prohibition on the provision of quantum computing services
 - prohibition on the provision of architecture services or engineering services
- prohibition on new investment in Russia
- price cap for services related to the maritime transport of Russian oil and petroleum products

President Biden also announced export control requirements under the Export Administration Regulations, which impose license requirements on certain exports to Russia. Please see our client alert, [Sweeping Export Controls on Russia and Belarus Reach New Heights: Novel Foreign Direct Product Rules and Expanded Licensing Requirements](#) for more information.

Simultaneously, the Biden administration has imposed sanctions against the Lukashenka regime in Belarus, with the designation of 24 Belarusian persons, including state-owned banks and the defense and security industries, in response to Belarus's facilitation of Russia's invasion of Ukraine. OFAC's initial 2022 announcement listing the Belarusian designations is available [here](#). OFAC continues to target Belarusian individuals and entities for their role in supporting Russia's war in Ukraine with ongoing designations against such persons.

I. Comprehensive Sanctions Targeting Certain Occupied Regions of Ukraine

At the time of Russia's invasion of Ukraine, President Putin announced his recognition of the Donetsk and Luhansk People's Republics as "independent" states. As an initial response, President Biden signed an Executive Order ("E.O.")

imposing comprehensive sanctions on the so-called Donetsk People's Republic and Luhansk People's Republic on February 21, 2022. This action is detailed in our client alert, ["In First Response to Russian Intervention in Ukraine, President Biden Imposes Comprehensive Sanctions on the Donetsk and Luhansk Regions of Ukraine."](#)

II. Russian Financial System

The United States has implemented sanctions that affect many aspects of the Russian financial system. Numerous significant Russian banks have been sanctioned, preventing U.S. persons from engaging in any activities with them. Moreover, certain banks have been subject to debt and equity restrictions that prevent them from raising funds. The United States has also restricted the ability of the Russian government to raise funds, through restrictions on sovereign debt, and transactions with government financial institutions like the Central Bank of Russia and the Russian Direct Investment Fund. Additionally, several Russian wealth managers are now the subject of sanctions, which target actors and activities of concern in the Russian economy, such as high-net-worth individuals and offshore investment.

A. Designation of Significant Russian Banks

On February 24, 2022, OFAC designated several major Russian financial institutions pursuant to [E.O. 14024](#), including VTB, VEB,¹ Promsvyazbank PJSC, PJSC Bank Financial Corporation Otkritie ("**Otkritie**"), OJSC Sovcombank ("**Sovcombank**"), JSC Bank Novikom, and a number of subsidiaries, including subsidiaries outside of Russia and some that operate in various other sectors. Designated persons are added to OFAC's List of Specially Designated Nationals and Blocked Persons (the "**SDN List**") and each such designated person, as well as any entity that is owned 50 percent or more by one or more designated persons, is now blocked, and any property or interests in property that are in the United States or in the possession or control of U.S. persons are also blocked. U.S. persons are generally prohibited from engaging in any activity in which a blocked person has an interest, absent authorization from OFAC.

On April 6, 2022, OFAC designated Alfa-Bank and six of its subsidiaries and five vessels owned by one of Alfa-Bank's subsidiaries. OFAC also designated Sberbank. Alongside the designation of Alfa-Bank, OFAC amended General License 8C (now 8G) to account for Alfa-Bank's designation. OFAC also designated Sberbank, placing it, along with 42 subsidiaries, on the SDN List. This action supersedes the prior sanctions prohibitions imposed on Sberbank and its subsidiaries.²

¹ [General License 2](#) authorizes transactions involving VEB ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022, by the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance (not including any transaction prohibited by Directive 1A, which prohibits certain dealings in Russian sovereign debt).

² The sanctions on Sberbank have evolved over the course of the conflict in Ukraine. While the first tranche of sanctions against Sberbank imposed more limited prohibitions on U.S. financial institutions and certain debt and equity transactions involving Sberbank, OFAC has since imposed full blocking sanctions on Sberbank. On February 24, 2022, OFAC issued [Directive 2](#) to E.O. 14024, the so-called "**CAPTA Directive**" that prohibits U.S. financial institutions from (1) opening or maintaining any correspondent or payable-through accounts for or on behalf of Sberbank and (2) the

On May 8, 2022, OFAC designated JSC Moscow Industrial Bank along with 10 subsidiaries pursuant to E.O. 14024. On December 15, 2022, OFAC expanded its restrictions on Russian banks by designating Rosbank, a major commercial bank, and 17 subsidiaries of VTB Bank, which was sanctioned in the first round of Russian banking sanctions in February 2022.

