

March 23, 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

As the Russian invasion of Ukraine approaches the one-month mark, the United States, United Kingdom, and the European Union have continued to impose significant additional economic sanctions and trade controls targeting Russia. Among other noteworthy developments, the importation of certain Russian-origin goods, such as seafood, alcoholic beverages and non-industrial diamonds, has been stopped, and the exportation of products and technology, including luxury goods and aerospace technology, to Russia also has been restricted. In addition, measures to revoke Russia’s and Belarus’ Most Favored Nation status have advanced. Russian oligarchs have continued to be aggressively targeted. Steps to launch and fortify the previously-announced Russian Elites, Proxies, and Oligarchs (REPO) Task Force, including the EU’s ‘Freeze and Seize’ Task Force and the United States’ Task Force Kleptocapture, have advanced. In light of the continuing rapid pace of developments, Sullivan & Cromwell LLP expects to publish future updates as material developments warrant.

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Table of Contents

- EXECUTIVE SUMMARY 1
- BACKGROUND 3
- U.S. SANCTIONS 3
 - A. New Sanctions and Export Controls 3
 - 1. Executive Order 14068 3
 - a. Importation of Russian-Origin Products 3
 - b. Exportation of Luxury Goods 4
 - c. Authority to Prohibit New Investment in Russian Economic Sectors 4
 - d. Exportation of U.S. dollar-denominated banknotes 4
 - B. Designation of Russian Oligarchs and Regime Elites 5
 - 1. Identification of Commercial and Private Aircraft Exported to Russia in Violation of U.S. Export Controls..... 6
 - C. Path To Revocation Of Russia’s MFN Status 6
 - D. Denying Russian Borrowing Privileges At Multilateral Financial Institutions 6
 - E. Additional General Licenses Under EO 14065 6
 - 1. GL 23 6
 - 2. GL 24 7
- U.K. SANCTIONS 7
 - A. New Designations 7
 - B. General Licences 8
 - 1. Russia 8
 - 2. Belarus 9
 - C. Cryptoasset Sector Warning 9
 - D. Trade Restrictions 10
 - E. Economic Crime Bill 10
 - F. Export Bans 11
- E.U. SANCTIONS 11
 - 1. Russia 11
 - a. Regulation (EU) 269/2014 – the asset freeze regulation..... 11
 - b. Regulation (EU) 833/2014 – other restrictions..... 12
 - 2. Belarus 14
- MULTILATERAL ACTION 15
 - A. Russian Elites, Proxies And Oligarchs (REPO) Task Force 15
 - B. European Commission’s ‘Freeze and Seize’ Task Force 16
 - C. United States Kleptocracy Asset Recovery Rewards Program 16
- FUTURE DEVELOPMENTS AND IMPLICATIONS 16

BACKGROUND

As described in our [prior memoranda](#), the United States, the United Kingdom, and the European Union have employed sanctions and trade controls as a primary response to Russia's invasion of Ukraine. Measures imposed by these jurisdictions have included (i) blocking (i.e., "freezing") of property of designated Russian financial institutions, oligarchs and senior government officials; (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; (iii) efforts to exclude major Russian banks, including the Central Bank of Russia, 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; (v) prohibitions on investments in the Russian energy sector and the importation to the United States of Russian oil and natural gas into the United States; (vi) restrictions on exports, including certain equipment and technology useful for oil refining, semiconductors, and other technologies; and (vii) efforts to use civil and criminal asset forfeiture authorities to seize assets of sanctioned individuals. Other jurisdictions, including Australia, Canada, Japan, Taiwan, and South Korea have announced complementary sanctions and export controls in response to Russia's invasion of Ukraine.

As the fighting has continued to intensify and amid reports that Russian forces are engaged in the widespread bombardment of civilian areas of Ukraine, the United States, the United Kingdom, and the European Union have implemented significant additional new sanctions, import and export controls, and other related measures.

U.S. SANCTIONS

A. NEW SANCTIONS AND EXPORT CONTROLS

1. Executive Order 14068

On March 11, President Biden issued Executive Order ("EO") 14068, "Prohibiting Certain Imports, Exports, and New Investment with Respect to Continued Russian Federation Aggression."¹ EO 14068, which was accompanied by a number of general licenses and new frequently asked questions ("FAQs") published by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), targets a variety of U.S. imports from and exports to Russia. It also authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to prohibit investment by U.S. persons in additional, to be identified sectors of the Russian economy.

a. Importation of Russian-Origin Products

Section 1(a)(i) of EO 14068 prohibits the importation into the United States of certain Russian-origin products. These include: fish, seafood (and preparations thereof), alcoholic beverages, and non-industrial diamonds. It also grants the Secretary of the Treasury the authority, in consultation with the

