

March 9, 2022

Update—Western Sanctions Responding to Russia’s Invasion of Ukraine

The United States, the United Kingdom, and the European Union Impose Additional Sanctions Responding to Russia’s Invasion of Ukraine

EXECUTIVE SUMMARY

With Russia’s military offensive in Ukraine entering its third week, the United States, United Kingdom, and the European Union have collectively responded with very significant additional economic sanctions and trade controls. Three measures stand out as most significant. On February 28, the United States and the European Union took new action to prohibit transactions involving the Russian Central Bank, Russia’s National Wealth Fund, and its Ministry of Finance, with the United Kingdom following suit on March 2. Then, on March 1, the European Union moved to ban designated Russian financial institutions from accessing financial messaging services provided by the Society for Worldwide Interbank Financial Telecommunication. Finally, on March 8, the United States and the United Kingdom announced that they will ban and phase out the import of Russian oil and gas, and the European Commission presented a plan to significantly cut Russian gas imports. Additional significant actions taken include sanctions targeting, and a plan to identify and potentially seize assets of, identified Russian oligarchs, prohibitions on access by Russian aircraft to each jurisdiction’s airspace, and certain export control measures. In light of the rapid pace of developments, Sullivan & Cromwell LLP will continue to publish updates as material developments warrant.

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BACKGROUND

As described in our [prior memorandum](#), the United States, the United Kingdom, and the European Union have employed sanctions and trade controls as the primary response to Russia's invasion of Ukraine. Prior measures imposed by these jurisdictions include (i) blocking (i.e., "freezing") of property of designated Russian financial institutions, oligarchs and senior government officials, including President Putin and Minister of Foreign Affairs Sergei Lavrov; (ii) a broad prohibition on transactions involving the DNR and LNR regions, similar to the prohibitions that have been in existence with respect to the Crimea region of Ukraine since December 2014, which were imposed in response to Russia's annexation of that region; (iii) efforts to exclude major Russian banks from interacting with Western financial institutions; (iv) prohibitions and other restrictions on transactions that would provide financing to the Russian government or certain specified Russian entities; and (v) restrictions on exports, including certain semiconductors and other technologies. Other jurisdictions, including Australia, Canada, Japan, Taiwan, and South Korea have announced sanctions and export controls focusing on some of the same targets and sectors in response to Russia's invasion of Ukraine.

As the fighting has intensified over the past week and amid reports that Russian forces are engaged in the widespread bombardment of civilian areas of Ukraine with heavy artillery, the United States, the United Kingdom, and the European Union have responded by implementing significant new sanctions, import and export controls, and other related measures.

U.S. SANCTIONS

A. OFAC AND STATE DEPARTMENT SANCTIONS

1. Directive 4

On February 28, 2022, OFAC issued Directive 4 under Executive Order ("EO") 14024 ("Directive 4"), which prohibits U.S. persons from engaging in any transaction involving the Russian Central Bank, Russia's National Wealth Fund, or its Ministry of Finance, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.¹ As discussed in our [prior memorandum](#), OFAC had previously restricted U.S. persons from participating in the primary or secondary market for ruble- or non-ruble denominated bonds issued after March 1, 2022 by, or lending ruble- or non-ruble-denominated funds to, these entities. Directive 4 now prohibits virtually all transactions with the Russian Central Bank, National Wealth Fund, and Ministry of Finance, with certain limited exceptions described in Part F and subject to the guidance described in Part G below.

2. Designation of Russian Oligarchs

Over the past week, the U.S. Department of State (the “State Department”) and OFAC have designated a number of prominent Russian oligarchs and certain family members pursuant to EO 14024. The designated individuals include:

- Kirill Dmitriev² – CEO of the Russian Direct Investment Fund (“RDIF”) and Joint Stock Company Management Company of the Russian Direct Investment Fund (“JSC RDIF”), which were also designated along with a subsidiary of JSC RDIF.
- Alisher Burhanovich Usmanov³ – One of Russia’s wealthiest businessmen who is reportedly close to Russian President Vladimir Putin. Also designated were Usmanov’s superyacht, the *Dilbar*, and an Airbus A340-300 that he owns.
- Nikolay Tokarev⁴ – President of Transneft, a state-owned pipeline company. Also designated were three of his companies: Limited Liability Company Ostozhenka 19, Katina Drustvo s Ogranichenom Odgovornoscu za Nekretnine I Ugostiteljstvo, and T.G.A. D.O.O. za Trgovinu I Usluge.
- Yevgeniy Prigozhin⁵ – Previously designated Russian financier of the Internet Research Agency. Also designated were three companies controlled by Prigozhin’s son Pavel: Lakhta Park, OOO, Lakhta Park Premium, OOO, and Lakhta Plaza, OOO.
- Arkady and Boris Rotenberg⁶ – Previously designated Russian oligarchs. Also designated was Rotenberg-linked SMP Bank, which had been previously designated by OFAC in 2014.
- Sergei Chemezov⁷ – CEO of Rostec. Also designated were seven of his companies: Otkrytye Aktivy OOO, Sova Nedvizhimost, Avanfort OOO, Firma Veardon OOO, Zareche-4 OOO, Limited Liability Company Nemchinovo Investments OOO, and Altitude X3 Ltd.⁸
- Igor Shuvalov⁹ – Chairman of previously designated VEB Bank.

