

Notable US Sanctions and Export Controls Levied Against Russia and Belarus in Response to the Ongoing Conflict in Ukraine

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I. Sanctions

Beginning Feb. 21, 2022, the U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) implemented a new prohibition on the direct or indirect importation or exportation of goods, services, or technology from or to the Donetsk People's Republic (DNR) or Luhansk People's Republic (LNR) regions of Ukraine, as well as any new investment in these regions, subject to a wind-down period for existing activities ending on March 23, 2022, with limited exemptions including those for food, medicine and medical devices, noncommercial personal remittances, and communications and related software. Additionally, on Feb. 22, OFAC extended a prohibition against:

- Participating in the primary market for ruble- or non-ruble-denominated bonds issued after June 14, 2021, 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
- Lending ruble- or non-ruble-denominated funds to the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation after June 14, 2021
- Dealing in Russian sovereign debt to the secondary market for bonds issued after March 1, 2022

Further, OFAC sanctioned the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank

Public Joint Stock Company (PSB), 42 subsidiaries of PSB and VEB, and five PSB-owned vessels, and added the following five Russian individuals to the SDN list:

- Sergei Vladilenovich Kiriyyenko (First Deputy Chief of Staff, Presidential Office [previously designated])
- Vladimir Sergeevich Kiriyyenko (son of S. Kiriyyenko 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 of D. Bortnikov and Director of FSB and permanent member of Russian Federation Security Council [previously designated])

On Feb. 23, 2022, OFAC added Nord Stream 2 AG and its CEO to the SDN list, subject to a wind-down period ending March 2, 2022.

On Feb. 24, 2022, OFAC added more entities to the SDN, Non-SDN Menu-Based Sanction (NS-MBS), and Correspondent Account or Payable-Through Account (CAPTA) lists and issued two significant directives. Directive 2 restricts U.S. financial institutions from undertaking certain transactions with designated foreign financial institutions, including Public Joint Stock Company Sberbank of Russia and its 50 percent or more owned subsidiaries. This prohibition will go into effect on March 26, 2022, or, for any new institution designated under Directive 2, within 30 days of the designation. Directive 3 prohibits U.S. persons from transactions in, provision of financing for, or other dealings in

new debt of longer than 14 days or new equity for designated entities, including:

- Credit Bank of Moscow Public Joint Stock Company
- Gazprombank Joint Stock Company
- Joint Stock Company Alfa-Bank
- Joint Stock Company Russian Agricultural Bank
- Joint Stock Company Sovcomflot
- Open Joint Stock Company Russian Railways
- Public Joint Stock Company Alrosa
- Public Joint Stock Company Gazprom
- Public Joint Stock Company Gazprom Neft
- Public Joint Stock Company Rostelecom
- Public Joint Stock Company Rushydro
- Public Joint Stock Company Sberbank of Russia
- Public Joint Stock Company Transneft

The prohibitions of Directive 3 will also go into effect on March 26, 2022, or, for any new institution designated under Directive 3, within 30 days of the designation.

In adding entities to its restricted parties lists, OFAC sanctioned 24 Belarusian individuals and entities in response to Belarus' support for and facilitation of Russia's invasion of Ukraine. The designations included Belarusian state-owned banks, entities in the Belarusian defense and security industries, and Belarusian defense officials. Exemptions on these sanctions are extremely limited.

Along with issuing prohibitions, OFAC also issued limited General Licenses i) authorizing prohibited activities ordinarily incident and necessary to overflight payments, emergency landings, and air ambulance services; ii) providing wind-down periods for certain transactions related to energy (June 24, 2022), debt or equity (May 25, 2022), derivative contracts (May 25, 2022), and certain blocked persons (March 26, 2022); and iii) authorizing the rejection of transactions with certain blocked persons through March 26, 2022.

On Feb. 25, 2022, OFAC designated Russian President Vladimir Putin, Foreign Minister Sergey Lavrov, and others as SDNs. Designations of a sitting president are extremely rare, indicating that the U.S. is committed to imposing maximum pressure on Russian leaders using its sanctions regime.

On Feb. 28, 2022, OFAC designated the Central Bank of the Russian Federation, the National

Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation. Transactions involving these entities, including any transfer of assets to or any foreign exchange transaction for or on behalf of these entities, are prohibited.

II. Export Controls

The U.S. Department of Commerce, Bureau of Industry and Security (BIS), is scheduled to revise U.S. commercial export controls in the first week of March to:

- Extend export controls to all U.S.-origin commercial items destined for a military end use or military end users in Russia (including those not normally requiring a license for export to Russia), with limited exceptions.
- Increase licensing requirements for exports to Russia and designated Russian entities.
- Restrict the use of license exceptions for exports, reexports, and transfers to Russia.
- Further restrict the export to Russia and Russian military end users of foreign direct products of i) certain U.S.-origin software or technologies and ii) certain plants or major components thereof which are themselves the direct product of certain U.S.-origin software or technology.
- Impose a policy of denial of export license applications related to the above restrictions, with limited exceptions (such as exports related to safety of flight, maritime safety, humanitarian needs, government space cooperation, civil telecommunications infrastructure, and government-to-government activities, and those supporting limited operations of partner country companies in Russia).
- Add more Russian entities to the Entity List (which restricts the export of U.S. commercial goods to listed parties).

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