Secretaries of State and Commerce, to designate additional Russian-origin products for future import restrictions. Concurrently with the new prohibition, OFAC issued General License (“GL”) 17, which authorized, through 12:01 a.m. eastern daylight time (“EDT”) on March 25, 2022, the importation of covered Russian products pursuant to contracts entered into prior to March 11, 2022.² A new FAQ 1,024 clarifies that the import prohibition does not prohibit importers who may have previously contracted to import a covered Russian product from securing new buyers or otherwise redirecting shipments to other countries.³

b. Exportation of Luxury Goods

Section 1(a)(ii) of EO 14068 prohibits the exportation, sale, or supply, directly or indirectly, from the United States or by U.S. persons of luxury goods to any person located in the Russian Federation.⁴ The Secretary of Commerce, in consultation with the Secretaries of State and Treasury, may also prohibit the exportation of additional products. In order to implement these restrictions, on March 11 the Commerce Department’s Bureau of Industry and Security (“BIS”) issued a final rule imposing a license requirement on the exportation of luxury goods to (a) Russia and Belarus, and (b) Russian and Belarusian oligarchs and malign actors identified in seven Russia- and Ukraine-related EOs.⁵ The targeted luxury goods are identified in a new supplement no. 5 to Part 746 of the Export Administration Regulations (“EAR”) and include certain spirits, tobacco products, clothing items, jewelry, vehicles, and antique goods. License applications for exports of these items will be reviewed under a default policy of denial.

c. Authority to Prohibit New Investment in Russian Economic Sectors

Section 1(a)(iii) of EO 14068 authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to prohibit investment by U.S. persons in any sector of the Russian economy. As described in our [prior memorandum](#), EO 14066 prohibited investment by U.S. persons in the energy sector of Russia. EO 14068 provides delegated authority to identify additional sectors for an investment ban, presumably to facilitate rapid deployment of future sanctions. As of the date of this memorandum, no additional sectors of the Russian economy have yet been subjected to investment prohibitions under the delegated authority.

d. Exportation of U.S. dollar-denominated banknotes

Section 1(a)(iv) of EO 14068 prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, of U.S. dollar-denominated banknotes to the Government of the Russian Federation or any person located in Russia. Pursuant to GL 18, these prohibitions do not apply to transactions that are ordinarily incident and necessary to the transfer of U.S. dollar-denominated banknotes for noncommercial, personal remittances from the United States or a U.S. person to an individual located in Russia, or a U.S. person who is an individual located in Russia.⁶ FAQ 1,028 clarifies that authorized methods of payment licensed by GL 18 include withdrawals via automated teller machines and the hand-carry of such banknotes. Noncommercial personal remittances do not include charitable donations to or for the benefit of an entity or remittances for use in supporting or operating a business (including a family-owned business). Financial institutions processing transactions covered by GL 18 may

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rely on the originator of the funds transfer to provide information necessary for determining compliance with the terms of the license, provided the institution does not know or have reason to know that the transaction would not be in compliance with the terms of GL 18.

Additionally, GL 19 authorizes U.S. persons located in Russia to engage in U.S. dollar-denominated banknote transactions otherwise prohibited by Section 1(a)(iv) that are ordinarily incident and necessary to their 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.”⁷

B. DESIGNATION OF RUSSIAN OLIGARCHS AND REGIME ELITES

On March 11, OFAC designated various Russian regime elites and business executives who are associates and facilitators of the Russian regime, as well as certain of their immediate family members, and certain Russian individuals and entities for supporting North Korea’s WMD and ballistic missile programs. The designations included:

- Family members of Dmitriy Peskov – Peskov, the Russian government’s “lead propagandist and spokesperson,” was previously designated on March 3. OFAC designated Peskov’s wife and two adult children, who “live luxurious lifestyles that are ... likely built on the ill-gotten wealth of Peskov’s connections to Putin.”⁸
- Viktor Feliksovich Vekselberg – Vekselberg, a prominent Russian businessman with extensive holdings in multiple sectors of the Russian economy, was previously designated in April of 2018 pursuant to EO 13662. OFAC redesignated Vekselberg pursuant to EO 14024 and also identified two of Vekselberg’s luxury assets – an aircraft and a yacht, together valued at \$180 million.
- Management board of VTB Bank – All ten members of the management board of VTB Bank, which was previously designated pursuant to EO 14024 on February 24.
- Members of the Russian Duma – Twelve members of the Duma, 11 of whom signed a letter to the Duma’s speaker lobbying for Putin’s recognition of the so-called Donetsk People’s Republic and Luhansk People’s Republic. OFAC also designated the speaker, Vyacheslav Victorovich Volodin, who was previously designated in April of 2014 pursuant to EO 13661 and is a member of the pro-Kremlin ruling United Russia Party.

On March 15, the State Department designated 11 individuals pursuant to EO 14024 for their involvement in Russia’s defense sector.⁹ The designations included:

- Deputy Ministers of Defense – Eight Deputy Ministers of Defense, one of whom (Dmitri Bulgakov) is also a General of the Army.
- Viktor Zolotov – Zolotov is a Russian General of the Army, Commander-in-Chief of Russia’s National Guard Troops and a member of Russia’s Security Council.
- Dmitry Shugaev – Shugaev is the Director of the Russian Ministry of Defense’s Federal Service for Military Technical Cooperation.
- Alexander Mikheev - Mikheev is the Director General of Rosoboronexport, Russia’s state-controlled intermediary that carries out foreign trade with respect to military goods.

