

February 28, 2022

Western Sanctions Responding to Russia's Invasion of Ukraine

The United States, United Kingdom and European Union Institute Wide-Reaching Sanctions Responding to Russia's Invasion of Ukraine

EXECUTIVE SUMMARY

In what remains a very fluid situation, the United States, United Kingdom and European Union announced, over a period of several days, coordinated actions that collectively impose significant and wide-reaching economic sanctions and export controls relating to Russia, Russian companies, Russian government officials and Russia-related individuals. An initial tranche of sanctions was imposed on February 21, 2022, following Russian President Vladimir Putin's recognition of two purported "breakaway" republics within Ukrainian territory—referred to as the "Donetsk People's Republic" ("DNR") and "Luhansk People's Republic" ("LNR")—and President Putin's decision to send troops into those areas. Since that initial tranche, new developments have followed almost every day in response to the invasion of Ukraine by Russian troops into other areas of Ukraine and continuing hostilities in Ukraine. Although the sanctions imposed by the three jurisdictions are coordinated and complementary, they differ in certain respects in both scope and the timeline for full implementation. Overall, the sanctions generally provide for, among other things, (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

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certain semiconductors and other technologies. Other jurisdictions, including Australia, Canada and Japan have announced sanctions and export controls focusing on some of the same targets and sectors in response to Russia's invasion of Ukraine.

The sanctions announced so far by the United States, U.K. and E.U. have been very significant, but do not exhaust the possible range of economic measures that may be employed to respond to the invasion and other Russian activities. Given the rapid pace of developments, the information contained in this memorandum could be outdated very quickly, and Sullivan & Cromwell LLP will publish updates as material developments warrant. On the date of publication of this memorandum, OFAC issued a new Directive 4 under EO 14024 prohibiting United States persons from engaging in transactions with the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation and the Ministry of Finance of the Russian Federation, and also designated the Russian Direct Investment Fund and certain related parties. The E.U. took similar actions. These actions will be addressed in greater detail in a future memorandum.

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BACKGROUND

Each of the United States, U.K. and E.U. has, in recent years, imposed various sanctions in response to Russian activities, including its invasion of Ukraine. Certain actions, like the newly imposed sanctions, have been expressly coordinated—for example, the prohibitions on a broad range of transactions involving Crimea that were imposed in December 2014 by the United States and the E.U. (which, at the time, included the U.K.) following Russia's annexation of Crimea.¹ Each jurisdiction has also taken separate actions, resulting in material differences in the sanctions programs that each had in place with respect to Russia prior to the actions announced last week.

Existing U.S. sanctions. Since 2014, the United States has imposed sanctions to address various malign Russian activities in Ukraine and elsewhere. These sanctions have been imposed under a range of authorities, including national emergencies declared by the President with respect to the situation in Ukraine² and with respect to “specified harmful foreign activities” of the Russian Government,³ legislation enacted by Congress specifically addressing Russia,⁴ and other authorities.⁵ In addition to the broad prohibition with respect to transactions involving Crimea, sanctions imposed by the United States have included, among others, (i) blocking property in the United States of certain senior Russian governmental officials and oligarchs;⁶ (ii) prohibiting U.S. persons from engaging in various transactions to finance identified persons operating in Russia's financial services, energy and defense sectors;⁷ and (iii) barring U.S. persons from participating in the primary market for Russian sovereign debt.⁸ In addition, so-called “secondary sanctions” have warned non-U.S. persons, including non-U.S. financial institutions, that they will be subject to sanctions if they, for example, facilitate certain “significant” transactions relating to Russia.⁹ The United States has also imposed sanctions on Russian cyber actors for interference with U.S. elections, malicious cyber attacks and virtual currency theft.¹⁰

Existing E.U. sanctions with respect to Russia. Since 2014, the E.U. has imposed various sanctions on Russia in response to its aggression in Ukraine.¹¹ These include various restrictive measures such as asset freezes; an import ban on goods originating in Crimea or Sevastopol and a ban on providing financing and/or insurance in respect of such goods; a ban on investing in certain assets in Crimea and Sevastopol (such as real estate or companies); a ban on the export to, or for use in, Crimea or Sevastopol of certain goods and technology suited for use in the fields of transportation, telecommunications, energy or the prospecting for, or exploration and production of, oil, gas and mineral resources, together with a ban on providing related services; a ban on providing tourism services in Crimea and Sevastopol; an export ban on dual-use goods for military use in Russia or to certain designated entities; restrictions on the supply of certain items suited for oil exploration and production in Russia, together with a restriction on providing related services; and restrictions on dealings with certain transferable securities and marketable instruments of certain entities or the provision of loans or credits to those entities.¹²

Existing U.K. sanctions with respect to Russia. On exiting the E.U., the U.K. replaced the E.U. sanctions referred to above with its own sanctions regime. The U.K. sanctions are contained in The Russia (Sanctions) (EU Exit) Regulations 2019, which were made under the Sanctions and Anti-Money Laundering Act 2018.¹³ The U.K. sanctions were initially similar in scope to the E.U. sanctions, and the U.K. regulations included the ability to designate persons “involved in destabilizing Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine.” On February 10, 2022, as the Russian military presence on the Ukrainian border increased, the U.K. adopted an amendment to the regulations also to allow for the designation of persons “involved in obtaining a benefit from or supporting the Government of Russia,” such as by carrying on business “of economic significance” or in a sector which is of “strategic significance to the Government of Russia.”¹⁴

U.S. SANCTIONS

A. TERRITORY-BASED PROHIBITIONS

On February 21, 2022, the White House responded to President Putin’s decision to recognize the DNR and LNR as independent states by imposing comprehensive sanctions in the model of those adopted in 2014 with respect to the Crimea region following its annexation by Russia. President Biden’s Executive Order 14065 prohibits, among other activities: (i) new investment in the DNR or LNR regions; (ii) importation into the United States, directly or indirectly, of any goods, services or technology from the DNR or LNR regions; (iii) exportation, reexportation, sale or supply, directly or indirectly, from the United States or by a U.S. person of any goods, services or technology to the DNR or LNR regions; and (iv) any approval, financing, facilitation, or guarantee by a U.S. person, wherever located, of a transaction by a foreign person where that transaction would fall under one of the preceding categories if performed by a U.S. person or within the United States.¹⁵ EO 14065 also provides authority to the Secretary of the Treasury, in consultation with the Secretary of State, to impose sanctions with respect to other regions of Ukraine as may be appropriate, allowing the expansion of regions targeted by these comprehensive sanctions without an additional Executive Order.