The State Department also designated President Putin’s spokesperson, Dmitry Peskov.¹⁰

In connection with these designations, the State Department announced that it would restrict the issuance of visas to 19 Russian oligarchs and 47 of their family members and close associates.¹¹

3. Defense, Technology, and Disinformation-related Designations

In addition to the designations of the above Russian individuals, the State Department designated 22 Russian entities operating in the defense and related materiel sector, including entities that develop and produce fighter aircraft, infantry fighting vehicles, electronic warfare systems, missiles, and unmanned aerial vehicles for Russia’s military. The State Department also designated one company operating in the technology sector of the Russian economy that specializes in procuring foreign technology for Russia’s military programs, including Russia’s military space programs.¹² Concurrently, OFAC also designated a number of individuals and entities involved in Russian intelligence-directed disinformation, which is used to “manipulate and weaken perceived adversaries.”¹³

B. DOJ TASK FORCE ON OLIGARCH ASSETS

During the State of the Union address on March 1, President Biden announced that a “dedicated task force to go after the crimes of Russian oligarchs” would be formed at the Department of Justice. Dubbed “Task

Force KleptoCapture” in a press release issued by Attorney General Merrick Garland on March 2, this interagency group will have four primary goals:

- Investigating and prosecuting violations of new and future sanctions imposed in response to the Ukraine invasion, as well as sanctions imposed for prior instances of Russian aggression and corruption;
- Combating unlawful efforts to undermine restrictions taken against Russian financial institutions, including the prosecution of those who try to evade know-your-customer and anti-money laundering measures;
- Targeting efforts to use cryptocurrency to evade U.S. sanctions, launder proceeds of foreign corruption, or evade U.S. responses to Russian military aggression; and
- Using civil and criminal asset forfeiture authorities to seize assets belonging to sanctioned individuals or assets identified as the proceeds of unlawful conduct.¹⁴

The task force is to be composed of agents and analysis from a number of law enforcement agencies and will operate under the auspices of Deputy Attorney General Lisa Monaco’s office. According to press reports, it will be led by Assistant U.S. Attorney Andrew Adams of the U.S. Attorney’s Office for the Southern District of New York.¹⁵ For additional information on Task Force KleptoCapture, see our memorandum, [The Launch of Task Force KleptoCapture](#).

C. CLOSING U.S. AIRSPACE

President Biden also announced during the State of the Union address that the United States would prohibit access by Russian aircraft to U.S. airspace. To implement this objective, on March 2 the Federal Aviation Administration issued a Notice to Air Missions announcing that all Russian air carriers and commercial operators, as well as all aircraft owned, chartered, leased, operated, or controlled by, for, or for the benefit of a Russian citizen, were prohibited from operating in U.S. airspace, subject to certain limited exceptions.¹⁶

D. EXPORT CONTROLS

1. Export Controls Related to Oil Refining and Additions to the Entity List

In a fact sheet issued on March 2, 2022, the White House announced that the Commerce Department’s Bureau of Industry and Security (“BIS”) would be imposing certain restrictions on technology exports that support Russia’s long-term oil refining capacity.¹⁷ BIS implemented these restrictions on March 3, issuing a final rule that expands the scope of the sanctions against the Russian industry sector that were originally put in place in August 2014.¹⁸ Under the new rule, a license is required to export, reexport, or transfer (in-country) any item subject to the Export Administration Regulations (“EAR”) listed in supplement no. 4 to Part 746 of the EAR or within Russia, which includes certain equipment and technology useful for oil refining.¹⁹ Unlike the August 2014 provisions, the new license requirements do not contain a knowledge requirement. The new rule also imposes a more restrictive licensing policy vis-à-vis exports covered under Part 756, modifying the standard from a “presumption of denial” to “policy of denial.”²⁰ Additionally, BIS added 91 new entities to the Entity List that have been involved, are involved, or pose a significant risk of

being or becoming involved in activities contrary to the national security or foreign policy interests of the United States.²¹

2. Export Controls on Belarus

On March 2, 2022, BIS issued a Final Rule that subjects Belarus to the same export controls imposed with respect to Russia on February 24, 2022.²² For a summary of these controls, please refer to our [prior memorandum](#).