1. Identification of Commercial and Private Aircraft Exported to Russia in Violation of U.S. Export Controls

As described in our [prior memorandum](#), on February 24, BIS enacted a new license requirement at 15 C.F.R. § 746.8(A)(1) for the export, reexport, or transfer (in-country) to or within Russia of any items subject to the EAR and identified in Categories 3-9 of the Commerce Control List.¹⁰ Under this licensing requirement, U.S.-origin aircraft, or foreign aircraft that include more than 25% U.S.-origin controlled content, are subject to a license requirement if such aircraft are destined for Russia. Highlighting the potential application of U.S. export controls, on March 18, BIS published a list, based on publicly available information, of commercial and private aircraft flown to Russia in apparent violation of the EAR (due to the lack of an applicable license now needed following the controls made effective on February 24).¹¹ BIS's press release also highlighted the applicability of General Prohibition 10, which states that it is a violation of the EAR to proceed with a transaction "with knowledge that a violation has occurred or is about to occur." As a result of this prohibition, activity with respect to the identified aircraft, including, but not limited to, refueling, maintenance, repair, or the provision of spare parts or services could be considered a violation of the EAR, and the Commerce Department's release is designed, in part, to put all persons and companies in the United States and abroad that providing any form of service to these aircraft may constitute a violation of the EAR.

C. PATH TO REVOCATION OF RUSSIA'S MFN STATUS

In a March 11 Fact Sheet (the "White House Fact Sheet"), the Biden administration announced that it would seek to work with Congress to revoke Russia's Most-Favored Nation ("MFN") status.¹² Under U.S. law, trading partners with which the U.S. has Permanent Normal Trade Relations ("PNTR") (which replaced the MFN designation in 1998) are not subject to discriminatory tariffs or other trade restrictions. The primary impact of the revocation of PNTR status would be the imposition of significantly higher "Column 2" duty rates contained in the Harmonized Tariff Schedule of the United States. On March 17, the House of Representatives voted 425-8 to revoke Russia and Belarus' PNTR status; as of the date of this memorandum, the Senate has not yet taken up the measure.¹³

D. DENYING RUSSIAN BORROWING PRIVILEGES AT MULTILATERAL FINANCIAL INSTITUTIONS

The March 11 White House Fact Sheet also indicated that the administration would work with the G7 countries to ban Russia from obtaining financing at multilateral financial institutions such as the International Monetary Fund and the World Bank. As of the date of this memorandum, no further steps have been publicly identified in furtherance of the implementation of this pledge.

E. ADDITIONAL GENERAL LICENSES UNDER EO 14065

1. GL 23

Pursuant to GL 23, certain activities of nongovernmental organizations operating in the so called Donetsk People's Republic or Luhansk People's Republic regions of Ukraine (the "Covered Regions") are

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authorized.¹⁴ Specifically, GL 23 authorizes all transactions prohibited by EO 14065 that are ordinarily incident and necessary (including the processing and transfer of funds, payment of taxes, fees, and import duties, and purchase or receipt of permits, licenses, or public utility services) to activities in support of:

- humanitarian projects to meet basic human needs, for example, drought and flood relief or food and medicine distribution;
- democracy building;
- education;
- non-commercial development projects directly benefitting the people of the region, for example, water sanitation; and
- environmental and natural resource protection.

2. GL 24

GL 24 authorizes otherwise-prohibited transactions involving the provision or receipt of civil maritime services performed by individuals who are ordinarily resident in the Covered Regions. Such services must be performed outside of the Covered Regions, and may not be performed on behalf of any entity located in, or organized under the laws of, the Covered Regions.

U.K. SANCTIONS

A. NEW DESIGNATIONS

On March 10, the U.K.'s Office of Financial Sanctions Implementation (OFSI) issued a Financial Sanctions Notice designating a number of Russian oligarchs, including Roman Abramovich, the high profile owner of Chelsea Football Club, who had not previously been designated by either the E.U. or the U.S.¹⁵ As a result of this designation, Chelsea Football Club became subject to an asset freeze in the U.K. (but see details of a relevant GL, below). The Notice also claimed that Abramovich effectively controls Evraz plc, which was tantamount to designating that company. Others named in the Notice are:¹⁶

- Igor Sechin – A prominent Russian businessman with close personal ties to Vladimir Putin. Sechin is Chief Executive Officer, Chairman of the Management Board and Deputy Chairman of the Board of Directors at Rosneft;
- Oleg Deripaska – A prominent Russian businessman and pro-Kremlin oligarch. He is a shareholder at EN+ Group;
- Dmitri Lebedev – The Chairman of the Board of Directors at Bank Rossiya and Managing Director and Co-Chairman of the Board of Management of ABR Management, and a member of the Board of Directors of SOGAZ JSC, one of Russia's largest insurers;
- Alexei Miller – A prominent Russian businessman with close personal ties to Vladimir Putin. Miller is CEO of Gazprom, Russia's largest energy producer;
- Andrei Kostin – A prominent Russian businessman and banker, with close links to Vladimir Putin. He is the President of VTB Bank and Chairman of VTB Bank Management Board; and

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- Nikolai Tokarev – A prominent Russian businessman with significant interests in the extractives and energy industries, as well as a longstanding associate of Vladimir Putin. He is President of Transneft.

On March 11, OFSI issued a further Financial Sanctions Notice designating 386 members of the Russian State Duma.¹⁷

B. GENERAL LICENCES

1. Russia

On March 10, the U.K. issued a new GL (GL INT/2022/1327076)¹⁸ allowing the continued operation of Chelsea Football Club. As set out below, the GL's terms are quite restrictive and Club representatives have indicated that they are in constant dialogue with the U.K. Government over its scope (and succeeded in having it amended on March 12).