Concurrently with the issuance of EO 14065, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) issued the following six General Licenses (“GLs”) designed to facilitate exit from the DNR and LNR regions, to authorize certain humanitarian and other aid transactions, certain multilateral and international organization activity and communications:

- GL 17 authorizes the wind-down of transactions involving the DNR or LNR regions through 12:01 a.m. eastern daylight time on March 23, 2022, except for any transactions involving persons who may be blocked pursuant to EO 14065.¹⁶
- GL 18 authorizes transactions ordinarily incident and necessary to (i) the exportation and reexportation of agricultural commodities, medicine, medical devices, and replacement parts and components or software updates for medical devices; and (ii) the prevention, diagnosis or treatment of COVID-19.¹⁷

- GL 19 authorizes transactions ordinarily incident and necessary to the receipt or transmission of telecommunications, subject to certain exceptions.¹⁸
- GL 20 authorizes transactions that are for the conduct of official business of certain international organizations and entities, including the United Nations, the International Committee of the Red Cross and several regional development banks.¹⁹
- GL 21 authorizes transactions ordinarily incident and necessary to the transfer of noncommercial, personal remittances and the operation of personal accounts. Covered remittances do not include charitable donations of funds for use in supporting or operating a business, including a family-owned business.²⁰
- GL 22 authorizes transactions ordinarily incident and necessary to the exportation or reexportation of services incident to the exchange of personal communications over the Internet, as well as of software necessary to enable such services.²¹

B. BLOCKING SANCTIONS

1. Executive Order 14065

EO 14065 also blocks all property and interests in property in the United States or within the possession or control of any U.S. person of any person determined by the Secretary of the Treasury, in consultation with the Secretary of State: (i) to operate or have operated in the DNR or LNR regions since February 21, 2022; (ii) to be or have been, since February 21, 2022, a leader of an entity operating in the DNR or LNR regions; (iii) to be owned or controlled by any person whose property or interests in property are blocked pursuant to EO 14065; or (iv) to have materially assisted any person whose property or interests in property are blocked pursuant to EO 14065. Treasury, acting through OFAC, has not yet made any designations of persons pursuant to EO 14065.

2. Designations Under Executive Order 14024

The majority of the actions taken since February 21 in response to Russia's invasion of Ukraine have been pursuant to authorities under EO 14024, "Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation," issued in April 2021.

a. Identification of the Russian Financial Services Sector

Section 1(a)(i) of EO 14024 authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to identify specific sectors of the Russian economy, and to designate, *i.e.*, persons operating in those sectors. On February 22, the Secretary of the Treasury issued a determination that authorizes sanctions against persons that operate or have operated in the financial services sector of the Russian economy.²² This determination exposes persons who operate or have operated in the financial services sector of the Russian economy to sanctions risk, but does not automatically impose sanctions on all persons who operate or have operated in the sector.²³

b. Designation of Specific Russian Financial Institutions

In addition to the authority to designate persons operating in a specified sector of the Russian economy, EO 14024 also authorizes sanctions against persons acting for or on behalf of, or for the benefit of, directly or indirectly, the Russian government who are determined to be responsible for or complicit in, or to have directly or indirectly engaged or attempted to engage in, among other things, actions or policies that undermine democratic processes or institutions in the United States or abroad, malicious cyber activities or activities that undermine the peace, security, political stability or territorial integrity of the United States, its allies or its partners.²⁴

On February 22, OFAC designated the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (“VEB”) and Promsvyazbank Public Joint Stock Company (“PSB”), each described as “crucial to financing the Russian defense industry,” along with 42 of their subsidiaries. On February 24, OFAC designated VTB Bank Public Joint Stock Company (“VTB Bank”), Russia’s second-largest financial institution, and three additional “major Russian financial institutions”: Public Joint Stock Company Bank Financial Corporation Otkritie (“Otkritie”), Joint Stock Commercial Bank Novikombank (“Novikombank”) and Open Joint Stock Company Sovcombank (“Sovcombank”). As a result of the designations, all of these financial institutions’ property and interests in property that are or come within the United States or that are or come within the possession or control of any U.S. person are blocked, and U.S. persons are prohibited from doing business with these institutions unless authorized by OFAC. Pursuant to OFAC’s 50 Percent Rule, all entities that are owned 50 percent or more, directly or indirectly, by any of the designated financial institutions are also blocked pursuant to EO 14024, even if not expressly designated by OFAC.²⁵ (OFAC also announced that it would be barring Russia’s largest financial institution, Public Joint Stock Company Sberbank of Russia (“Sberbank”), from accessing U.S. correspondent or payable-through accounts and from transacting with U.S. financial institutions in 30 days, discussed in Part D below.) The designated institutions are the following:

VEB. As Russia’s national economic development institution, VEB partners with commercial banks to provide financing for large-scale projects to develop Russia’s infrastructure and industrial production. VEB also services Russia’s sovereign debt. In addition to VEB, OFAC also designated 25 VEB subsidiaries. In connection with the designations, OFAC issued Russia-related GL 2, which authorizes transactions involving VEB or any 50 percent owned entity that are ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022 by the Central Bank of the Russian Federation (the “Central Bank”), the National Wealth Fund of the Russian Federation (the “National Wealth Fund”), or the Ministry of Finance of the Russian Federation (the “Ministry of Finance”),²⁶ and Russia-related GL 3, which authorizes all transactions through 12:01 a.m. eastern daylight time on March 24, 2022 that are ordinarily incident and necessary to the wind-down of transactions involving VEB or any 50 percent owned entity.²⁷

PSB. As described in the Treasury Department press release accompanying the designation action, PSB was nationalized in 2018 and repurposed to finance the defense industry and service large defense

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contracts, as part of a “scheme” to assist the Russian government in avoiding new sanctions. In addition to PSB, OFAC also designated 17 PSB subsidiaries. OFAC also identified as blocked property five vessels that are owned by PSB Lizing OOO, a designated subsidiary of PSB.

VTB Bank. VTB Bank is majority owned by the Russian government. In addition to VTB Bank, OFAC also designated 20 VTB Bank subsidiaries.

Otkritie. Otkritie is Russia’s seventh-largest financial institution. In addition to Otkritie, OFAC also designated 12 Otkritie subsidiaries.

Novikombank. Novikombank primarily operates in the Russian defense sector and serves as the core financial institution for, and is wholly owned by, the Russian defense company Rostec.

Sovcombank. Sovcombank is the third-largest privately owned financial institution in Russia, and Russia’s ninth-largest bank overall. In addition to Sovcombank, OFAC also designated 22 Sovcombank subsidiaries.