E. ENERGY-RELATED IMPORT RESTRICTIONS AND INVESTMENT PROHIBITION

On March 8, President Biden signed an Executive Order to ban the importation into the United States of the following products of Russian Federation origin: crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquefied natural gas; coal; and coal products.²³ The Executive Order also prohibits new U.S. person investment in Russia's energy sector, and financing or enabling foreign companies or other persons seeking to make investments to produce in Russia's energy sector. In an FAQ,²⁴ OFAC clarified that these prohibitions will not prohibit dealing in crude oil of the Caspian Pipeline Consortium ("CPC"), as distribution systems such as those within the CPC can segregate various sources of crude oil, allowing crude oil that is not of Russian Federation origin to be marketed and loaded separately. Thus, the importation prohibition of the EO of March 8, 2022 excludes imports that are not of Russian Federation origin, even if such items transit through or depart from the Russian Federation.

F. GENERAL LICENSES

OFAC has issued a number of new and revised general licenses ("GLs") that, together with the newly released FAQs described below, seek to address many of the questions raised by various stakeholders.

- GL 8A. As of February 28, GL 8 has been rescinded and superseded by GL 8A in order to authorize certain transactions "related to energy" with the Russian Central Bank, in addition to the entities previously covered by the GL.²⁵ OFAC clarified in FAQ 1,017 that GL 8A remains valid following the issuance of the Executive Order of March 8, 2022 "Prohibiting Certain Imports and New Investments With Respect to Continued Russian Federation Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine," but that GL 8A does not authorize any transactions prohibited by the EO of March 8, 2022.²⁶
- GL 9A. As of March 2, GL 9 has been rescinded and superseded by GL 9A. A new section (c) of GL 9A authorizes transactions prohibited by Directive 4 involving the Russian Central Bank, National Wealth Fund, or Ministry of Finance that are ordinarily incident and necessary to the receipt of interest, dividend, or maturity payments in connection with the debt or equity of these entities issued before March 1, 2022. This authorization is effective through 12:01 a.m., Eastern daylight time, on May 25, 2022.²⁷
- GL 10A. As of March 2, GL 10 has been rescinded and superseded by GL 10A. A new section (b) of GL 10A authorizes transactions prohibited pursuant to Directive 4 involving the Russian Central Bank, National Wealth Fund, or Ministry of Finance that are ordinarily incident and necessary to the wind down of derivative contracts, repurchase agreements, or reverse repurchase agreements entered into prior to March 2, 2022. This authorization is effective through 12:01 a.m. Eastern daylight time, on May 25, 2022.²⁸

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- GL 13. On March 2, OFAC issued GL 13, which authorizes U.S. persons to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications otherwise prohibited by Directive 4 involving the Russian Central Bank, National Wealth Fund, or Ministry of Finance, provided that such transactions are ordinarily incident and necessary to such U.S. persons' day-to-day operations in Russia. This authorization is effective through 12:01 a.m., Eastern daylight time, on June 24, 2022.²⁹
- GL 14. On March 2, OFAC issued GL 14, which authorizes transactions otherwise prohibited by Directive 4 involving the Russian Central Bank, National Wealth Fund, or Ministry of Finance, where these entities' sole function in the transaction is to act as an operator of a clearing and settlement system, provided that 1) there is no transfer of assets to or from any of these entities (unless separately authorized), and 2) none of these entities is either a counterparty or a beneficiary to the transaction (unless separately authorized).³⁰
- GL 15. On March 3, OFAC issued General License 15, which authorizes all otherwise prohibited transactions with entities owned 50 percent or more, directly or indirectly, by Alisher Burhanovich Usmanov that are not separately designated, and unblocks all property and interests in property of such entities. As described above, Usmanov was designated by OFAC on March 3 pursuant to EO 14024.³¹
- GL 16. On March 8, OFAC issued General License 16, which authorizes all otherwise prohibited transactions under the March 8 Executive Order banning import of Russian origin energy products that are ordinarily incident and necessary to the importation into the United States of the banned energy products of Russian Federation origin pursuant to written contracts or written agreements entered prior to March 8, 2022, through a wind-down period ending at 12:01 a.m., Eastern daylight time, on April 22, 2022.³²

G. NEW FAQs

On March 2, OFAC issued a number of FAQs to provide guidance with respect to several of its recent actions and to address interpretive questions that have arisen as affected parties consider the implications of the latest sanctions.