- As at the date of this memorandum, the GL allows the Club to pay, until May 31, 2022, certain necessary expenses, including:
 - remuneration, allowances and pensions of all employees of the Club;
 - fees, dividends or other allowances to directors of the Club, payable under obligations which pre-date the GL, but not any fees, dividends or other allowances to Roman Abramovich;
 - reasonable fees or other costs directly related to ongoing regular maintenance of the Club (excluding new capital works or refurbishment);
 - reasonable costs of travel to and from fixtures for players and essential staff not exceeding the value of £20,000 per game per Club team;
 - reasonable costs necessary for the purposes of the Club hosting fixtures at its home ground or grounds not exceeding £900,000 per fixture per Club team;
 - payments to third parties in respect of obligations incurred before March 10, except where these obligations are to any designated person;
 - inter-club payments to discharge obligations which existed before March 10 under player loan arrangements; and
 - inter-club payments to discharge obligations which existed before March 10 under player sale arrangements.
- The GL also provides that people who either (a) purchased tickets for a fixture or (b) purchased a Club season-ticket, prior to March 10 or are present at a fixture may:
 - attend fixtures and purchase refreshments while attending these; and
 - make payments under contractual or other obligations entered into prior to March 10 in respect of season tickets,
 - but the Club may not otherwise sell tickets for Club fixtures.
- The GL also allows third parties to take certain action in relation to the Club:
 - persons may discharge existing obligations under player loan or sale arrangements;

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- relevant bodies may pay to the Club revenue for broadcast licensing related to any fixtures and any performance fee including prize money;
- broadcasters may broadcast any fixtures involving the Club; and
- third parties who purchased or produced club merchandise prior to March 10 are permitted to sell existing stocks of club merchandise, on the condition that no funds or other financial benefits are made available to the Club or Roman Abramovich.

Any funds the Club may receive under these arrangements must be frozen.

OFSI also took the unusual step of publishing a blog with further guidance on the GL for Chelsea Football Club and the effect of Roman Abramovich being designated.¹⁹

Separate from the high profile steps in relation to Abramovich and Chelsea Football Club, OFSI published a general blog on the U.K. Russia sanctions and what has changed since Russia's invasion of Ukraine on February 24, 2022.²⁰

On March 22, the U.K. issued a new GL ([GL INT/2022/1381276](#))²¹ under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019. This GL allows a person to provide financial services for the purposes of winding down any derivatives, repurchase and reverse repurchase transactions entered into prior to March 1, 2022 with the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation or the Ministry of Finance of the Russian Federation. This GL expires on May 2, 2022.

2. Belarus

On March 9, the U.K. issued a new GL related to Belarus under Regulation 32 of The Republic of Belarus (Sanctions) (EU Exit) Regulations 2019:

- [GL INT/2022/1322576](#)²² was issued for an indefinite period to allow Belaeronavigatsia (which provides air navigation services) to provide aeronautical information publication data to flight data providers for the purposes of flight safety concerning civilian aircraft. The flight data providers may use the aeronautical information publication data, and a flight provider may make payments directly to or via a relevant institution to Belaeronavigatsia for that data. Belaeronavigatsia is a designated entity under the Belarus regulations.

On March 9, the U.K. Export Control Joint Unit removed Belarus as a permitted destination from 9 open general export licences due to Belarus's involvement in Russia's aggression against Ukraine.²³

C. CRYPTOASSET SECTOR WARNING

On March 11, OFSI, the Financial Conduct Authority and the Bank of England issued a joint statement on sanctions and the cryptoasset sector²⁴ in which they made clear that: "Financial sanctions regulations do not differentiate between cryptoassets and other forms of assets. The use of cryptoassets to circumvent economic sanctions is a criminal offence under the Money Laundering Regulations 2017 and regulations made under the Sanctions and Anti-Money Laundering Act 2018." The statement reminded regulated firms

of their obligations (e.g., in respect of freezing assets) and highlighted steps that regulated firms can take to reduce the risk of sanctions evasion via cryptoassets.

D. TRADE RESTRICTIONS

On March 8, the U.K. introduced The Russia (Sanctions) (EU Exit) (Amendment) (No.6) Regulations 2022.²⁵ We made brief reference to these regulations in our previous memorandum. The amendment applies the Regulation's existing prohibitions on "restricted goods" and "restricted technology" to aviation and space items, thereby prohibiting the export, supply and delivery, making available and transfer of aviation and space items to, or for use in, Russia (and also the provision of related technical assistance, financial services, funds and brokering services). It also prohibits the provision of insurance/reinsurance services in relation to aviation and space goods and technology, to a person connected with Russia, or for use in Russia.