Concurrently with its February 24 sanctions, OFAC issued several Russia-related GLs authorizing certain transactions involving certain of the sanctioned financial institutions. Specifically:

- with respect to VEB, VTB Bank, Otkritie, Sovcombank, Sberbank (see Part D below) and any entity in which one or more of them own a 50 percent or greater interest:
 - GL 8, in order “to account for the challenges high energy prices pose to average citizens,” authorizes, through 12:01 a.m. eastern daylight time on June 24, 2022, transactions involving such entities that are related to energy.²⁸
 - GL 9 authorizes, through 12:01 a.m. eastern daylight time on May 25, 2022, transactions that are ordinarily incident and necessary (including debits to accounts of such entities on the books of a U.S. financial institution) to dealings in debt or equity of such entities, provided that any divestment or transfer of, or facilitation of divestment or transfer of, such debt or equity must be to a non-U.S. person.²⁹
 - GL 10 authorizes, through 12:01 a.m. eastern daylight time on May 25, 2022, transactions that are ordinarily incident and necessary (including debits to accounts of such entities on the books of a U.S. financial institution) to the wind-down of derivative contracts entered into prior to 4:00 p.m. eastern standard time on February 24, 2022 that (i) include any of such entities as a counterparty or (ii) are linked to the debt or equity of such entities, provided that any payments to a blocked person are made into a blocked account.³⁰
- with respect to VTB Bank, Otkritie, Sovcombank or any entity in which one or more of them own a 50 percent or greater interest:
 - GL 11 authorizes, through 12:01 a.m. eastern daylight time on March 26, 2022, transactions that are ordinarily incident and necessary to the wind-down of transactions involving such entities.³¹
 - GL 12 authorizes U.S. persons, through 12:01 a.m. eastern daylight time on March 26, 2022, to reject (rather than block) transactions involving such entities that are not otherwise authorized.³²

c. Designation of Russian Elites and Family Members

On February 22, OFAC designated pursuant to EO 14024 several individuals in President Putin's inner circle whom the Treasury Department described as "leverag[ing] their proximity to the Russian President to pillage the Russian state, enrich themselves, and elevate their family members into some of the highest positions of power at the expense of the Russian people."³³ The designations included both members of the "Russian regime's kleptocracy and their family members," as "[s]anctioned oligarchs have used family members to move assets and to conceal their immense wealth." OFAC subsequently designated additional "influential Russians in Putin's inner circle and in elite positions of power within the Russian state" pursuant to EO 14024 on February 24. On February 25, OFAC designated President Putin himself, along with, among others, Russia's Minister of Foreign Affairs, Sergei Lavrov. All property and interests in property of these individuals that are in the United States or in the possession or control of U.S. persons are blocked, and transactions that involve any property or interests in property of these individuals are generally prohibited unless authorized by OFAC.

In addition to President Putin and Sergei Lavrov, the EO 14024 designations included:

- Individuals that were previously designated under OFAC's Ukraine-/Russia-Related Sanctions program and were redesignated pursuant to EO 14024 for being or having been "leaders, officials, senior executive officers, or members of the board of directors of the Government of the Russian Federation";
- Children and spouses of such redesignated individuals;³⁴
- Individuals with leadership roles at large Russian financial institutions, particularly the concurrently sanctioned financial institutions, and other large Russian businesses, including in the mining, social media and oil and gas industries; and
- Individuals that serve or have previously served in high-ranking positions in the Russian government, including as Deputy Prime Ministers, Ministers and members of the Russian Security Council.

d. Nord Stream 2 Designations

On February 23, in connection with Germany's declaration on February 22 that it would halt the certification of the Russian pipeline Nord Stream 2, OFAC designated Nord Stream 2 AG, the company responsible for the construction of the pipeline, and its CEO, Matthias Warnig, pursuant to EO 14039. EO 14039, issued in August 2021, imposes blocking sanctions on all persons identified by the Secretary of State in a report to Congress pursuant to the Protecting Europe's Energy Security Act of 2019, as amended ("PEESA"), as persons involved in the construction of the Nord Stream 2 pipeline, unless the Secretary of State waives such sanctions pursuant to section 7503(f) of PEESA.³⁵ While Nord Stream 2 AG and Mr. Warnig were previously identified by the Department of State in its May 2021 report to Congress, at that time the Secretary of State waived the imposition of sanctions against the two parties.³⁶ The Secretary of State rescinded this waiver concurrently with OFAC's designations.³⁷ As designated persons, all property and interests in property of Nord Stream 2 AG and Mr. Warnig that are in the United States or in the possession

or control of U.S. persons are now blocked, and transactions that involve any property or interests in property of either of them are generally prohibited unless authorized by OFAC.

In connection with the designations, OFAC issued Russia-related GL 4, which authorizes, through 12:01 a.m. eastern standard time on March 2, 2022, transactions that are ordinarily incident and necessary to the wind-down of transactions involving Nord Stream 2 AG, or any entity in which Nord Stream 2 AG owns, directly or indirectly, a 50 percent or greater interest.³⁸

C. DEBT AND EQUITY PROHIBITIONS

In addition to the designations under EO 14024 discussed in Section A.2 above, OFAC issued several new directives under EO 14024 to expand Russia-related debt and equity restrictions.

1. Directive 1A – Prohibitions Related to Certain Russian Sovereign Debt

On February 22, OFAC issued Russia-related Directive 1A, “Prohibitions Related to Certain Sovereign Debt of the Russian Federation” (“Directive 1A”), which amends and supersedes Directive 1 under EO 14024.³⁹ Directive 1 prohibited U.S. financial institutions, as of June 14, 2021, from (i) participating in the primary market for ruble- or non-ruble-denominated bonds issued after June 14, 2021 by the Central Bank, the National Wealth Fund, or the Ministry of Finance; and (ii) lending ruble- or non-ruble-denominated funds to the Central Bank, the National Wealth Fund, or the Ministry of Finance. Directive 1A maintains these prohibitions and further prohibits U.S. financial institutions,⁴⁰ as of March 1, 2022, from participating in the secondary market for ruble- or non-ruble-denominated bonds issued after March 1, 2022 by the Central Bank, the National Wealth Fund or the Ministry of Finance.

2. Directive 3 – Prohibitions Related to New Debt and Equity of Certain Russia-related Entities

On February 24, OFAC issued Russia-related Directive 3, “Prohibitions Related to New Debt and Equity of Certain Russia-related Entities” (the “Russia-related Entities Directive”), which prohibits transactions and dealings by U.S. persons or within the United States in new debt of longer than 14 days maturity and new equity of (i) the entities identified in Annex 1 thereto, or their property or interests in property,⁴¹ where such new debt or new equity is issued on or after 12:01 a.m. eastern daylight time on March 26, 2022; and (ii) any other entities determined to be subject to the prohibitions in the Russia-related Entities Directive, or their property or interests in property, where such new debt or new equity is issued on or after 12:01 a.m. eastern time on the date that is 30 days after the date of such determination.⁴² OFAC confirmed in a newly issued FAQ that the reference in the Russia-related Entities Directive to an identified entity’s “property or interests in property” includes entities that are 50 percent or more owned, directly or indirectly, individually or in the aggregate, by the identified entity.⁴³

In a new FAQ 989, OFAC suggested that modifications to the terms of existing debt on or after the relevant effective date will be considered new debt for purposes of the Russia-related Entities Directive.⁴⁴ OFAC also clarified, however, that instruments that use London Interbank Offered Rate (LIBOR) as a reference

rate that are modified to replace such benchmark reference rate will not be treated as new debt for OFAC sanctions purposes, so long as no other material terms of the instrument are modified. Similarly, drawdowns and disbursements under long-term credit facilities or loan agreements whose repayment terms exceed 14 days are not prohibited if the terms of such drawdowns and disbursements were contractually agreed to prior to the relevant sanctions effective date and are not modified on or after that date.⁴⁵

Parties should note, and OFAC emphasized in several new FAQs, that entities subject to the Russia-related Entities Directive may also be subject to prohibitions under other sanctions authorities, such as the CAPTA Directive discussed below or the directives issued under EO 13662.⁴⁶ For example, Sberbank is subject to the Russia-related Entities Directive, Directive 1 under EO 13662 and the CAPTA Directive. Thus, while a transaction involving new debt or equity of Sberbank may be permissible under the Russia-related Entities Directive and Directive 1 under EO 13662, such transaction must also comply with the CAPTA Directive, meaning that such transaction may not be processed by a U.S. financial institution. Similarly, Gazprom, Gazprom Neft, Gazprombank, Russian Agricultural Bank and Transneft, each named in Annex 1 to the Russia-related Entities Directive, also remain subject to the debt and equity restrictions in the applicable directives issued under EO 13662.