1. EO 14065

With respect to EO 14065—which broadly prohibits transactions in the United States or by U.S. persons involving the two purported “breakaway” republics within Ukrainian territory, referred to as the “Donetsk People’s Republic” (“DNR”) and “Luhansk People’s Republic” (“LNR”), subject to certain GLs discussed in our [prior memorandum](#)—OFAC clarified that the scope of the prohibitions extend only to the DNR and LNR regions of Ukraine (and any other regions that may in the future be determined by the Secretary of the Treasury, in consultation with the Secretary of State), and not to the entire Donetsk and Luhansk oblasts.³³

2. Directive 4

OFAC clarified that Directive 4’s prohibition on transactions involving the Russian Central Bank, the National Wealth Fund, and the Ministry of Finance does not prohibit trading in the secondary markets for debt or equity of these entities so long as none of them is a counterparty to the transaction.³⁴ OFAC also noted, however, that pursuant to Directive 1a under EO 14024, U.S. financial institutions are prohibited from participating in the secondary market for ruble- or non-ruble-denominated bonds issued after March 1, 2022 by the entities subject to Directive 4. OFAC also confirmed that (i) transactions involving the Russian

Central Bank, the National Wealth Fund, and the Ministry of Finance are not required to be blocked, but rather, U.S. persons must reject any such transactions unless exempt or authorized by OFAC;³⁵ and (ii) OFAC's 50 Percent Rule does not apply to Directive 4.³⁶

Finally, OFAC clarified that Directive 4 prohibits both direct *and indirect* transactions involving the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance, and emphasized that the Directive also prohibits: (1) any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions of the Russia-related Sovereign Transactions Directive; and (2) any conspiracy formed to violate any of the prohibitions of Directive 4.³⁷ OFAC cautioned parties to be on alert for “nonroutine foreign exchange transactions that may indirectly involve entities subject to [Directive 4],” noting that the Russian Central Bank “may seek to use import or export companies to engage in foreign exchange transactions on its behalf and obfuscate its involvement.” OFAC also urged caution with respect to foreign exchange transactions on the Moscow Exchange given the current heightened risk that the Russian Central Bank could be a counterparty to such transactions.

3. Energy Transactions

On March 4, OFAC issued three additional FAQs that are intended to clarify that energy-related transactions with Russia remain permissible. First, OFAC noted that while GL 8A authorizes energy-related transactions through 12:01 a.m., Eastern daylight time, on June 24, 2022, the agency intends to issue a wind-down GL in the event renewal is not forthcoming, though it did not specify the period such a wind-down GL would cover.³⁸ Second, OFAC encouraged persons encountering resistance on the part of their financial institutions to facilitating energy-related transactions to reach out to both their bank and to OFAC's Sanctions Compliance and Evaluation Division.³⁹ Finally, OFAC reiterated that energy-related activities, including the purchase, sale, or transport of Russian-origin oil, gas, or other energy-related products remain permissible, provided that the Russian counterparties are not subject to sanctions. It also pointed to GL 8A, noting that “authorized energy-related transactions” include payments connected with “a variety of upstream and downstream activity, including the extraction, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication, transport, or purchase of energy for import from or export to Russia, as well as financing, loading, or unloading related to such processes.”⁴⁰

H. FINCEN SANCTIONS EVASION ADVISORY

On March 7, the Financial Crimes Enforcement Network (“FinCEN”) issued an advisory to financial institutions urging them to “be vigilant against efforts to evade” U.S. sanctions and other imposed restrictions on Russia.⁴¹ FinCEN identified a number of red flags, many of which have been cited in prior FinCEN publications, including the use of shell companies to conduct wire transfers, increases in new company formations in jurisdictions previously associated with Russian financial flows, and non-routine foreign exchange transactions. FinCEN also highlighted the potential use of convertible virtual currency (“CVC”) for sanctions evasion, describing CVC-specific red flags, including the use of Internet Protocol (IP)

addresses from sanctioned jurisdictions or FATF-identified jurisdictions with AML/CFT deficiencies, CVC addresses listed on OFAC's list of Specially Designated Nationals and Blocked Persons, and the use of CVC exchanges in high-risk jurisdictions. Finally, FinCEN warned financial institutions about the dangers of Russian-related ransomware attacks and to be vigilant for indicators of illicit activity, including a series of multiple, rapid CVC trades, which can indicate attempts to break the chain of custody on the respective blockchains or obfuscate the transaction, using a CVC mixing service, or "direct or indirect receiving transaction exposure identified by blockchain tracing software" as ransomware-related.