E. ECONOMIC CRIME BILL

On March 15, the U.K. government enacted the Economic Crime (Transparency and Enforcement) Act 2022²⁶ "following an expedited passage through Parliament".²⁷ The U.K. government described the Act as introducing measures which will help to "tackle corrupt elites and dirty money".²⁸ We had mentioned the U.K. government's efforts to expedite this Act in one of our previous memoranda. While most of the Act has not yet come into force, Chapter 2 of Part 3 (see below) came into effect immediately. The key amendments included in the Act are:

- a new Register of Overseas Entities under Part 1 of the Act. The Register will include information about the beneficial owners of overseas entities and is designed to compel overseas entities to register if they own U.K. land. Entities which refuse to reveal their beneficial owner will be subject to tougher restrictions on selling property. There are also penalties for failing to comply with the rules, such as a penalty of up to £2,500 for not providing updates required for the Register. The U.K. government described the Register as a "valuable tool" for "investigating suspicious wealth".²⁹ Companies House will implement the Register as soon as possible;
- certain reforms to Unexplained Wealth Orders ("UWOs") under Part 2 of the Act. UWOs allow the U.K. Government to confiscate an asset where the source of funds that were used for the purchase of that asset cannot be explained satisfactorily. The reforms remove "barriers" to the use of UWOs and increase the time which law enforcement has to review the material provided in response to a UWO and also limit costs for law enforcement if they "act reasonably in a case that is ultimately unsuccessful".³⁰ The U.K. government also stated that the reforms would make UWOs more effective against "those who hold property in the U.K. via trusts and other complex ownership structures". Under Article 51 of the Act, the U.K. government must also publish annual reports on the use of UWOs; and
- an expedited procedure to designate new people under Chapter 2 of Part 3.

The U.K. government stated that this Act would allow it "move more quickly" to impose sanctions against oligarchs already designated by the U.K.'s allies and it intensifies U.K. sanctions enforcement.

Shortly after the new Act came into force, and using the urgent procedure under Article 58 of the Act that allows the U.K. to sanction a person already on a sanctions list of either the U.S., E.U., Australia or Canada, OFSI issued a Financial Sanctions Notice that designated a further 350 people, including further oligarchs, senior officials of the Russian government and members of the Federation Council of the Russian Federation who supported the treaties which recognised the independence of Donetsk and Luhansk.³¹

Later that day, OFSI again used the urgent procedure under the new Act again to designate a further 12 individuals and 2 entities (Rosneft Aero and Zelenodolsk Shipyard).³²

On the same day, OFSI applied the urgent procedure to different regulations and designated 8 individuals and one entity under the Cyber (Sanctions) (EU Exit) Regulations 2020 for actions taken to support Russia, including Aleyona Chuguleva, Darya Dugina, Yuriy Fedin, Denis Gafner, Yevgeniy Glotov, Valeriya Kalabayeva, Aelita Mamakova, Mikhail Sinelin and United World International.³³

F. EXPORT BANS

On March 15, the U.K. government announced new economic sanctions against Russia,³⁴ including a ban on exports of high-end luxury goods. The U.K. will also deny Russia and Belarus access to “Most Favoured Nation tariff” for a wide range of goods, which deprives both Russia and Belarus of the key benefits of WTO membership. The initial list of goods is worth £900 million and these goods will have an additional 35% tariff in addition to current tariffs. For example, this tariff increase will be imposed on Russian vodka. It is also expected that this export ban will affect high-end fashion, works of art and luxury vehicles.

E.U. SANCTIONS

1. Russia

On March 9, the E.U. adopted further sanctions on Russia, which it described as building “on the wide-ranging and unprecedented packages of measures” which the E.U. has taken so far.³⁵ Two days later, on March 11, the President of the European Commission, Ursula von der Leyen, made a statement on a “fourth package” of restrictive measures against Russia as “Russia’s ruthless invasion of Ukraine continues”.³⁶ These further sanctions involved updates to both of the EU’s main Russia sanctions regulations.

a. Regulation (EU) 269/2014 – the asset freeze regulation

The following updates were made to Regulation (EU) 269/2014:³⁷

- Council Implementing Regulation (EU) 2022/396³⁸ of March 9, implementing Regulation (EU) 269/2014, which designated 146 members of the Russian Federation Council who ratified the Treaties of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Donetsk People’s Republic and the Luhansk People’s Republic. In addition, 14 further people were designated, who are considered to be prominent Russian businessmen and oligarchs, including their family members. Those designated included the Formula One driver Nikita Mazepin. His father, Dmitry Mazepin, was also designated. Mazepin senior is the owner and CEO of the mineral

fertiliser company Uralchem. Uralchem had been the sponsor of the U.S.-based Haas Formula One team, which last season raced with a livery based on the Russian flag. That sponsorship arrangement has now been cancelled as has the driver contract of Mazepin junior.³⁹

- Council Implementing Regulation (EU) 2022/427⁴⁰ of March 15 implementing Regulation (EU) 269/2014 which designated a further 15 individuals, who are considered to be pro-Russia media, Russian oligarchs and business men. Those designated include Roman Abramovich, German Khan (major shareholder of Alfa Group), Viktor Rashnikov (leading Russian oligarch), Alexey Kuzmichev (major shareholder of Alfa Group conglomerate), Alexander Mikheev (CEO of Rosoboronexport), Alexander Shokhin (President of the Russian Union of Industrialists and Entrepreneurs), Andrey Ryumin (executive director of Rosseti), Armen Gasparyan (runs a show for a Russian media outlet), Artyom/ Artem Sheynin (Russian propagandist), Dmitry Kulikov (pro-Kremlin propagandist), Konstantin Ernst (CEO of Channel One Russia), Marina Sechina (former wife of Igor Sechin, the CEO of Rosneft), Suleyman Kerimov (owner of the financial and industrial group Nafta Moscow), Tigran Khudaverdyan (executive director of Yandex – one of the leading technology companies in Russia), and Vladimir Rashevsky (CEO and Director of EuroChem Group AG). In addition, nine entities, which operate in industries such as machine building, shipbuilding, manufacturing civil and military aircraft, export and import of military and dual-use products and technologies and aviation were also designated. They include Rosneft Aero, Rosoboronexport, High Precision Systems, Kurganmashzavod, Russian Helicopters, United Aircraft Corporation, the United Shipbuilding Corporation, Uralvagonzavod and Zelenodolsk.