D. CORRESPONDENT AND PAYABLE-THROUGH ACCOUNT SANCTIONS

On February 24, OFAC issued Directive 2 under EO 14024, “Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions” (the “CAPTA Directive”).⁴⁷ The CAPTA Directive prohibits U.S. financial institutions⁴⁸ from (i) opening or maintaining a correspondent account or payable-through account for or on behalf of any entities determined to be subject to the prohibitions of the CAPTA Directive, or their property or interests in property; and (ii) processing transactions involving any entities determined to be subject to the CAPTA Directive, or their property or interests in property. OFAC confirmed in a newly issued FAQ that the reference in the CAPTA Directive to an identified entity’s “property or interests in property” includes entities 50 percent or more owned, directly or indirectly, by the identified entity.⁴⁹ Entities subject to the CAPTA Directive are not blocked, but U.S. financial institutions must reject any transactions involving such entities.

In connection with the issuance of the CAPTA Directive, OFAC identified Sberbank, the largest financial institution in Russia, and 25 of its financial institution subsidiaries, as subject to the prohibitions thereof. The prohibitions with respect to Sberbank and its subsidiaries take effect at 12:01 a.m. eastern daylight time on March 26, 2022. For entities subsequently determined to be subject to the provisions of the CAPTA Directive, the prohibitions will take effect beginning at 12:01 a.m. eastern time on the date that is 30 days after the date of such determination. Sberbank and its subsidiaries have been added to OFAC’s List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions.⁵⁰

As discussed in Part B.2 above, certain transactions involving Sberbank or any of its subsidiaries that would otherwise be prohibited under EO 14024 (other than the opening or maintaining of a correspondent account

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or payable-through account on their behalf by a U.S. financial institution) are authorized for limited periods of time pursuant to Russia-related GLs issued concurrently with the CAPTA Directive. As noted above in Part C.2, however, Sberbank remains subject to Directive 1 under EO 13662, and these Russia-related GLs do not authorize transactions that would be prohibited thereunder.

E. GENERAL LICENSES

In addition to the temporary entity-specific Russia-related GLs discussed in this Part B, OFAC issued several additional Russia-related GLs that indefinitely authorize transactions that would otherwise be prohibited by EO 14024:

- GL 5 authorizes transactions for the official business of certain international organizations, including certain development banks.⁵¹
- GL 6 authorizes transactions ordinarily incident and necessary to (i) the exportation and reexportation of agricultural commodities, medicine, medical devices, and replacement parts and components or software updates for medical devices; and (ii) the prevention, diagnosis or treatment of COVID-19.⁵² GL 6 does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity subject to the CAPTA Directive.
- GL 7 authorizes transactions that are ordinarily incident and necessary to (i) certain overflights of, or emergency landings in, Russia by U.S.-registered or controlled aircrafts; and (ii) the provision of air ambulance and related medical services to individuals in Russia.⁵³ GL 7 does not authorize the opening or maintaining of a correspondent account or payable-through account for or on behalf of any entity subject to the CAPTA Directive.

F. EXPORT CONTROLS

On February 24, the Department of Commerce's Bureau of Industry and Security ("BIS") issued a final rule (the "Final Rule") adding new Russia-related license requirements and licensing policies to the Export Administration Regulations ("EAR") "to protect U.S. national security and foreign policy interests by restricting Russia's access to items that it needs to project power and fulfill its strategic ambitions."⁵⁴ The new export controls are intended to primarily target Russia's defense, aerospace, and maritime sectors.

1. New License Requirement

The Final Rule imposes, subject to certain exceptions, a license requirement for the export, reexport, or transfer (in-country) to or within Russia of any item subject to the EAR and classified under any Export Control Classification Number ("ECCN") in Categories 3, 4, 5, 6, 7, 8, or 9 of the Commerce Control List, Supplement Number 1 to part 774 of the EAR (the "CCL").⁵⁵ The license requirement does not apply to deemed exports or deemed reexports. When a license application is required, applications for such items will generally be subject to a policy of denial.⁵⁶

2. New Foreign Direct Product Rules

The Final Rule establishes two new foreign direct product ("FDP") rules in Section 734.9 of the EAR. Certain countries, identified in a new Supplement Number 3 to Part 746 (Russia Exclusions List), that BIS has

determined are committed to implementing substantially similar export controls as part of their domestic sanctions against Russia are fully or partially excluded from the requirements of the new FDP rules.

a. Russia FDP Rule

The first FDP rule (the “Russia FDP Rule”) makes subject to the EAR the direct product of a wide range of CCL software and technology (U.S.-origin technology or software specified in any ECCN in product groups D or E in Categories 3, 4, 5, 6, 7, 8 or 9 of the CCL), or items produced by a complete plant or major component of a plant that itself is the direct product of such U.S.-origin technology or software, when it is known that the foreign-produced item is destined to Russia or will be incorporated into or used in the production or development of any part, component, or equipment produced in or destined to Russia. A license is required for the reexport, export from abroad, or transfer (in-country) of any foreign-produced items subject to the EAR under the Russia FDP Rule. The license requirement under the Russia FDP Rule does not apply to covered items that are designated EAR99.⁵⁷ License applications for items subject to the EAR under the Russia FDP Rule will generally be subject to a policy of denial.⁵⁸

b. Russia-MEU FDP Rule

The second FDP rule (the “Russia-MEU FDP Rule”) targets certain Russian military end users (the “Russian MEUs”) that previously were on BIS’s Military End Users List and were moved to the Entity List, Supplement Number 4 to part 744 of the EAR, in connection with the Final Rule.⁵⁹ The Russia-MEU FDP Rule establishes a license requirement for direct products of a wide range of CCL software and technology (any software or technology in an ECCN in any category of the CCL), or items produced by a plant or major component of a plant that itself is the direct product of such U.S.-origin technology or software, when it is known that the foreign-produced item will be incorporated into, or will be used in the production or development of, any part, component or equipment produced, purchased or ordered by a Russian MEU. A license is required to reexport, export from abroad, or transfer (in-country), to any destination, any foreign-produced item subject to the EAR under the Russia-MEU FDP Rule, other than certain foods or medicines. Notably, unlike the license requirement under the Russia FDP Rule, the license requirement under the Russia-MEU FDP Rule applies to *all* covered items that are subject to the EAR, including items designated EAR99. License applications for items subject to the Russia-MEU FDP Rule will be subject to a policy of denial in all cases.