U.K. SANCTIONS

A. NEW DESIGNATIONS

On March 1, 2022 the OFSI issued two Financial Sanctions Notices designating one Russian individual and one Russian entity⁴² and also four Belarusian individuals and two Belarusian entities,⁴³ who have supported and enabled Russia's invasion of Ukraine:

- Kirill Alexandrovich Dmitriev – Chief Executive Officer of the Russian Direct Investment Fund (see below).
- Russian Direct Investment Fund – The Russian Direct Investment Fund (RDIF) is Russia's sovereign wealth fund. It facilitates co-investments into the Russian economy. The RDIF is owned by the Government of Russia.
- Andrei Burdyko – Deputy Minister of Defense for Logistics and Chief of Logistics of the Belarusian Armed Forces.
- Victor Vladimirovich Gulevich – Chief of the General Staff of the Armed Forces and First Deputy Minister of Defense.
- Sergei Simonenko – Deputy Minister of Defense for Armament and Chief of Armament of the Belarusian Armed Forces.
- Andrey Zhuk – Deputy Minister of Defense.
- JSC 558 Aircraft Repair Plant – A Belarusian defense company based at the Baranovichi airbase 6 which provides maintenance and servicing to military aircraft. Belarus and Russia have deepened military cooperation at Baranovichi airbase in recent years and held extensive joint exercises there in February 2022, immediately before Russia's invasion of Ukraine.
- JSC Integral – A Belarusian defense state-owned enterprise that produces semiconductors for military end-users that supplies parts to both the Belarusian and Russian armed forces.

On March 3, 2022 the OFSI issued a Financial Sanctions Notice designating two further individuals,⁴⁴ described as two of "Russia's leading oligarchs with significant UK interests and close links to the Kremlin":⁴⁵

- Igor Shuvalov – Chairman of the Management Board at VEB.RF.
- Alisher Usmanov – A prominent Russian businessman and pro-Kremlin oligarch.

The U.K. Foreign Secretary Liz Truss also announced that the U.K. will be establishing “an Oligarch Taskforce of ministers and officials from departments including the Home Office, Treasury, Department for Business Energy and Industrial Strategy, Department for Levelling Up, Housing and Communities, and the National Crime Agency.” This task force would oversee and coordinate cross-government work sanctioning oligarchs and “helping build cases” against a list of oligarchs.⁴⁶

B. RESTRICTIONS ON RUSSIAN AIRCRAFT

On February 24, 2022, the U.K. introduced The Air Navigation (Restriction of Flying) (Russian Aircraft) Regulations 2022⁴⁷ to restrict flying in U.K. airspace by aircraft on scheduled services which are owned, chartered, or operated by a person connected with Russia, or which are registered in Russia. The following day, an amendment was issued to extend the restriction beyond scheduled services (so that, for example, private aircraft are covered).⁴⁸

The scope of restrictions was significantly expanded on March 8, 2022 with the introduction of The Russia (Sanctions) (EU Exit) (Amendment) (No.6) Regulations 2022⁴⁹ which, among other things, prohibits any Russian aircraft from overflying or landing in the U.K. and allows the Secretary of State to direct an airport operator to secure the detention of Russian aircraft at an airport. In addition, the Civil Aviation Authority (CAA) was given the power to refuse, suspend, or revoke permissions in respect of Russian aircraft, and the registration of aircraft on the register kept by the CAA was prohibited where they are owned, operated, or chartered by demise by a designated person.

C. RESTRICTIONS ON INSURANCE/RE-INSURANCE SERVICES

On March 3, 2022 the U.K. announced that it would be bringing in further sanctions which will prevent Russian companies in the aviation or space industry being able to use U.K.-based insurance and reinsurance services.⁵⁰ This is aimed at limiting the benefits enjoyed by Russian entities due to their access to the “global insurance and reinsurance market.” The U.K. will introduce legislation prohibiting “U.K. based insurance and reinsurance providers from undertaking financial transactions connected with a Russian entity or for use in Russia.” These measures were implemented on March 8, 2022.⁵¹

D. SHIPPING SANCTIONS

On March 2, 2022 the U.K. introduced The Russia (Sanctions) (EU Exit) (Amendment) (No. 4) Regulations 2022,⁵² which includes the following amendments to the U.K. Russia sanctions regulations in relation to shipping:

- It provides that persons (including vessels and ships) may be designated.
- It adds several provisions that apply to anyone subject to the relevant designation, including:
 - a prohibition on Russian ships, and other ships specified by the Secretary of State, from entering U.K. ports;

- new powers for the Secretary of State and harbor authorities to detain Russian ships or specified ships at ports or anchorages;
- new powers for the Secretary of State to control the movement of Russian ships or specified ships by requiring them to leave or enter specified ports, remain where they are, or proceed to a specified place; and
- a prohibition on the registration of ships on the U.K. Ship Register which are owned, controlled, chartered, or operated by a designated person or persons connected with Russia.