b. Regulation (EU) 833/2014 – other restrictions

The following updates were made to Regulation (EU) 833/2014:

- On March 9, Council Regulation (EU) 2022/394⁴¹ of March 9 amended Regulation (EU) 833/2014 by:
 - including a prohibition on selling, supplying, transferring or exporting, directly or indirectly, certain maritime navigation goods and technology, whether or not originating in the E.U., to any legal person/entity in Russia or for placing on board of a Russian-flagged vessel. There is also a prohibition on (a) providing technical assistance, brokering services or other services related to such goods and technology and to the provision, manufacture, maintenance and use of those goods and technology, directly or indirectly to any person/entity in Russia, and (b) providing financing or financial assistance related to such goods and technology for any sale, supply, transfer or export of those goods and technology, or for the provision of related technical assistance, brokering services or other services, directly or indirectly to any person/entity in Russia or for use in Russia. There is an exception for non-military use and for a non-military end-user, intended for example for humanitarian purposes or health emergencies. There is also a derogation for the sale, supply, transfer or export of such goods and technology or the provision of related technical or financial assistance, for non-military use and for a non-military end-user, if they are determined to be intended for maritime safety;
 - including crypto assets in the definition of “transferable securities” as it applies under the financial sanctions imposed by the regulation;
 - including the Russian Maritime Register of Shipping in the list of state-owned enterprises which are subject to financial restrictions;

- introducing a prior information sharing provision for exports of maritime safety equipment⁴²; and
- extending the exemption from the EUR 100,000 deposit cap to nationals of a member state, EEA or Switzerland.⁴³
- Council Regulation (EU) 2022/428⁴⁴ of March 15 amending Regulation (EU) 833/2014 by including:
 - a prohibition on selling, supply, transferring or exporting, directly or indirectly, goods or technology listed in Annex II which relate to oil and gas pipelines, casing and drilling, whether or not originating in the E.U., to any person/entity in Russia, including its exclusive economic zone and continental shelf, or for use in Russia, including its exclusive economic zone and continental shelf. There is also a prohibition on providing technical assistance or brokering services or financing or financial assistance related to such goods and technology to any person/entity in Russia or for use in Russia. There is an exception for the sale, supply, transfer or export of goods or technology, or provision of technical or financial assistance, necessary for: (a) transport of fossil fuels, in particular coal, oil and natural gas, from or through Russia into the E.U.; or (b) urgent prevention or mitigation of an event likely to have a serious and significant impact on human health and safety or environment. There is an exception also for (a) execution until September 17, 2022 of an obligation arising from a contract concluded before March 16 and (b) the provision of insurance or reinsurance to any legal person/entity that is incorporated or constituted under the law of a member state with regard to its activities outside the energy sector in Russia. There is also a derogation for sale, supply, transfer or export and the provision of technical or financial assistance if (a) it is necessary for ensuring critical energy supply within the E.U., or (b) it is intended for exclusive use of entities owned, or solely or jointly controlled by a legal person/entity incorporated or constituted under the law of a member state;
 - a prohibition on (a) acquiring any new or extending any existing participation in any legal person/entity incorporated or constituted under the law of Russia or any other third country and operating in the energy sector in Russia, (b) granting or being part of any arrangement to grant any new loan or credit, including equity capital, to any legal person/entity incorporated or constituted under the law of Russia or any other third country and operating in the energy sector in Russia, or for the documented purpose of financing such a legal person/entity, (c) creating any new joint venture with any legal person/entity incorporated or constituted under the law of Russia or any other third country and operating in the energy sector in Russia, and (d) or providing investment services directly related to the activities in (a) – (c). There is a derogation for any activity that (a) is necessary for ensuring critical energy supply within the E.U., as well as the transport of fossil fuels, in particular coal, oil and natural gas, from or through Russia into the E.U., or (b) exclusively concerns a legal person/entity operating in the energy sector in Russia owned by a legal person/entity which is incorporated or constituted under the law of a member state;
 - a prohibition on (a) importing, directly or indirectly, iron and steel products listed in Annex XVII into the E.U. if they originate from Russia or have been exported from Russia, (b) purchasing, directly or indirectly, such iron and steel products which are located or which originated in Russia, (c) transporting such iron and steel products if they originated in Russia or are being exported from Russia to any other country, and (d) providing, directly or indirectly, technical assistance, brokering services, financing or financial assistance, including financial derivatives, as well as insurance and re-insurance, related to the prohibitions in points (a) – (c). There is an exception for the execution until June 17, 2022 of contracts concluded before March 16 or ancillary contracts necessary for execution of such contracts;