G. BELARUS SANCTIONS

On February 24, OFAC designated 24 Belarusian individuals and entities under EO 14038 due to “Belarus’s support for, and facilitation of, the invasion.”⁶⁰ These designations focused on Belarus’s financial institutions and defense sector, two areas in which Belarus has close ties to Russia. OFAC designated two large state-owned financial institutions: (i) Belarussian Bank of Development and Reconstruction Belinvestbank Joint Stock Company, the fourth-largest financial institution in Belarus, and several of its subsidiaries; and (ii) Bank Dabrabyt Joint-Stock Company, the eleventh-largest financial institution in Belarus. In the defense

sector, OFAC designated the State Authority for Military Industry of the Republic of Belarus, the central agency that oversees the creation and coordination of Belarusian defense products, as well as a number of defense and security companies that produce defense items such as military aircraft, electronic warfare equipment, radar systems and semiconductors for military use. Finally, OFAC designated individuals in leadership roles at certain of the designated companies and several senior Belarusian security apparatus officials.

Concurrently with the designations, OFAC issued two Belarus-related GLs to authorize certain transactions related to the official business of the U.S. government and international organizations and entities.⁶¹

U.K. SANCTIONS

A. FEBRUARY 22 SANCTIONS

In response to Russia's recognition of the non-government-controlled areas of the DNR and LNR regions and its plans to send troops to Ukraine, on February 22, 2022 the U.K. government announced that it would designate a further three Russian individuals and five Russian banks. The U.K. Foreign Secretary Liz Truss stated this "first wave" of U.K. sanctions was targeted at the "oligarchs at the heart of Putin's inner circle and banks which have bankrolled the Russian occupation of Crimea."⁶²

Accordingly, the U.K.'s Office of Financial Sanctions Implementation ("OFSI") issued a Financial Sanctions Notice designating the following individuals and entities:⁶³

- Gennadiy Nikolayevich Timchenko – A major shareholder in Bank Rossiya (see below).
- Boris Romanovich Rotenberg – A prominent Russian businessman with close personal ties to President Putin.
- Igor Arkadyevich Rotenberg – A prominent Russian businessman with close familial ties to President Putin. Igor Rotenberg is the Chairman of the Board of Directors of National Telematic Systems ("NTS"). NTS is conducting business in the transport sector, which is of strategic significance to the Government of Russia. Igor Rotenberg is also a shareholder in RT-Invest Transport Systems ("RTITS"). RTITS, through the "Platon" toll system, is conducting business in the transport sector.
- Bank Rossiya – A Russian bank privately owned by Russian billionaires with direct links to President Putin. It also has important stakes in the National Media Group, which controls television stations that actively support the Russian Government's policies of destabilization in Ukraine. Since the annexation of Crimea, it has opened branches across Crimea and Sevastopol and provided travel cards for the public to travel across the peninsula, thereby supporting the integration of Crimea and Sevastopol into Russia through the financial system. It has also contributed to the provision of insurance and investment throughout Crimea and Sevastopol and services to support military capability and major transport links.
- Black Sea Bank for Development and Deconstruction – A Crimean bank that was created immediately after the illegal annexation of Crimea in 2014. By operating in Crimea, it has consolidated Crimea into Russia through the financial system.
- Joint Stock Company Genbank – A Russian financial institution that operates extensively in the occupied territory of Crimea.

- IS Bank – Since the annexation of Crimea, IS Bank, a Russian Bank, has operated across Crimea, after Ukrainian banks were stopped from operating there.
- Public Joint Stock Company Promsvyazbank (PSB) – As described above, a Russian state-owned bank whose main task is to service the state defense order and to finance defense industry enterprises.⁶⁴

Also on February 22, the U.K. Foreign Secretary Liz Truss issued a press release announcing further U.K. sanctions on Russia.⁶⁵ The U.K. intends to impose sanctions on the members of the Russian Duma and Federation Council who voted to recognize the independence of the DNR and LNR regions. Furthermore, over the “coming weeks” the territorial sanctions that have been imposed on Crimea will be extended to non-government controlled territory in the DNR and LNR regions. As a result, U.K. individuals or businesses will not be able to deal with either the DNR or LNR regions.

In addition, the U.K. Foreign Secretary stated that if Russia does not “de-escalate,” U.K. would take additional actions shortly and introduce legislation, including steps such as preventing Russia from issuing sovereign debt on U.K. markets. The U.K. would also work with its allies to isolate Russia from the global economy, so that it will be more difficult for Russian businesses and oligarchs to operate outside of the Russian borders.

B. FEBRUARY 24, 25 AND 28 SANCTIONS

On February 24, 2022, following the Russian invasion of Ukraine, the U.K. Prime Minister Boris Johnson announced the second package of sanctions on Russia, including financial sanctions, trade restrictions and export controls.⁶⁶ The Prime Minister indicated that:

- All major Russian banks in the U.K. will have their assets frozen and will be excluded from the U.K. financial system. This will stop them from accessing sterling and clearing payments through the U.K. This includes a full and immediate asset freeze on VTB bank.
- The U.K. will introduce new legislation that will stop major Russian state and private companies from raising finance or borrowing money on U.K. markets.
- Asset freezes will be imposed on over 100 new individuals or entities. This will also include major manufacturers who have supported President Putin’s efforts in the war against Ukraine.
- The Aeroflot airline will be banned from the U.K.
- There will be a suspension of dual-use export licenses to Russia in respect of items that can be used for military purposes.
- The U.K. will introduce new legislation to stop the export of dual-use items to Russia, including critical and high-end equipment in sectors such as aerospace and electronics and also oil refinery equipment.
- There will be a limit on the amount of deposits that Russian nationals can make into their U.K. bank accounts.
- Similar financial sanctions will be extended to Belarus for its role in the assault on Ukraine.
- The U.K. will bring forward parts of the Economic Crime Bill, which includes measures on unexplained wealth orders, a register of overseas property ownership and certain reforms to Companies House.