On February 24, 2023, OFAC designated Credit Bank of Moscow PJSC, JSC Commercial Bank Lanta Bank, PJSC Commercial Bank Metallurgical Investment Bank, PJSC MTS Bank, Novosibirsk Social Commercial Bank Levoberezhny PJSC, Bank Saint-Petersburg PJSC, JSC Bank Primorye, SDM-Bank PJSC, PJSC Ural Bank for Reconstruction and Development, PJSC Bank Uralsib, Bank Zenit PJSC, as well as several subsidiaries of Bank Zenit. Alongside the designation of these banks, OFAC also issued Russia-related [General License 60](#), which authorizes, through May 25, 2023, (1) the wind down of transactions involving one or more of the banks listed in the general license and (2) U.S. persons to reject (rather than block) transactions that are ordinarily incident and necessary to the processing of funds involving one or more of the banks listed in the general license as an originating, intermediary, or beneficiary financial. In addition, OFAC issued [General License 61](#), which authorizes transactions ordinarily incident and necessary to the divestment or transfer, or the facilitation of the divestment or transfer, of debt or equity of certain entities listed in the general license to a non-U.S. person, through May 25, 2023.

OFAC issued a number of general licenses authorizing certain transactions otherwise prohibited by E.O. 14024 specifically related to certain Russian banks described in each respective license:

- [General License 5](#) authorizes certain transactions related to official business of certain international organizations.
- [General License 6C](#) authorizes certain transactions related to the exportation or reexportation of agricultural commodities, medicine, and medical devices and related parts and services, COVID-19, and ongoing clinical trials and medical research.
- [General License 7A](#) authorizes certain transactions related to overflight payments, emergency landings, and air ambulance services.
- [General License 25C](#) authorizes (a) certain transactions related to the receipt or transmission of telecommunications involving the Russian Federation that are prohibited by the Russian Harmful Foreign

processing of any transaction involving Sberbank, effective **March 26, 2022**. The restrictions also apply to any entity in which Sberbank owns a 50 percent or greater interest, and OFAC has identified Sberbank and 25 of its subsidiaries that are subject to the CAPTA Directive on the "**CAPTA List**," available at Annex 1 to Directive 2. The prohibitions on any additional entities added to the CAPTA List will become effective 30 days from the identification of the entity. Directive 2 also prohibits U.S. financial institutions from processing any transactions involving entities subject to the CAPTA Directive. OFAC guidance makes clear that U.S. financial institutions must reject any transactions involving a foreign financial institution on the CAPTA List. In addition, Sberbank was identified under Directive 3 to E.O. 14024, described in section I.B.

Activities Sanctions Regulations, 31 CFR part 587, and (b) the exportation or reexportation, sale, or supply, directly or indirectly, from the United States or by U.S. persons, wherever located, to the Russian Federation of services, software, hardware, or technology incident to the exchange of communications over the Internet, such as instant messaging, videoconferencing, chat and email, social networking, sharing of photos, movies, and documents, web browsing, blogging, web hosting, and domain name registration services. Notably, transactions involving Channel One Russia, NTV Broadcasting, and Television Station Russia-1 are not authorized by the general license.

- A number of additional licenses related to transactions with designated banks under E.O. 14024 have since expired and are included with this alert as Appendix 1.

B. New Debt and Equity Prohibitions Against Identified Entities

On February 24, 2022, OFAC also issued [Directive 3](#) to E.O. 14024, which expands restrictions on new debt and equity transactions related to certain identified Russian entities. Specifically, Directive 3 prohibits U.S. persons from all transactions in, provision of financing for, and dealings in new debt longer than 14 days maturity and new equity of listed Russian entities, including Credit Bank of Moscow PJSC and Gazprombank JSC. Credit Bank of Moscow has since been added to the SDN list, superseding its non-SDN designation, imposing full blocking sanctions and prohibiting U.S. persons from engaging in all transactions involving the bank. The prohibitions apply where such new debt and equity is issued on or after **March 26, 2022**, for entities identified in Annex 1 to Directive 3, or 30 days after the date of identification for entities later determined to be subject to the Directive. These restrictions expand the restrictions on new debt and equity set forth in the directives issued under [E.O. 13662](#). OFAC emphasized in its guidance that the prohibitions may be overlapping and U.S. persons remain obligated to comply with all relevant directives.

C. Expanded Restrictions on Russian Sovereign Debt

On February 22, 2022, the Biden administration, pursuant to [Directive 1A](#) under E.O. 14024, expanded existing restrictions in place on dealing in Russian sovereign debt on the primary market to also restrict participation in the secondary market. Directive 1A prohibits U.S. financial institutions from participating in the secondary market for ruble or non-ruble-denominated bonds **issued after March 1, 2022**, by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. The text of Directive 1A makes clear that the identified institutions were not designated and so do not appear on the SDN List, meaning activity not specified in Directive 1A with such institutions is not currently prohibited.³

³ See Directive 1A to E.O. 14204 (“All other activities with entities determined to be subject to the prohibitions of this Directive, or involving their property or interests in property, are permitted, provided that such activities are not otherwise prohibited by law, the Order, or any other sanctions program implemented by the Office of Foreign Assets Control.”).