- a prohibition on selling, supplying, transferring or exporting, directly or indirectly, luxury goods listed in Annex XVIII (such as caviar, truffles, wines, beers, spirits, perfumes and cigars), to any person/entity in Russia or for use in Russia. This applies to the luxury goods listed if their value exceeds EUR 300 per item unless specified otherwise. There is an exception for goods necessary for example for the official purposes of diplomatic or consular missions of member states or partner countries in Russia or of international organisations with immunities;
- a prohibition on directly or indirectly engaging in any transaction with (a) a legal person/entity established in Russia, which is publicly controlled or with over 50% public ownership or in which Russia, Russian government or Russian Central Bank has the right to participate in profits or with which Russia, the Russian government or Russian Central Bank has other substantial economic relationship, as listed in Annex XIX (including OPK Oboronprom, United Aircraft Corporation, Uralvagonzavod, Rosneft, Transneft, Gazprom Neft, Almaz-Antey, Kamaz, Rostec, PO Sevmash, Sovcomflot and United Shipbuilding Coporation), (b) a legal person/entity established outside the E.U. whose proprietary rights are directly or indirectly owned for more than 50% by the entities listed above, or (c) a legal person/entity acting on behalf or at the direction of the entities listed above. This prohibition does not apply to (a) the execution until May 15, 2022 of contracts concluded before March 16 or ancillary contracts necessary for the execution of such contracts, (b) transactions which are strictly necessary for the purchase, import or transport of fossil fuels from or through Russia into the E.U., or (c) transactions related to energy projects outside Russia in which a legal person/entity listed in Annex XIX above is a minority shareholder; and
- a prohibition as of April 15, 2022 on providing (i) credit rating services to any Russian national or person residing in Russia or any legal person/entity established in Russia and (ii) access to any subscription services in relation to credit rating activities to any Russian national or person residing in Russia or any legal person/entity established in Russia. These prohibitions do not apply to nationals of a member state or persons having temporary or permanent residence permit in a member state.

2. Belarus

The EU also updated its sanctions targeting Belarus:

- Council Regulation (EU) 2022/398⁴⁵ of March 9 amended Regulation (EC) 765/2006 to include the following sectoral sanctions so that there is “closer alignment of E.U. sanctions regarding Russia and Belarus”.⁴⁶ The regulation included:
 - an extension of the scope of “transferable securities” to clarify that this includes crypto assets;
 - a prohibition on transactions related to the management of reserves as well as assets of the Central Bank of Belarus, including transactions with any person/entity acting on behalf of, or at the direction of, the central bank of Belarus. There is a derogation for a transaction that is strictly necessary to ensure the financial stability of the E.U. as a whole or the member state;
 - a prohibition on listing and providing services as of April 12, 2022 on trading venues registered or recognised in the E.U. for the transferable securities of any legal person, entity or body established in Belarus and with over 50% public ownership;
 - a prohibition on providing public financing or financial assistance for trade with, or investment in, Belarus. However, there are exceptions for (a) binding financing or financial assistance commitments established before March 10, 2022, (b) the provisions of public financing or financial assistance up to EUR 10 million per project

benefitting small and medium-sized enterprises established in the E.U., or (c) the provision of public financing or financial assistance for trade in food and for agricultural, medical or humanitarian purposes;

- a prohibition on accepting any deposits from Belarusian nationals or person residing in Belarus or persons/entities established in Belarus if the total value per credit institution exceeds EUR 100,000. There are derogations if such a deposit is necessary, for example, for basic needs, extraordinary expenses or humanitarian purposes;
- a prohibition on E.U. central securities depositories providing any services for transferable securities issued after April 12, 2022 to any Belarusian national or person residing in Belarus or person/entity in Belarus;
- a prohibition on selling euro denominated transferable securities issued after April 12, 2022 or units in collective investment undertakings which provide exposure to such securities, to any Belarusian national or person residing in Belarus or person/entity established in Belarus. However, this will not apply to nationals of member states or persons with temporary or permanent residence in a member state;
- a requirement for credit institutions in member states to: (a) supply to the competent authority in the member state or to the Commission by May 27, 2022 a list of deposits which exceed EUR 100,000 held by Belarusian nationals or persons residing in Belarus, or by persons/entities in Belarus. They will be required to also provide updates regarding such deposits every 12 months; and (b) supply to the competent authority information on deposits exceeding EUR 100,000 held by Belarusian nationals or persons residing in Belarus who have citizenship of a member state or residence rights in a member state;
- a prohibition on selling, supplying, transferring or exporting euro denominated banknotes to Belarus or to any person/entity in Belarus, including the government and the central bank of Belarus or for use in Belarus. However, there is an exception for sale, supply, transfer or export necessary for (a) personal use of persons travelling to Belarus or members of their immediate family travelling with them, or (b) official diplomatic missions, consular posts or international organizations in Belarus which enjoy immunities;
- a prohibition from March 20, 2022 on providing specialised financial messaging services (SWIFT) to Belagroprombank, Bank Dabrabyt and Development Bank of the Republic of Belarus or to any person/entity in Belarus whose proprietary rights are directly or indirectly owned for more than 50% by one of these three banks; and
- the network manager for air traffic management network will be required to reject all flight plans filed by aircraft operators indicating an intent to carry out activities over the territory of the E.U. or of Belarus that constitute a violation of the regulation, such that the pilot is not permitted to fly.