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- The U.K. will set up a “Kleptocracy Cell” within the National Crime Agency, which would be involved in targeting corrupt Russian assets hidden in the U.K. and sanctions evasion in the U.K.⁶⁷

On the same day, the OFSI issued a Financial Sanctions Notice designating the following further individuals and entities:⁶⁸

- VTB Bank – VTB Bank is owned by and/or associated with the Russian government and has received significant financial support from the Russian government.⁶⁹
- Denis Alexandrovich Bortnikov – The Deputy President and Chairman of the Management Board at VTB Bank, with close family ties to the Kremlin.
- Petr Mikhailovich Fradkov – The Chairman and/or CEO of PSB.
- Elena Alexandrovna Georgieva – The Chair of the Board of Novikombank. As noted above, Novikombank is a subsidiary of Rostec (see also below).
- Kirill Nikolaevich Shamalov – A major Russian businessman, with close links to President Putin and the Kremlin. Shamalov is a shareholder and Deputy Chair of the Management Board at PAO SIBUR Holding, which is a Government of Russia-affiliated entity that receives, or has received, financing, directly or indirectly, from the Russian Direct Investment Fund or the National Wealth Fund.
- Yury Slyusar – General Director of PJSC United Aircraft Corporation (“UAC”), a major aircraft manufacturer. UAC is a major supplier of aircraft to the Russian military, including aircraft that have been used by the Russian military to threaten and destabilize Ukraine.
- JSC Research and Production Corporation Uralvagonzavod – A wholly Russian state-owned company that produces military equipment, particularly tanks, for the Russian armed forces. It is one of the largest tank manufacturers in the world.
- PJSC United Aircraft Corporation (UAC) – A Russian state-owned enterprise. It contains all of Russia’s major aircraft manufacturing companies and is a major supplier of aircraft to the Russian military, including military aircraft that have been used in Crimea.
- PJSC United Shipbuilding Corporation (“USC”) – A Russian state-owned enterprise. USC is the largest shipbuilding corporation in Russia, uniting shipbuilding, repair and maintenance subsidiaries. USC had supplied several frigates and other warship classes that have been deployed in Crimea since Russia illegally annexed the region in 2014, and conducted drills in the Black Sea in 2021.
- Rostec – A major Russian state-owned defense conglomerate, which is a major supplier of the Russian military and related enterprises.
- JSC Tactical Missiles Corporation (“TMC”) – A Russian state-owned defense company and one of the most prominent manufacturers of missiles in Russia. TMC is a conglomerate specializing in aircraft and naval armaments, and recently announced it was developing new seaborne weapons, including a high-speed anti-ship missile with extended strike range.

The following day, February 25, responding to developments in the E.U. (see below), the U.K. announced⁷⁰ that President Putin and Sergei Lavrov would be made subject to an asset freeze, and on the same day the OFSI issued a Financial Sanctions Notice to implement that decision.⁷¹

In addition, the OFSI published a General Licence⁷² providing that a person may, until March 27, 2022, wind down any transaction to which it is party, involving VTB Bank or its U.K. subsidiary, including the closing-out of any positions, and may carry out any activity reasonable necessary to effect this.

On February 28, the OFSI issued a further Financial Sanctions Notice adding VEB, Otkritie and Sovcombank to the U.K.'s consolidated list of persons subject to an asset freeze.⁷³

E.U. SANCTIONS

C. FEBRUARY 23 SANCTIONS

In response to Russia's recognition of the non-government-controlled areas of the DNR and LNR regions and its decision to send troops to Ukraine, the E.U. announced on February 23 that it had adopted a new package of sanctions on Russia, which had been approved unanimously by the E.U. member states on February 22.⁷⁴

The legislation that implements this first package of sanctions was published in the Official Journal on February 23. The legislation comprises:

- Council Implementing Regulation (EU) 2022/260⁷⁵ and Council Implementing Regulation (EU) 2022/261,⁷⁶ which implement Regulation (EU) No 269/2014 by designating all members of the Russia State Duma who voted in favor of recognizing the independence of separatist-claimed parts of DNR and LNR and 27 other individuals and entities who are playing a role in undermining and threatening Ukrainian territorial integrity, sovereignty and independence. These individuals and entities are: (i) the decision-makers that are responsible for "threatening Ukraine" and also entities materially and financially supporting or benefitting from them; (ii) those in the defense sector who had a role in the destabilization and invasion of Ukraine; (iii) those who are involved in the "disinformation war" against Ukraine; and (iv) the banks that finance the Russian decision-makers and other operations in DNR and LNR⁷⁷ (including Internet Research Agency, Bank Rossiya, PSB and VEB).
- Council Regulation (EU) 2022/259, which amends Regulation (EU) No 269/2014 through the addition of a new derogation mechanism allowing E.U. member states to release certain frozen funds and economic resources belonging to certain of the newly designated entities (Bank Rossiya, PSB and VEB) or make certain funds or economic resources available to such entities after determining that such funds or economic resources are necessary for the termination by August 24, 2022 of operations and contracts, including correspondent banking relations, concluded with such entities before February 23, 2022.⁷⁸
- Council Regulation (EU) 2022/262, which amends Regulation (EU) No 833/2014 to impose, subject to certain conditions, a sectoral prohibition on the financing of Russia and its government, the Central Bank of Russia, or any entity/legal person acting on behalf of or at the direction of the Central Bank of Russia. This includes a prohibition on E.U. member states directly or indirectly purchasing, selling, providing investment services for or assistance in the issuances of, or otherwise dealing with transferable securities and money-market instruments issued after March 9, 2022 by such entities/legal persons. In addition, making any new loans to such entities/legal persons after February 23, 2022 is prohibited (except for drawdowns or disbursements made under a contract concluded before February 23, 2022 where all terms and conditions for such drawdown or disbursement were agreed before February 23, 2022 and have not been modified on or after that date, and before February 23, 2022 a contractual

maturity date has been fixed for the repayment in full of all funds made available and for the cancellation of all commitments, rights and obligations under the contract).⁷⁹

- Council Regulation (EU) 2022/263, which introduces measures similar to those that already applied in relation to Crimea and Sevastopol: an import ban on goods from the non-government-controlled areas of DNR and LNR; a prohibition on certain types of investment (such as real estate or businesses) in the non-government-controlled areas of DNR and LNR; a prohibition on providing financing or financial assistance as well as insurance and reinsurance related to the import of goods from the non-government-controlled areas of DNR and LNR; a prohibition on selling, supplying, transferring or exporting goods in sectors such as transport, telecommunications, energy and oil to the non-government-controlled areas of DNR and LNR; an export ban for goods in the infrastructure and natural resources sectors; a related ban on the provision of technical assistance, brokering, construction or engineering services; and a prohibition on providing tourism services.⁸⁰

In addition, Germany announced technical measures which in effect prevent the Nord Stream 2 pipeline from becoming operational.

D. FEBRUARY 24 SANCTIONS

On February 24, 2022, a special summit of E.U. leaders was convened and a further package of sanctions against Russia was agreed.⁸¹ In relation to this second package of E.U. sanctions on Russia, European Commission President Ursula von der Leyen said the financial sanctions would target “70% of the Russian banking market and key state owned companies, including defence.”⁸² In addition, the E.U. would target the energy sector, which is particularly beneficial to Russia. The E.U. export ban will “hit the oil sector” and make it “impossible for Russia to upgrade its refineries.” The E.U. will ban any sale of aircrafts and equipment to Russian airlines. There will be changes to the visa policy of the E.U. so that Russian diplomats and businesspersons will no longer have privileged access to the E.U. The E.U. will also limit Russia’s access to crucial technologies such as software and semiconductors.