D. Central Bank of Russia

On February 28, 2022, OFAC issued [Directive 4](#) to E.O. 14024, the so-called “**Sovereign Transactions Directive**,” which prohibits U.S. persons from any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities, absent a license or authorization from OFAC. [General License 13E](#) authorizes certain transactions related to the payment of taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications, to the extent such transactions are prohibited by Directive 4 of E.O. 14024 and provided such transactions are ordinarily incident and necessary to such persons’ day-to-day operations in Russia, through **June 6, 2023**. [General License 14](#) authorizes certain transactions otherwise prohibited by Directive 4 of E.O. 14024, involving the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance, where the Directive 4 entity’s sole function in the transaction is to act as an operator of a clearing and settlement system, provided that: (i) there is no transfer of assets to or from any Directive 4 entity, unless separately authorized; and (ii) no Directive 4 entity is either a counterparty or a beneficiary to the transaction, unless separately authorized.

On September 30, 2022, OFAC designated Elvira Sakhipzadovna Nabiullina and Olga Nikolaevna Skorobogatova, both senior leadership at the Central Bank of the Russian Federation.

On May 19, 2023, OFAC amended Directive 4 to include a reporting requirement. U.S. persons who are in possession or control of property in which any entity determined to be subject to the prohibitions of Directive 4 has an interest of any nature whatsoever, direct or indirect, must submit a report to OFAC on or before **June 18, 2023** and annually thereafter by June 30, with specified information about the property.

E. Russian Direct Investment Fund

On February 28, 2022, OFAC announced new designations targeting Russia’s sovereign wealth fund, the Russian Direct Investment Fund. OFAC also designated its managing company, Joint Stock Company Management Company of the Russian Direct Investment Fund, and the managing company’s subsidiary, Limited Liability Company RVC Management Company, as well as its Chief Executive Officer Kirill Dmitriev.

F. Russian Wealth Managers

On February 24, 2023, OFAC sanctioned a number of Russian wealth management-related entities pursuant to E.O. 14024. On February 22, 2022, OFAC determined the financial services sector of the Russian economy was subject to E.O. 14024; this also forms the basis for the designation of Russian banks, as described above. Russian wealth managers targeted include those who focus on off-shore investment and Russian high-net-worth individuals.

III. Energy-Related Sanctions

A. Price Cap for Services Related to the Maritime Transport of Russian Oil and Petroleum Products

The United States, in partnership with other G7 countries, implemented a price cap for the provision of certain services (“**Covered Services**”)⁴ related to the maritime transport of Russian oil and petroleum products. U.S. persons are prohibited from providing Covered Services as they relate to the maritime transport of Russian oil and petroleum products unless the oil or petroleum products were purchased at or below the price cap.⁵ For more information, please see our prior client alert on this program, [OFAC Explains Implementation of Russian Oil Price Cap and Offers a “Safe Harbor” for U.S. Companies Facilitating Purchases of Russian Oil](#).

B. Ban on Russian Energy Imports

On March 8, 2022, President Biden signed [E.O. 14066](#) prohibiting the importation into the United States of crude oil, petroleum, petroleum fuels, oils and products of their distillation, liquefied natural gas, coal, and coal products of Russian origin, as well as new investment in the energy sector in the Russian Federation by a U.S. person, wherever located. OFAC guidance states that the term “new investment in the energy sector in the Russian Federation” means a transaction that constitutes a commitment or contribution of funds or other assets for, or a loan or other extension of credit to, new energy sector activities (not including maintenance or repair) located or occurring in the Russian Federation beginning on or after March 8, 2022.⁶

C. Nord Stream 2

In line with German Chancellor Scholz’s move to suspend certification of Nord Stream 2, the Biden administration added Nord Stream 2 AG and its CEO, Matthias Warnig, to the SDN List on February 23, 2022.

IV. Sectoral Sanctions and New Investment

Throughout the course of the Ukraine conflict, the United States has identified specific industries that have proven important to the Russian war effort. Within those industries, OFAC has been empowered to identify and designate specific individuals and entities that have contributed to the conflict. E.O. 14024 Section 1(a)(i) authorizes the Secretary of the Treasury to determine specific sectors of the Russian economy as a basis for blocking actors who are contributing to Russia’s war in Ukraine, in some cases with direct support to Russia’s government or military or due to their strategic or

⁴ The covered services are trading/commodities brokering, financing, shipping, insurance, flagging, and customs brokering. Medical evacuation; health, travel, and liability insurance for crewmembers; classification; inspection; bunkering; and pilotage are specifically excluded.