E. FINANCIAL SANCTIONS

On March 1, 2022, the U.K. implemented The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022.⁵³ This includes the following amendments to the U.K. Russia sanctions regulations:

- an extension of the prohibitions on dealing with transferable securities or money market instruments, including so as to apply to:
 - securities or money market instruments issued by a person connected with Russia (see below) or those acting on their behalf and also those owned by such person or those acting on their behalf;
 - securities or money market instruments issued by, or on behalf of, the Government of Russia (i.e., Russian sovereign debt); and
 - securities or money market instruments issued by entities incorporated or constituted under U.K. law which are owned by those entities already identified in Schedule 2 to the regulations, namely Sberbank, VTB bank, Gazprombank, VEB, Roseelkhozbank, OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft, and Gazprom Neft.
- an extension of the prohibitions on issuing loans or credit, including so as to apply to:
 - loans and credit issued to a person connected with Russia and those owned by such person or those acting on their behalf;
 - loans and credit provided by the Government of Russia; and
 - loans and credit provided to entities incorporated or constituted under U.K. law which are owned by those entities already identified in Schedule 2 to the regulations, as listed above.
- a new prohibition on U.K. credit or financial institutions establishing or continuing a correspondent banking relationship and/or processing sterling payments to, from, or via a designated person or a credit or financial institution owned or controlled by a designated person. To date, only Sberbank has been designated in relation to these provisions.

A person is “connected with Russia” if that person is (i) an individual or association of persons either (A) ordinarily resident or (B) located in Russia, or (ii) not an individual, and either (A) incorporated or constituted under the law of or (ii) domiciled in Russia; but not including a person listed in Schedule 2 to the regulation (as listed above) or a company which on March 1, 2022 is not domiciled in Russia (or a subsidiary or branch of such a company as at March 1, 2022).

On March 2, 2022 the U.K. implemented a further amendment to the U.K. Russia sanctions regulations by introducing The Russia (Sanctions) (EU Exit) (Amendment) (No. 5) Regulations 2022. This prohibits the

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provision of financial services for the purpose of foreign exchange reserve and asset management to (i) the Central Bank of the Russian Federation, (ii) the National Wealth Fund of the Russian Federation, (iii) the Ministry of Finance of the Russian Federation, (iv) a person owned and controlled directly or indirectly by (i)–(iii), or (v) a person acting on behalf of or at the direction of (i)–(iii).⁵⁴

F. EXPORT SANCTIONS

On February 28, 2022, acting under Article 32 of the Export Control Order 2008, the Secretary of State for International Trade suspended all export licenses for dual-use items to Russia, including licenses with Russia as the final destination. Additionally, the Secretary of State suspended with immediate effect the approval of any new export licenses for dual-use items to Russia. The Export Control Joint Unit has therefore removed Russia as a permitted destination from open general export licenses.⁵⁵

On March 2, 2022 the U.K. further amended the U.K. Russia sanctions regime by implementing The Russia (Sanctions) (EU Exit) (Amendment) (No. 3) Regulations 2022.⁵⁶ This expands trade restrictions on Russia, including by:

- replacing existing prohibitions in relation to dual-use items with new prohibitions on the export, supply, delivery, making available and transfer of dual-use items to, or for use in, Russia, irrespective of the end-use. Related technical assistance, financial services, funds, and brokering services are also prohibited; and
- prohibiting the export, supply, and delivery, making available and transfer of specified critical industry items to, or for use in, Russia. Related technical assistance, financial services, funds, and brokering services are also prohibited.

On March 8, 2022, with the implementation of The Russia (Sanctions) (EU Exit) (Amendment) (No. 6) Regulations 2022, the existing prohibitions applying to restricted goods and technology were extended to certain new categories of aviation and space goods and technology, and a related restriction was introduced on insurance and reinsurance services in respect of such goods and technology.

G. GENERAL LICENCES

On March 1, 2022 the U.K. issued five new GLs related to Russia under Regulation 64 of the Russia Sanctions (EU Exit) Regulations:

- GL INT/2022/1277777 – which allows for a seven-day wind-down period in respect of sovereign debt, loans, and money market instruments measures, by allowing certain dealings with a transferable security or money market instrument which are otherwise prohibited under the U.K. Russia sanctions regulations during such period.⁵⁷
- GL INT/2022/1277778 – which allows for a 30-day wind-down period in respect of clearing and correspondent banking prohibitions, by authorizing correspondent banking relationships between Sberbank and U.K. credit or financial institutions and also the processing of sterling payments between Sberbank and U.K. credit and financial institutions during such period.⁵⁸
- GL INT/2022/1277877 – which allows for a wind-down period until June 24, 2022 in respect of payment processing prohibitions, by allowing U.K. credit or financial institutions to process a sterling payment to, from, or via Sberbank or a non-U.K./U.K. credit or financial institution

owned or controlled directly by Sberbank during such period where that payment relates to specified energy products.⁵⁹ On the same day, the OFSI amended the entry for Sberbank in the U.K. Sanctions List by including information on these sanctions and further information on why Sberbank is included in the list.⁶⁰