The legislation, which implements this second package of sanctions, was published in the Official Journal on February 25. The legislation comprises:

- Council Regulation (EU) 2022/328,⁸³ which further amends Regulation (EU) No 833/2014 so as to: (i) impose further restrictions on exports of dual-use goods and technology and certain goods and technology that might contribute to Russia’s enhancement of its defense and security sector, together in each case with restrictions on the provision of related services; (ii) prohibit the provision of public financing or financial assistance for trade with, or investment in, Russia (subject to certain exceptions); (iii) prohibit the sale, supply, transfer or export to Russia of further specific goods and technologies for use in oil refining, together with restrictions upon the provision of related services; (iv) introduce an export ban covering goods and technology suited for use in aviation and the space industry and prohibit the provision of insurance and reinsurance services, maintenance services, technical assistance and other related services, and financing and financial assistance in relation to those goods and technology; (v) expand the existing financial restrictions, in particular those on access by certain Russian entities to the E.U. capital markets, as well as prohibit the listing and provision of services in relation to shares of Russian state-owned entities on E.U. trading venues; (vi) limit the financial inflows from Russia to the E.U. by prohibiting the acceptance of deposits exceeding certain values from Russian nationals or residents, the holding of accounts of

Russian clients by the E.U. central securities depositaries and the sale of Euro-denominated securities to Russian clients.

- Council Regulation (EU) 2022/330,⁸⁴ which further amends Regulation (EU) No 269/2014 to broaden the scope of persons who can be made subject to restrictive measures under that Regulation. In particular, the scope has been expanded to include (i) natural or legal persons, entities or bodies supporting, materially or financially, or benefitting from the Russian government; (ii) leading businesspersons or legal persons, entities or bodies involved in economic sectors providing a substantial source of revenue to the Russian government; and (iii) natural or legal persons, entities or bodies associated with those falling within paragraphs (i) and (ii).
- Council Implementing Regulation (EU) 2022/332,⁸⁵ which implements Regulation (EU) 269/2014 by designating (i) the members of the Russian National Security Council who supported Russia's immediate recognition of the two self-proclaimed republics of DNR and LNR; (ii) persons who facilitated the Russian military aggression from Belarus; and (iii) those members of Russia's State Duma not previously included. This Regulation includes the designation of President Putin and Sergei Lavrov.
- Council Decision (EU) 2022/333,⁸⁶ which partially suspends the application of the agreement in place between the E.U. and Russia on the issue of visas.

FUTURE DEVELOPMENTS AND IMPLICATIONS

The sanctions imposed by the United States, U.K. and E.U. since February 21 represent a very substantial and significant expansion of existing sanctions relating to Russia. It is nevertheless clear that further action is to be expected. On February 26, in a joint statement,⁸⁷ the leaders of the United States, the E.U., the U.K., France, Germany, Italy and Canada announced that they “are resolved to continue imposing costs on Russia that will further isolate Russia from the international financial system and our economies.” They made five specific undertakings:

- remove selected Russian banks from SWIFT;
- impose restrictive measures that will prevent the Russian Central Bank from deploying its international reserves in ways that undermine Western sanctions;
- take measures to limit the sale of citizenship—so-called “golden passports”—that allow wealthy Russians connected to the Russian government to become citizens of Western countries and gain access to Western financial systems;
- launch a transatlantic task force to ensure effective implementation of the financial sanctions and targeting of the Russian “oligarchs,” by identifying and seizing the assets of sanctioned individuals; and
- step up coordination against disinformation and other forms of hybrid warfare.

The leaders went on to state:

“Even beyond the measures we are announcing today, we are prepared to take further measures to hold Russia to account for its attack on Ukraine.” Further, in a statement on Ukraine issued late in the day on February 27 by President von der Leyen of the European Commission, even more sanctions were promised, including:

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- closing the E.U. airspace for Russian-owned, Russian-registered or Russian-controlled aircraft, prohibiting aircraft from landing in, taking off from or overflying the territory of the E.U. The release promised that the prohibition would apply to any plane owned, chartered or otherwise controlled by a Russian legal or natural person;⁸⁸
- banning in the E.U. Russian state-owned media, Russia Today and Sputnik, as well as their subsidiaries in order to “ban their toxic and harmful disinformation” in Europe;
- a package of additional Belarus sanctions, including restrictive measures against sectors important to the economy, export restrictions on dual-use goods, and specific sanctions against persons identified as assisting Russia’s efforts.

The statement also provided that for the first time ever, the E.U. will finance the purchase and delivery of weapons and other equipment to Ukraine, as “a country that is under attack.”

In addition, on February 28 the U.K. Government issued a press release confirming that it will immediately take all necessary steps to bring into effect restrictions to prohibit any U.K. natural or legal person from undertaking financial transactions involving the Central Bank, the National Wealth Fund and the Ministry of Finance. The statement promised that “[w]orking with allies, we will cripple Russia’s economic development in both the short and long term.”⁸⁹

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. Reports have indicated that, among other things, future sanctions could include additional blocking designations, prohibitions on dealing in any new debt or shortening the applicable maturity under Russia-related Directive 3 and sanctions targeting other sectors of the Russian economy, including the energy sector. In addition to any additional sanctions measures that may be imposed in the future, 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.

* * *

ENDNOTES

- ¹ See, e.g., Executive Order 13685 of December 19, 2014, Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine, *available at* https://home.treasury.gov/system/files/126/ukraine_eo4.pdf [EO 13685]; Council Regulation (EU) No 692/2014 concerning restrictive measures in response to the illegal annexation of Crimea and Sevastopol.
- ² See, e.g., EO 13685; Executive Order 13662 of March 20, 2014, Blocking Property of Additional Persons Contributing to the Situation in Ukraine, *available at* https://home.treasury.gov/system/files/126/ukraine_eo3.pdf; Executive Order 13661 of March 16, 2014, Blocking Property of Additional Persons Contributing to the Situation in Ukraine, *available at* https://home.treasury.gov/system/files/126/ukraine_eo2.pdf; Executive Order 13660 of March 6, 2014, Blocking Property of Certain Persons Contributing to the Situation in Ukraine, *available at* https://home.treasury.gov/system/files/126/ukraine_eo.pdf; see also, e.g., Ukraine Related Sanctions Regulations, 31 C.F.R. Part 589.
- ³ See, e.g., Executive Order 14024 of April 15, 2021, Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation, *available at* <https://home.treasury.gov/system/files/126/14024.pdf>. The specified harmful activities include: (i) efforts to undermine the conduct of free and fair democratic elections and democratic institutions in the United States and its allies and partners; (ii) to engage in and facilitate malicious cyber-enabled activities against the United States and its allies and partners; (iii) to foster and use transnational corruption to influence foreign governments; (iv) to pursue extraterritorial activities targeting dissidents or journalists; (v) to undermine security in countries and regions important to United States national security; and (vi) to violate well-established principles of international law, including respect for the territorial integrity of states
- ⁴ See, e.g., Protecting Europe’s Energy Security Act of 2019, Pub. L. No. 116-92, tit. LXXV, 133 Stat. 2300; Countering Russian Influence in Europe and Eurasia Act of 2017, Pub. L. No. 115-44, tit. II, 131 Stat. 898; Ukraine Freedom Support Act of 2014, Pub. L. No. 113-272, 128 Stat. 2952; Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014, Pub. L. No. 113-95, 128 Stat. 1088.
- ⁵ See, e.g., Determinations Regarding Use of Chemical Weapons by Russia Under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991, 83 Fed. Reg. 43,723 (Aug. 27, 2018) (imposing sanctions following a determination that Russia had, in connection with a chemical weapons attack in Salisbury, United Kingdom, “used chemical weapons in violation of international law or lethal chemical weapons against its own nationals”); see also FAQ 674, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/674>.
- ⁶ See, e.g., Press Release, Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign Activity (Apr. 6, 2018), *available at* <https://home.treasury.gov/news/press-releases/sm0338>.
- ⁷ See Directive 1 (as amended on September 29, 2017) under Executive Order 13662 (generally prohibiting U.S. persons from engaging in transactions relating to certain “new equity” or “new debt of longer than 14 days maturity” of identified persons in the Russian financial services sector), *available at* https://home.treasury.gov/system/files/126/eo13662_directive1_20170929.pdf; Directive 2 (as amended on September 29, 2017) under Executive Order 13662 (generally prohibiting U.S. persons from engaging in transactions relating to certain “new debt of longer than 60 days maturity” of identified persons in the Russian energy sector), *available at* https://home.treasury.gov/system/files/126/eo13662_directive2_20170929.pdf; Directive 3 Under Executive Order 13662 (Sept. 12, 2014) (generally prohibiting U.S. persons from engaging in transactions relating to certain “new debt of longer than 60 days maturity” of identified persons in the Russian defense and related materiel sector), *available at* https://home.treasury.gov/system/files/126/eo13662_directive3.pdf; Directive 4 (as amended on October 31, 2017) under Executive Order 13662 (generally prohibiting U.S. persons from the