⁵ Effective 12:01 a.m. eastern standard time on December 5, 2022, the price cap on crude oil of Russian Federation origin is \$60 per barrel. Effective 12:01 a.m. eastern standard time on February 5, 2023, the price cap on Discount to Crude petroleum products of Russian Federation origin is \$45 per barrel, and the price cap on Premium to Crude petroleum products of Russian Federation origin is \$100 per barrel.

⁶ See OFAC FAQ 1019, available [here](#).

financial importance for the Russian economy. Once OFAC determines E.O. 14024 shall apply to a sector of the Russian economy, it may then designate persons who operate or have operated in that sector. E.O. 14024 initially targeted the defense and related materiel and technology sectors of the Russian economy, then expanded to financial services (Feb. 22, 2022); aerospace, electronics, and marine sectors (Mar. 31, 2022); accounting, trust and corporate formation services, and management consulting sectors (May 8, 2022); and the quantum computing sector (Sept. 15, 2022); the metals and mining sector (Feb. 24, 2023); and the architecture, engineering, construction, manufacturing, and transportation sectors (May 19, 2023).⁷

A. Sanctions Targeting New Investment and the Export of Certain Services

The United States has significantly restricted access to certain U.S. professional services and investment in Russia. On April 6, 2022, President Biden signed E.O. 14071 prohibiting new investment in the Russian Federation by a U.S. person, wherever located. In a novel use of IEEPA-based sanctions, the E.O. also prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, of any category of services as may be determined by the Secretary of the Treasury to any person located in the Russian Federation. The Secretary of the Treasury has so far determined that the provision by U.S. persons of accounting, trust and corporate formation, management consulting services, quantum computing services, and architecture and engineering services are prohibited under the E.O. In addition, the authorization lays the groundwork for Treasury to restrict more categories of services, multiple categories of services, or the provision of services to the entire Russian economy in the future. E.O. 14071 also prohibits the facilitation of such transactions by a U.S. person of transactions by a non-U.S. person that would be prohibited if performed by a U.S. person.

As described above, OFAC issued a [determination](#), on May 8, 2022, pursuant to E.O. 14071 prohibiting the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of accounting, trust and corporate formation, and management consulting services⁸ to any person located in the Russian Federation, effective **June 7, 2022**.

⁷ OFAC guidance at FAQ #[1126](#) defines the terms “architecture sector of the Russian Federation economy,” “engineering sector of the Russian Federation economy,” “construction sector of the Russian Federation economy,” “manufacturing sector of the Russian Federation Economy,” and “transportation sector of the Russian Federation Economy.”

⁸ OFAC guidance at FAQ # [1034](#) defines the term “Accounting services” to include services related to the measurement, processing, and evaluation of financial data about economic entities; “Trust and corporate formation services” to include services related to assisting persons in forming or structuring legal persons, such as trusts and corporations; acting or arranging for other persons to act as directors, secretaries, administrative trustees, trust fiduciaries, registered agents, or nominee shareholders of legal persons; providing a registered office, business address, correspondence address, or administrative address for legal persons; and providing administrative services for trusts, noting that all of these activities are common activities of trust and corporate service providers (TCSPs), although they may be provided by other persons; and “Management consulting services” to include services related to strategic business advice; organizational and systems planning, evaluation, and selection; development or evaluation

In addition, OFAC issued a [determination](#) on May 19, 2023, prohibiting the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of architecture services⁹ or engineering services¹⁰ to any person located in the Russian Federation. This determination takes effect beginning on **June 18, 2023**.

Both the determination issued on May 8, 2022 and the determination issued on May 19, 2023 specifically exclude from their scope (1) any service to an entity located in the Russian Federation that is owned or controlled, directly or indirectly, by a U.S. person; and (2) any service in connection with the wind down or divestiture of an entity located in the Russian Federation that is not owned or controlled, directly or indirectly, by a Russian person.

Notably, when OFAC initially issued the prohibitions on new investments in Russia, the scope of the prohibitions was not defined, except with respect to new investments in Russia's energy sector.¹¹ To clarify these overall broader prohibitions on new investments in any sector of the Russian economy by U.S. persons, on June 6, 2022, OFAC issued new FAQs that provide additional guidance.¹² Now, for the purposes of Russia-related E.O. 14066, E.O. 14068, or E.O. 14071, OFAC overall defines "new investments" as the commitment of capital or other assets for the purpose of generating

of marketing programs or implementation; mergers, acquisitions, and organizational structure; staff augmentation and human resources policies and practices; and brand management.

