

## Western Sanctions Targeting Russia Increase Business Risks for Companies

By **Doreen M. Edelman**, **Zarema A. Jaramillo**, **Abbey E. Baker**, and **Christian C. Contardo**

Companies doing business in or with Russia or Russian companies should carefully assess the impact of the new sanctions on their operations and activities and review their compliance procedures. This includes ensuring that any customers, suppliers, agents, distributors, or other third parties located in or with ties to Russia and Ukraine are screened against all applicable sanction lists and establishing necessary procedures to avoid potential violations of the US and other sanctions arising from this conflict. On February 24, 2022, the United States imposed a **new tranche** of sanctions against Russia and its ally, Belarus, in response to Russia's expanding military operations in Ukraine. The United States also imposed license requirements on certain exports to Russia, including foreign items made using US technology.

These sanctions build on earlier moves by the United States as well as the United Kingdom (UK), Germany, and the European Union (EU) to implement economic sanctions targeting Russia following Russia's recognition of the Donetsk People's Republic (DNR) and Luhansk People's Republic regions of Ukraine (LNR). These sanctions include geographic prohibitions and prohibitions on doing business with identified Russian individuals and financial institutions.

While these sanction regimes share certain Russian targets, they vary in scope and require different compliance obligations for companies subject to their jurisdiction. And, as the geopolitical situation continues to evolve, the United States and other Western countries will likely impose additional sanctions in the coming days, so it will be important to keep track of the

latest developments and consult counsel to better understand and address the impact of the sanctions on your business.

### US Sanctions on Russia and Belarus

US sanctions prohibit importation of goods, services, and technology from, and exports to, the DNR and LNR regions, as well as any new investment in the region, and extend a prohibition against dealing in Russian sovereign debt to the secondary market for bonds issued after March 1, 2022.

In addition to the February 24 sanctions, the US Department of Treasury Office of Foreign Assets Control ("OFAC") designated on February 22 the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), 42 identified subsidiaries of PSB and VEB, and five PSB-owned vessels as Specially Designated Nationals (SDNs).<sup>1</sup>

OFAC has also added Nord Stream 2, AG (and its CEO) to the SDN list, as well as five Russian individuals:

- Sergei Vladilenovich Kiriyeenko (First Deputy Chief of Staff, Presidential Office (previously designated));
- Vladimir Sergeevich Kiriyeenko (Son of S. Kireyeenko and CEO of VK Group, parent company of VKontakte);
- Petr Mikhailovich Fradkov (Chairman/CEO of PSB);
- Denis Aleksandrovich Bortnikov (Deputy President of VTB and Chairman of VTB Bank Management Board);
- Aleksandr Vasilievich Bortnikov (Father

<sup>1</sup> The complete list, including designated subsidiaries and vessels is available [here](#).

of D. Bortnikov and Director of FSB and permanent member of Russian Federation Security Council [previously designated]).

US persons wherever located and non-US persons located in the United States are prohibited from engaging in virtually any transaction or other activity involving an SDN without authorization from the US Office of Foreign Assets Control (OFAC). US persons are prohibited from most transactions involving sanctioned individuals and entities. **Penalties for violating US sanctions, even unintentionally, can be severe.** Civil penalties may exceed \$300,000 per individual transaction, and criminal penalties can reach \$1,000,000 and/or 20 years in prison per violation in the cases of intentional violations. Often, large fines applied per violating transaction (which can be identified as each separate payment, instance of support, completed transaction, signed agreement, or other action) compound into substantial enforcement cases. Companies found to facilitate or support SDNs also risk being designated themselves, sustaining significant reputational damage, and losing access to the US financial system and the ability to conduct business in most jurisdictions.

### UK Sanctions on Russia

The United Kingdom announced on February 22, 2022, that it sanctioned five Russian banks: Bank Rossiya, IS Bank, General Bank, PSB, and the Black Sea Bank. Each of these banks except PSB had been previously designated as SDNs in the United States. The UK also sanctioned three individuals: Igor and Boris Rotenberg and Gennady Timchenko, who are already on US SDN lists. Igor Rotenberg is a majority shareholder in Gazprom Drilling; Timchenko is a major shareholder of Bank Rossiya, and Boris Rotenberg is co-owner of SGM Group.

On February 24, 2022, the UK designated the following additional entities and individuals:

- Denis Alexandrovich Bortnikov
- Petr Mikhailovich Fradkov
- Kirill Nikolaevich Shamalov (Deputy Chairman on the Management Board at PAO SIBUR Holding)
- Yury Borisovich Slyusar (Director General, United Aircraft Corporation)
- Elena Alexandrovna Georgieva (Chair of the Board of Novikombank, a subsidiary of Rostec [Russian Technologies State Corporation])
- Rostec
- United Aircraft Corporation
- Tactical Missiles Corporation
- UralVagonZavod

- United Shipbuilding Corporation
- VTB Bank

The UK has frozen all assets held by these individuals and entities in the UK; the individuals are banned from travel to the UK; and UK nationals and entities, individuals located in the UK, and companies with operations within the UK are prohibited from any dealings with the sanctioned parties. The UK government announced that sanctions already imposed in relation to Crimea would be extended to non-government-controlled territory in the DNR and LNR regions.

### EU Sanctions on Russia

The EU **announced** sanctions on 351 members of the State Duma of the Russian Federation who voted in favor of recognizing the independence of the DNR and LNR regions, as well as those elected to represent the Crimea and Sevastopol, and the head and deputy head of the Sevastopol electoral commission.

The EU has also sanctioned a number of individuals and entities and has agreed to impose additional sanctions targeting the financial sector, energy and transport sectors; dual-use goods; and export control and export financing.

### Takeaways:

- Entities doing business in the United States, the UK, and in Europe should review whether any of their business is conducted with/in Russia, Ukraine, and/or Belarus and should institute blocks, as needed.
- US entities should ensure continued compliance with the new sanctions by updating restricted parties' searches and conducting sanctions checks on a regular basis.
- Companies should assess potential implications on any payments involving accounts with Russian financial institutions.
- Companies should closely monitor changes to applicable export control laws related to Russia.
- As the Russia-related sanctions continue to broaden and evolve in scope on a daily basis, organizations should consult with OFAC counsel to ensure compliance.

# Contacts

Please contact the listed attorneys for further information on the matters discussed herein.

**DOREEN M. EDELMAN**

Partner

Chair, Global Trade & National Policy

**T: 202.753.3808**

[dedelman@lowenstein.com](mailto:dedelman@lowenstein.com)

**ZAREMA A. JARAMILLO**

Partner

Managing Partner, Washington, D.C.

**T: 202.753.3830**

[zjaramillo@lowenstein.com](mailto:zjaramillo@lowenstein.com)

**ABBIE E. BAKER**

Counsel

**T: 202.753.3806**

[abaker@lowenstein.com](mailto:abaker@lowenstein.com)

**CHRISTIAN C. CONTARDO**

Counsel

**T: 202.753.3804**

[ccontardo@lowenstein.com](mailto:ccontardo@lowenstein.com)

---

NEW YORK

PALO ALTO

NEW JERSEY

UTAH

WASHINGTON, D.C.

This Alert has been prepared by Lowenstein Sandler LLP to provide information on recent legal developments of interest to our readers. It is not intended to provide legal advice for a specific situation or to create an attorney-client relationship. Lowenstein Sandler assumes no responsibility to update the Alert based upon events subsequent to the date of its publication, such as new legislation, regulations and judicial decisions. You should consult with counsel to determine applicable legal requirements in a specific fact situation. Attorney Advertising.