- [GL INT/2022/1280976](#) – which authorizes a relevant authority (the Financial Conduct Authority, the Prudential Regulations Authority, the Financial Services Compensation Scheme, or The Bank of England) until March 1, 2023 to do anything in respect of a U.K. subsidiary of VTB Capital for the purposes of the statutory functions of that authority as they relate to prudential supervision or protecting, maintaining, or enhancing the stability of the financial system of the U.K.⁶¹
- [GL INT/2022/1280876](#) – which authorizes until March 1, 2023 any subsidiary of VTB incorporated in the U.K. to make payments for (i) its basic needs such as the payment of insurance premiums, reasonable fees for the provision of property management services, tax, and rent or mortgage payments, (ii) reasonable fees or reasonable service charges arising from the routine holding and maintenance of its frozen funds and economic resources, and (iii) reasonable professional fees for the provision of legal services or reasonable expenses associated with the provision of legal services. This GL also allows a person to receive such payments, and a relevant institution to process such payments.⁶²

On March 4, 2022 the U.K. issued two new GLs related to Russia under Regulation 64 of the Russia Sanctions (EU Exit) Regulations:

- [GL INT/2022/1298776](#) – which allows a person to provide financial services to Sberbank or a subsidiary for the purposes of winding down that activity until April 3, 2022. This allows a person/organization, relevant institution, Sberbank, or a subsidiary to carry out any activity which is reasonably necessary in order to effect such wind-down.⁶³
- [GL INT/2022/1295476](#) – which allows for a wind-down period until April 3, 2022 of any transactions involving Novikombank, Bank Otkritie, Promsvyazbank, Bank Rossiya, Sovcombank, and VEB, including the closing out of any positions. This allows a person/organization, relevant institution, Novikombank, the designated entities, or their subsidiaries to carry out any activity that is reasonably necessary in order to effect such wind-down.⁶⁴

E.U. SANCTIONS

On February 28, 2022, as Russia's invasion of Ukraine continued, further E.U. sanctions were implemented, including:

- [Council Regulation \(EU\) 2022/334](#)⁶⁵ – which amends Regulation (EU) 833/2014 so as to: (i) prohibit Russian air carriers, any Russian-registered aircraft and any non-Russian-registered aircraft which is owned or chartered, or otherwise controlled by any Russian person, entity or body from landing in, taking off from, or overflying E.U. territory (however there is an exception for emergency landings or emergency overflights and a derogation which enables authorities to authorize an aircraft to land in, take off from, or overfly E.U. territory if this is required for humanitarian purposes), and (ii) prohibits any transactions with the Central Bank of Russia.
- [Council Implementing Regulation \(EU\) 2022/336](#)⁶⁶ – which implements Regulation (EU) 269/2014 by designating a further 26 persons and one entity (Gas Industry Insurance Company SOGAZ). The 26 persons include Russian oligarchs and persons considered to be close to President Putin (e.g., Dmitri Peskov (press secretary to President Putin), Petr

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Fradkov (chairman of PJSC Promsvyazbank), Igor Sechin (CEO of Rosneft (Russian state oil company)), and Nikolay Tokarev (CEO of Transneft (a major Russian oil and gas company)).

On March 1, 2022 the E.U. adopted further sanctions:

- Council Regulation (EU) 2022/345⁶⁷ – which amends Regulation (EU) 833/2014 by prohibiting, subject to certain exceptions, from March 12, 2022 the provision of specialized financial messaging services, used to exchange financial data (Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) services), to the following Russian credit institutions and their Russian Subsidiaries: Bank Otkritie, Novikombank, Promsvyazbank, Bank Rossiya, Sovcombank, VEB, and VTB Bank. It also prohibits E.U. member states from investing, participating, or contributing to projects co-financed by the Russian Direct Investment Fund (except for contracts concluded before March 2, 2022). Furthermore, it prohibits, subject to certain exceptions, the sale, supply, transfer, or export of euro-denominated banknotes to Russia or any person, entity, or body in Russia, including the government and the Central Bank of Russia, or for use in Russia. On March 2, 2022, SWIFT announced that it would comply with the E.U.’s action by disconnecting the seven entities.⁶⁸
- Council Regulation (EU) 2022/350⁶⁹ – which amends Regulation (EU) 833/2014 by prohibiting operators from broadcasting or facilitating the broadcasting in the E.U. any content by state-owned media Russia Today and Sputnik, including through transmission or distribution by cable, IP-TV, internet service providers, and internet video-sharing platforms. Furthermore, any broadcasting license or authorization, transmission, and distribution arrangement with these entities will be suspended.