⁹ OFAC guidance at [FAQ #1128](#) defines "architecture services" to include advisory services; pre-design services; design services, including schematic design, design development, and final design; contract administration services; combined architectural design and contract administration services; including post construction services; and all other services requiring the expertise of architects. The prohibition applies to such services as they relate to residential, institutional, leisure, commercial, and industrial buildings and structures; recreational areas; transportation infrastructure; and land subdivisions, and need not be necessarily related to a new construction project. The term also includes urban planning services (i.e., land use, site selection, and servicing of land for systemic, coordinated urban development) and landscape architectural services. OFAC intends to interpret this term consistent with UN Central Product Classification (CPC) Codes 86711-86704, 86719, and 86741-86742.

¹⁰ OFAC guidance at [FAQ #1128](#) defines "engineering services" as assistance, advisory, consultative, design, and recommendation services concerning engineering matters or during any phase of an engineering project. Engineering design services may be for: the construction of foundations and building structures (i.e., structural engineering); mechanical and electrical installations for buildings; the construction of civil engineering works; industrial processes and production; or other engineering designs, such as those for acoustics, vibration, traffic control systems, or prototype development for new products. The term additionally includes geotechnical, groundwater, and corrosion engineering services; integrated engineering services, such as those for transportation infrastructure or other projects; engineering-related scientific and technical consulting services, including geological, geophysical, geochemical, surface or subsurface surveying, and map making services; testing and analysis services of chemical, biological, and physical properties of materials or of integrated mechanical and electrical systems; and technical inspection services. OFAC intends to interpret this term consistent with UN CPC Codes 86721-86727, 86729, 86731-86733, 86739, 86751-86754, 86761-86764, and 86769. OFAC further notes that it does not consider maritime classification services to be subject to the prohibition, as is consistent with OFAC's *Guidance on Implementation of the Price Cap Policy for Crude Oil and Petroleum Products of Russian Federation Origin*.

¹¹ See Section X, *supra*.

¹² OFAC, [FAQ 1049](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1049) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1049>; OFAC, [FAQ 1050](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1050) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1050>; OFAC, [FAQ 1051](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1051) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1051>; OFAC, [FAQ 1052](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1052) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1052>; OFAC, [FAQ 1053](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1053) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1053>; OFAC, [FAQ 1054](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1054) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1054>; OFAC, [FAQ 1055](https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1055) (June 6, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1055>.

returns or appreciation made on or after the effective date of the respective E.O. prohibitions.¹³ New investment does not include the maintenance of any investment made prior to the applicable effective dates of the respective E.O. prohibitions.¹⁴ OFAC did include several express instances of what it considered new investments, including: (1) the purchase or acquisition of real estate in the Russian Federation, other than for noncommercial, personal use; (2) entry into an agreement providing for the participation in royalties or ongoing profits in the Russian Federation; and (3) the purchase or acquisition of rights to natural resources or exploitation thereof in the Russian Federation.¹⁵ OFAC also discussed transactions that it **does not** consider to be new investments,¹⁶ which includes the export or import of goods, services, or technology, or related sales or purchases, to or from the Russian Federation, provided that such transaction is made pursuant to ordinary commercial sales terms.¹⁷ Persons may even continue to fund their subsidiaries and affiliates with projects or operations that were located in the Russian Federation prior to the respective E.O. prohibitions as long as use of the funds is consistent with FAQ 1050 and not used to expand pre-existing projects or operations.¹⁸ Additionally, persons may divest from pre-existing investments,¹⁹ and lend funds to or purchase equity in entities located outside of Russia.²⁰ However, persons are prohibited from purchasing new debt or equity securities issued by a Russian entity.²¹

B. Designations Targeting Entities Operating in Specified Sectors of the Russian Economy

As the conflict has progressed, the United States has identified and designated entities in sectors of the Russian economy critical to the war effort. Sanctions efforts have focused on both defense-industrial companies and sectors that raise significant funds for the war, such as the metals and mining industries. OFAC announced on March 24, 2022, the designation of several major Russian defense companies, including Tactical Missiles Corporation JSC, JSC NPO High Precision Systems, NPK Tekhmash OAO, Joint Stock Company Russian Helicopters, and Joint Stock Company Kronshtadt, as well as many of their subsidiaries. OFAC also designated LLC Promtekhlogiya, a private defense company, on May 8, 2022. On June 28, 2022, OFAC sanctioned Rostec, a keystone Russian defense company, as well as about 100 other Russian persons involved in the military industrial base. Simultaneously, OFAC designated Russia's Federal Security Service. On September 30, 2022, OFAC designated Russian and Belarusian technology and defense firms contributing to the war effort. On February 24, 2023, OFAC designated 36 companies and individuals in the carbon fiber, aerospace, and electronics sectors that have contributed to the Russian military-industrial complex.

¹³ See FAQ 1049.

¹⁴ See FAQ 1050.

¹⁵ See FAQ 1049.

¹⁶ *Id.*

¹⁷ See FAQ 1051.

¹⁸ See FAQ 1052.

¹⁹ See FAQ 1053.

²⁰ See FAQ 1055.

²¹ See FAQ 1054.