MULTILATERAL ACTION

A. RUSSIAN ELITES, PROXIES AND OLIGARCHS (REPO) TASK FORCE

On March 16, a ministerial meeting of the Russian Elites, Proxies and Oligarchs (“REPO”) Task Force took place.⁴⁷ We had mentioned the creation of this Task Force briefly in one of our previous memoranda. The Task Force participants include the E.U. and G7 countries Canada, France, Germany, Japan, Italy, the U.K. and the U.S. and also Australia. These countries will work together to identify the hidden assets of

Russian oligarchs who have been sanctioned and to block or seize these assets. In their joint statement, the Finance, Justice, Home Affairs, and Trade Ministers and European Commissioners stated that they are committed to prioritizing resources and “working together to take all available legal steps to find, restrain, freeze, seize” and “confiscate or forfeit the assets of” sanctioned individuals and entities.⁴⁸

B. EUROPEAN COMMISSION’S ‘FREEZE AND SEIZE’ TASK FORCE

On March 17, the European Commission announced that it had set up the ‘Freeze and Seize’ Task Force to ensure that there would be coordination at the E.U.-level in the implementation of sanctions against the Russian and Belarussian oligarchs on the E.U. sanctions list.⁴⁹ The Task Force is made up of the European Commission, Eurojust, Europol, national points of contact from each member state and other E.U. agencies and bodies. Its role will be to coordinate actions by member states, Europol and Eurojust to seize and confiscate assets of Russian and Belarussian oligarchs. This Task Force will work alongside the REPO Task Force (see above). The European Commission stated that cooperation between the two Task Forces is “essential to guarantee the efficiency of the sanctions taken on both sides of the Atlantic.” This Task Force will also have “an important role” in sharing information in relation to the sanctioned Russian and Belarussian oligarchs and their assets within the E.U. The first meeting of this Task Force took place on March 11 and the second meeting on March 18.

C. UNITED STATES KLEPTOCRACY ASSET RECOVERY REWARDS PROGRAM

As described in our [prior memorandum](#), the Department of Justice announced the creation of Task Force KleptoCapture, which will serve as the U.S. arm of the REPO Task Force. Subsequently, the Treasury Department added a Russia focus to the existing Kleptocracy Asset Recovery Rewards Program (“KARRP”). Under the KARRP, which was enacted as part of the National Defense Authorization Act for Fiscal Year 2021, the Treasury Department is authorized to offer up to \$5 million in rewards for information leading to (a) the restraint or seizure, (b) forfeiture or (c) repatriation of stolen assets in an account at a U.S. financial institution (including a U.S. branch of a foreign financial institution), that come within the United States, or that come within the possession or control of any U.S. person.⁵⁰ Treasury provided attendees of a meeting of the REPO Task Force on March 16 with a list of 50 individuals who are “priorities” under the program, and also publicly released a list of 28 of those individuals who have been sanctioned by multiple jurisdictions.⁵¹

FUTURE DEVELOPMENTS AND IMPLICATIONS

Given the rapid pace at which the sanctions landscape in response to Russia’s invasion of Ukraine continues to evolve, 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, it is expected that additional measures will be imposed as the Russian military campaign continues. In addition to any future sanctions measures, it is possible that secondary sanctions also could

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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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- ² General License No. 17, Authorizing Transactions Related to Certain Imports Prohibited by Executive Order of March 11, 2022, *available at* https://home.treasury.gov/system/files/126/russia_gl17.pdf.
- ³ FAQ 1,024, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1024>.
- ⁴ A new FAQ 1,027 specifies the applicable HTSUS schedules covered by the import prohibitions. See FAQ 1,027, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1027>.
- ⁵ Imposition of Sanctions on ‘Luxury Goods’ Destined for Russia and Belarus and for Russian and Belarusian Oligarchs and Malign Actors Under the Export Administration Regulations (EAR), 87 Fed. Reg. 14785 (Mar. 16, 2022), *available at* <https://www.federalregister.gov/documents/2022/03/16/2022-05604/imposition-of-sanctions-on-luxury-goods-destined-for-russia-and-belarus-and-for-russian-and>.
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- ⁹ Press Release, U.S. Announces Sanctions on Key Members of Russia’s Defense Enterprise, March 15, 2022, *available at* <https://www.state.gov/u-s-announces-sanctions-on-key-members-of-russias-defense-enterprise/>.
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- ¹³ Suspending Normal Trade Relations with Russia and Belarus Act, H.R. 7108, 117th Cong. (2022); Katie Edmonson, House Votes to Suspend Normal Trade Relations with Russia, *N.Y. Times* (Mar. 17, 2022), *available at* <https://www.nytimes.com/2022/03/17/us/politics/house-russia-trade-status.html>.

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- ¹⁵ Abramovich was also subsequently designated by the E.U.
- ¹⁶ Press Release, Foreign Commonwealth & Development Office, Abramovich and Deripaska among 7 oligarchs targeted in estimated £15 billion sanction hit (Mar. 10, 2022), available at https://www.gov.uk/government/news/abramovich-and-deripaska-among-seven-oligarchs-targeted-in-estimated-15bn-sanction-hit?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=1242014e-6437-4ff9-a0e0-06b84098aa16&utm_content=immediately.
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