On March 2, 2022, the E.U. also imposed sanctions and export controls on Belarus for its role in supporting Russia’s invasion of Ukraine:

- Council Implementing Regulation (EU) 2022/353⁷⁰ – which implements Regulation (EU) 269/2014 by designating 22 members of the Belarussian military with high-ranking positions, as Belarus is participating in Russia’s invasion against Ukraine and allowing military aggression from its territory.
- Council Regulation (EU) 2022/355⁷¹ – which amends Regulation (EC) 765/2006 by:
 - prohibiting the sale, supply, transfer, or export to Belarus or for use in Belarus of dual-use goods and technology (listed in Annex I of Regulation (EU) 2021/821),⁷² whether or not originating in the E.U. It also prohibits providing technical assistance, financing, financial assistance, brokering services, or other services related to the such dual-use goods and technology to any person/entity in Belarus or for use in Belarus;
 - prohibiting the sale, supply, transfer, or export of goods and technology which might contribute to Belarus’s military and technological enhancement, or to the development of its defense and security sector to any person/entity in Belarus or for use in Belarus. It also prohibits providing technical assistance, financing, financial assistance, brokering services or other services related to this. There are certain exceptions to the prohibitions in (i) and (ii) for non-military use and for a non-military end-user, intended for, e.g., humanitarian purposes, health emergencies, software updates, and temporary use by news media. Certain derogations are also available for the prohibitions in (i) and (ii) for non-military use and for a non-military end-user, after having determined that such goods or technology or the related technical or financial assistance are (a) due under contracts concluded before March 3, 2022 or (b) intended for e.g., cooperation between the Union, the governments of Member States and the government of Belarus in purely civilian matters, maritime safety, or civilian telecommunications networks;

- expanding the existing prohibitions on the import, purchase, and transport into the E.U. of goods used for the production or manufacturing of tobacco products, mineral products, potassium chloride products, wood products, cement products, iron and steel products, and rubber products, if they originated in Belarus or have been exported from Belarus. This also prohibits technical assistance, brokering services, financing or financial assistance related to such products. However, this prohibition will not apply to the execution until June 4, 2022 of contracts concluded before March 2, 2022; and
- prohibiting the sale, supply, transfer, or export of certain machinery, to any person/entity in Belarus or for use in Belarus and the provision of technical assistance, brokering services, and financial assistance (including financial derivatives, insurance, and re-insurance) related to such machinery. However, there is an exception for (a) machinery and related technical and financial assistance for non-military use and for a non-military end-user, intended e.g., for humanitarian purposes, health emergencies, temporary use by news media or software updates and (b) the execution until June 4, 2022 of contracts concluded before March 2, 2022.

FUTURE DEVELOPMENTS AND IMPLICATIONS

Given the rapid pace at which the sanctions landscape in response to Russia's invasion of Ukraine is evolving, it is critical to assess potential exposures to Russia and Russia-related parties, and to stay abreast of changes as they are announced. Despite the unprecedented number and scope of actions taken to date, indications are that additional measures will continue to be imposed as the Russian invasion continues. Indeed, on the date of publication of this memorandum, the Biden administration announced that it intends to ban the import of Russian oil and natural gas, while the European Commission presented a plan to cut Russian gas imports by two-thirds in 2022.⁷³ Further measures could include additional blocking designations, prohibitions on dealing in any new debt of Russian entities, or shortening the applicable maturity under Russia-related Directive 3 and sanctions targeting other sectors of the Russian economy, including additional measures affecting the energy sector. In addition to any future sanctions measures, it is possible that secondary sanctions also could be employed in order to seek to discourage actors from jurisdictions that have not adopted Russia-related sanctions from engaging in transactions that could help Russia cushion the impact of Western sanctions. Sullivan & Cromwell LLP will continue to publish updates as material developments warrant.

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ENDNOTES

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- 19 Final Rule: Expansion of Sanctions Against the Russian Industry Sector Under the Export Administration Regulations (EAR), 87 Fed. Reg. 12856 (Mar. 8, 2014).
- 20 The new rule makes clear that items that may be necessary for health and safety reasons will be reviewed on a case-by-case license review policy. *Id.*

ENDNOTES (CONTINUED)

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- 36 FAQ 1,001, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1001>. OFAC’s 50 Percent Rule provides that any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself considered to be a blocked person. See https://home.treasury.gov/system/files/126/licensing_guidance.pdf.

ENDNOTES (CONTINUED)

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