On April 7, 2022, OFAC designated several state-owned enterprises, including diamond-mining company Alrosa.

On May 11, 2022, OFAC designated state-owned television stations JSC Channel One Russia, Television Station Russia-1, and JSC NTV Broadcasting Company.

On February 24, 2023, OFAC issued a determination authorizing the Secretary of the Treasury to designate persons who operate or have operated in the metals and mining sector of the Russian economy. Simultaneously, OFAC designated several entities found to be operating or have operated in the metals and mining sector of the Russian economy. The newly designated entities are JSC Burevestnik Central Scientific Research Institute, OOO Metallurg-Tulamash, TPZ-Rondol OOO, and Mtsenskprokat.

V. Targeting President Putin and Russian Elites

A. Designation of President Putin and Individuals in President Putin's Circle

In addition to the sanctions described above, the Biden administration [announced sanctions on President Putin](#) on February 25, 2022, and individuals, along with their family members, identified as having close personal ties with President Putin. These individuals include senior government officials, such as Minister of Foreign Affairs, Sergei Lavrov, and senior executives at significant state-owned and influential enterprises.

On March 3, 2022, OFAC issued another significant series of designations targeting Russian billionaire affiliates of President Putin, details of which are available [here](#). Notably, OFAC designated Alisher Usmanov, who owns significant interests in the metals and mining and technology sectors in Russia.

On March 24, 2022, OFAC designated 328 members of the Russian State Duma and Herman Gref, the head of Sberbank, in line with actions taken by the UK, EU, and Canada.

On April 6, 2022, OFAC designated President Putin's adult daughters and Lavrov's wife and adult daughter, along with several members of Russia's Security Council.

On May 8, 2022, OFAC designated the First Deputy Chairman of the Executive Board of Sberbank and the Board of Directors of Gazprombank.

On September 30, 2022, OFAC designated Russian Minister of Defense Sergei Shoigu, as well as his immediate family members. Also designated was Viktor Zolotov, leader of the Russian National Guard, his immediate family, and the immediate family of several senior members of Russian leadership who were already subject to sanctions. In addition to individual officials, more than 200 members of the Russian Duma and Federation Council were also designated.

On February 24, 2023, OFAC designated Aleksandr Yevgenyevich Udodov, the former brother-in-law of Russian Prime Minister Mikhail Mishustin, as well as several entities owned or controlled by Udodov.

Companies should consult the SDN List, available [here](#), to find the full list of designated individuals and entities.

B. Ban on Specified Exports Targeting Luxury Goods

On March 11, 2022, President Biden signed [E.O. 14068](#) prohibiting the following activities: (1) the exportation of luxury goods to Russia, as to be described by the U.S. Department of Commerce and currently including certain spirits, tobacco products, clothing items, jewelry, vehicles, and antique goods;²² and (2) the exportation of U.S. dollar-denominated banknotes to Russia. The E.O. also prohibits the facilitation of such transactions by a U.S. person of transactions by a non-U.S. person that would be prohibited if performed by a U.S. person. OFAC simultaneously issued a number of general licenses authorizing certain transactions otherwise prohibited under the new E.O., as follows:

- [General License 18](#) authorizes transactions related to the transfer of U.S. dollar-denominated banknote noncommercial, personal remittances from: (i) the United States or a U.S. person, wherever located, to an individual located in Russia; or (ii) a U.S. person who is an individual located in Russia.
- [General License 19](#) authorizes U.S. individuals located in Russia to engage in certain transactions related to personal maintenance within Russia, including payment of housing expenses, acquisition of goods or services for personal use, payment of taxes or fees, and purchase or receipt of permits, licenses, or public utility services.

C. Imports of Russian-origin Products

On March 11, 2022, President Biden signed E.O. 14068 prohibiting the importation into the United States of Russian-origin fish, seafood and preparations thereof, alcoholic beverages, and non-industrial diamonds. On June 28, 2022, the United States expanded its import restrictions when it prohibited the import of Russian gold under E.O. 14068. At the time, gold was Russia's largest non-energy export. The UK, Canada, and Japan joined the United States in banning the import of Russian gold.

VI. Sanctions Targeting Evasion

The U.S. sanctions and export control response has had a significant impact on Russia. Russian intelligence services have been directed to find channels for evasion and backfilling. OFAC sanctioned members of Russia's Federal Security Bureau on June 27, 2022, for establishing a covert procurement network to secure electronics for Russia's defense

²² Restrictions on exports of luxury goods will be implemented through a rule in the Export Administration Regulations, available [here](#).

industry. OFAC designated several other individuals and entities identified in sanctions evasion schemes on September 30, 2022.

Further, the United States has identified and imposed sanctions on a number of non-Russian nationals for enabling Russian military activity and engaging in sanctions evasion efforts. On September 30, 2022, OFAC designated Chinese and Armenian entities identified as assisting Russian sanctions evasion efforts. On February 24, 2023, OFAC imposed sanctions on eight individuals and eight entities involved in sanctions evasion and arms dealing in support of Russia. On May 19, 2023, OFAC and the Department of State sanctioned more than 300 persons, many of whom were sanctioned for aiding Russia in sanctions evasion.

VII. Conclusion

The situation in Ukraine is rapidly evolving, and we will continue to issue updates as more information becomes available. In addition, as noted previously, the Biden administration has issued these sanctions in close coordination with its European counterparts. For more information on the latest UK sanctions, please see [our write-up](#). For a comprehensive look at the U.S., UK, and EU sanctions, see our Client Alerts, "[In a Parallel Rollout, the US, EU, and UK Sanction Major Russian Financial Institutions and Russian Sovereign Debt and Take Additional Measures](#)," "[Five Rounds of EU Sanctions Against Russia – A Basic Guide for German Companies](#)," and "[U.S. Sanctions and Export Controls 2022 Year in Review: Economic Tools Take Center Stage in Response to Global Conflicts](#)."

We will continue to monitor developments, and provide commentary and analysis regarding the implications of these sanctions and any additional sanctions issued by the United States and its allies against Russia.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

David Mortlock

202 303 1136

dmortlock@willkie.com

Britt Mosman

202 303 1057

bmosman@willkie.com

Michael J. Gottlieb

202 303 1442

mgottlieb@willkie.com

William J. Stellmach

202 303 1130

wstellmach@willkie.com

Nikki M. Cronin

650 887 9327

ncronin@willkie.com

Ahmad El-Gamal

202 303 1142

ael-gamal@willkie.com

Joshua Nelson

202 303 1045

jnelson@willkie.com

Copyright © 2023 Willkie Farr & Gallagher LLP.

This alert is provided by Willkie Farr & Gallagher LLP and its affiliates for educational and informational purposes only and is not intended and should not be construed as legal advice. This alert may be considered advertising under applicable state laws.

Willkie Farr & Gallagher LLP is an international law firm with offices in Brussels, Chicago, Frankfurt, Houston, London, Los Angeles, Milan, New York, Palo Alto, Paris, Rome, San Francisco and Washington. The firm is headquartered at 787 Seventh Avenue, New York, NY 10019-6099. Our telephone number is (212) 728-8000 and our fax number is (212) 728-8111. Our website is located at www.willkie.com.

Appendix 1 – Expired General Licenses Related to E.O. 14024

- [General License 3](#) authorized certain transactions related to the wind down of transactions involving VEB, which expired **March 24, 2022**.
- [General License 4](#) authorized transactions ordinarily incident to the wind down of transactions involving Nord Stream 2 AG, or any entity in which Nord Stream 2 AG owns, directly or indirectly, a 50 percent or greater interest, which expired **March 2, 2022**.
- [General License 8F](#) authorizes certain transactions with VEB, Otkritie, Sovcombank, Sberbank, VTB, Alfa-Bank, or any entity in which an above-listed entity owns a 50 percent or greater interest, or the Russian Central Bank, related to transactions “**related to energy**”²³ through **May 16, 2023**.
- [General License 9C](#) authorized,
 - i. through **May 25, 2022**:
 - certain transactions related to dealings in debt or equity of VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest, issued prior to February 24, 2022, where any divestment or transfer of covered debt or equity must be to a non-U.S. person;
 - certain transactions related to facilitating, clearing, and settling trades of covered debt or equity, provided such trades were placed prior to 4:00 p.m. Eastern Standard Time, February 24, 2022; and
 - certain transactions otherwise prohibited by Directive 4 of E.O. 14024, for the receipt of interest, dividend, or maturity payments in connection with debt or equity of the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance, issued before March 1, 2022.
 - ii. through **June 30, 2022**:
 - certain transactions related to dealings in debt or equity of Alfa-Bank or any entity in which Alfa-Bank owns, directly or indirectly, a 50 percent or greater interest, issued prior to April 6, 2022, provided that

²³ The term “**related to energy**” means extraction, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication, transport, or purchase of petroleum, including crude oil, lease condensates, unfinished oils, natural gas liquids, petroleum products, natural gas, or other products capable of producing energy, such as coal, wood, or agricultural products used to manufacture biofuels, or uranium in any form, as well as the development, production, generation, transmission, or exchange of power, through any means, including nuclear, thermal, and renewable energy sources.

any divestment or transfer of, or facilitation of divestment or transfer of, Alfa-Bank debt or equity must be to a non-U.S. person;

iii. through **July 1, 2022**:

- certain transactions related to dealings in debt or equity of Alrosa, or any entity in which Alrosa owns, directly or indirectly, a 50 percent or greater interest, issued prior to April 7, 2022, provided that any divestment or transfer of, or facilitation of divestment or transfer of, Alrosa debt or equity must be to a non-U.S. person.

iv. All of these authorizations have since expired and have not been renewed.

- [General License 10C](#) authorized,

i. through **May 25, 2022**:

- certain transactions related to the wind down of derivative contracts entered into prior to 4:00 p.m. EST on February 24, 2022 that include one of VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest as a counterparty or are linked to debt or equity of one of the above-described entities; including debits to accounts on the books of a U.S. financial institution; and
- certain transactions otherwise prohibited by Directive 4 of E.O. 14024, related to the wind down of derivative contracts, repurchase agreements, or reverse repurchase agreements entered into prior to March 1, 2022 that include the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance;

ii. through **June 30, 2022**:

- certain transactions related to the wind down of derivative contracts entered into prior to 4:00 p.m. Eastern Daylight Time, April 6, 2022 that (i) include Alfa-Bank or any entity in which Alfa-Bank owns, directly or indirectly, a 50 percent or greater interest as a counterparty or (ii) are linked to debt or equity of an Alfa-Bank entity, provided that any payments to a blocked person are made into a blocked account;

iii. through **July 1, 2022**:

- certain transactions related to the wind down of derivative contracts entered into prior to 4:00 p.m. Eastern Daylight Time, April 7, 2022 that (i) include Alrosa, or any entity in which Alrosa owns, directly or indirectly, a 50 percent or greater interest as a counterparty or (ii) are linked to debt or equity of an Alrosa entity, provided that any payments to a blocked person are made into a blocked account.

iv. All of these authorizations have since expired and have not been renewed.

- [General License 11](#) authorized certain transactions related to the wind down of transactions involving Otkritie, Sovcombank, VTB, or any entity in which an above-listed entity owns a 50 percent or greater interest, which expired **March 26, 2022**.
- [General License 12](#) authorized U.S. persons to reject, rather than block, transactions involving Otkritie, Sovcombank, VTB, or any entity in which an above-listed entity owns a 50 percent or greater interest, which expired **March 26, 2022**.
- [General License 15](#) authorized transactions with any entity in which Usmanov owns a 50 percent or greater interest that is not itself listed on the SDN List. In other words, OFAC had eliminated the application of the so-called “50 percent rule” for transactions involving entities owned by Usmanov, unless such entity is itself a designated entity.
- [General License 16](#) authorized certain transactions related to the importation of energy products prohibited by E.O. 14066 pursuant to written contracts or written agreements entered into prior to March 8, 2022, which expired **April 22, 2022**.
- [General License 17A](#) authorized certain transactions related to the importation into the United States of Russian-origin alcoholic beverages or non-industrial diamonds pursuant to written contracts or written agreements entered into prior to March 11, 2022, which expired **March 25, 2022**. The license also authorized certain transactions related to the importation into the United States of Russian-origin fish, seafood and preparations thereof pursuant to written contracts or written agreements entered into prior to March 11, 2022, which expired **June 23, 2022**.
- [General License 21A](#) authorized certain transactions related to the wind down of Sberbank CIB USA, Inc., Alrosa USA, Inc., or any entity in which Sberbank CIB USA, Inc. or Alrosa USA, Inc. owns, directly or indirectly, a 50 percent or greater interest, including the processing and payment of salaries, severance, and expenses; payments to vendors and landlords; and closing of accounts, which expired **June 7, 2022**.
- [General License 22](#) authorized the wind down of certain transactions involving Sberbank or any entity in which Sberbank owns, directly or indirectly, a 50 percent or greater interest, which expired **April 13, 2022**. Notably, the general license did not authorize transactions prohibited by the correspondence and payable-through account

sanctions prohibited by Directive 2 under E.O. 14024. Such transactions were prohibited effective **March 26, 2022**.

- General License 23 authorized the wind down of certain transactions involving Alfa-Bank or any entity in which Alfa-Bank owns, directly or indirectly, a 50 percent or greater interest. This license expired on **May 6, 2022**.
- [General License 24](#) authorized certain transactions related to the wind down of transactions involving Alrosa or any entity in which Alrosa owns, directly or indirectly, a 50 percent or greater interest, which expired **May 7, 2022**.
- [General License 33](#) authorized certain transactions related to the wind down of operations, contracts, or other agreements involving one or more of the above-listed television stations or any entity in which one or more of these television stations owns a 50 percent or greater interest that were in effect prior to May 8, 2022, which expired **June 7, 2022**.
- [General License 34](#), which authorized certain transactions related to the wind down of the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of accounting, trust and corporate formation, or management consulting services to any person located in the Russian Federation, which expired **July 7, 2022**.
- [General License 35](#) authorized the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of credit rating or auditing services to any person located in the Russian Federation, which expired **August 20, 2022**.