ENDNOTES (CONTINUED)

- provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services) or technology in support of exploration or production of certain deepwater, Arctic offshore or shale projects), available at https://home.treasury.gov/system/files/126/eo13662-directive4_20171031.pdf.
- 8 See Directive 1 under Executive Order of April 15, 2021, Blocking Property with Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation (Apr. 15, 2021), available at https://home.treasury.gov/system/files/126/sovereign_debt_prohibition_directive_1.pdf, superseded on Feb. 22, 2022.
- 9 See, e.g., 22 U.S.C. §§ 8909(a), 8923(a), 8924(a)-(b).
- 10 See, e.g., Press Release, Treasury Sanctions Russian Cyber Actors for Interference with the 2016 U.S. Elections and Malicious Cyber-Attacks, March 15, 2018, available at <https://home.treasury.gov/news/press-releases/sm0312>; Press Release, Treasury Sanctions Russian Cyber Actors for Virtual Currency Theft, September 16, 2020, available at <https://home.treasury.gov/news/press-releases/sm1123>.
- 11 The main EU measures are contained in Council Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0269-20211213&from=EN>, Council Regulation (EU) No 692/2014 concerning restrictive measures in response to the illegal annexation of Crimea and Sevastopol, available at [EUR-Lex - 02014R0692-20141220 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0692-20141220-EN) and Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02014R0833-20190709&from=EN> (in each case, as amended and extended).
- 12 A full list of the EU restrictive measures in response to the crises in Ukraine, available at <https://www.consilium.europa.eu/en/policies/sanctions/ukraine-crisis/>.
- 13 The Russia (Sanctions) (EU Exit) Regulations 2019, available at <https://www.legislation.gov.uk/ukxi/2019/855/contents/made>.
- 14 The Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022, available at <https://www.legislation.gov.uk/ukxi/2022/123/contents/made>.
- 15 Executive Order 14065 of February 21, 2022, Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine, available at <https://home.treasury.gov/system/files/126/14065.pdf>.
- 16 General License No. 17, Authorizing the Wind Down of Transactions Involving the So-Called Donetsk People's Republic or Luhansk People's Republic Regions of Ukraine, available at https://home.treasury.gov/system/files/126/ukraine_gl17.pdf.
- 17 General License No. 18, Authorizing the Exportation or Reexportation of Agricultural Commodities, Medicine, Medical Devices, Replacement Parts and Components, or Software Updates to Certain Regions of Ukraine and Transactions Related to the Coronavirus Disease (COVID-19) Pandemic, available at https://home.treasury.gov/system/files/126/ukraine_gl18.pdf.
- 18 General License No. 19, Authorizing Transactions Related to Telecommunications and Mail, available at https://home.treasury.gov/system/files/126/ukraine_gl19.pdf.
- 19 General License No. 20, Official Business of Certain International Organizations and Entities, available at https://home.treasury.gov/system/files/126/ukraine_gl20.pdf.
- 20 General License No. 21, Authorizing Noncommercial, Personal Remittances and the Operation of Accounts, available at https://home.treasury.gov/system/files/126/ukraine_gl21.pdf.

ENDNOTES (CONTINUED)

- 21 General License No. 22, Authorizing the Exportation of Certain Services and Software Incident to Internet-Based Communications, *available at* https://home.treasury.gov/system/files/126/ukraine_gl22.pdf.
- 22 Determination Pursuant to Section I(a)(i) of Executive Order 14024, *available at* https://home.treasury.gov/system/files/126/russia_harmful_determination_20220222.pdf.
- 23 See FAQ 964, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/964>.
- 24 Executive Order 14024 of April 15, 2021, Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation, *available at* <https://home.treasury.gov/system/files/126/14024.pdf>.
- 25 See Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property are Blocked, August 13, 2014 (“50 Percent Rule”), *available at* https://home.treasury.gov/system/files/126/licensing_guidance.pdf.
- 26 General License No. 2, Authorizing Certain Servicing Transactions Involving State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank, *available at* https://home.treasury.gov/system/files/126/russia_gl2.pdf.
- 27 General License No. 3, Authorizing the Wind Down of Transactions Involving State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank, *available at* https://home.treasury.gov/system/files/126/russia_gl3.pdf.
- 28 General License No. 8, Authorizing Transactions Related to Energy, *available at* https://home.treasury.gov/system/files/126/russia_gl8.pdf. For purposes of GL 8, “related to energy” means the extraction, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication, transport, or purchase of petroleum, including crude oil, lease condensates, unfinished oils, natural gas liquids, petroleum products, natural gas, or other products capable of producing energy, such as coal, wood, or agricultural products used to manufacture biofuels, or uranium in any form, as well as the development, production, generation, transmission, or exchange of power, through any means, including nuclear, thermal, and renewable energy sources.
- 29 General License No. 9, Authorizing Transactions Related to Dealings in Certain Debt or Equity, *available at* https://home.treasury.gov/system/files/126/russia_gl9.pdf.
- 30 General License No. 10, Authorizing Certain Transactions Related to Derivative Contracts, *available at* https://home.treasury.gov/system/files/126/russia_gl10.pdf.
- 31 General License No. 11, Authorizing the Wind Down of Transactions Involving Certain Blocked Persons, *available at* https://home.treasury.gov/system/files/126/russia_gl11.pdf.
- 32 General License No. 12, Authorizing U.S. Persons to Reject Certain Transactions, *available at* https://home.treasury.gov/system/files/126/russia_gl12.pdf.
- 33 Press Release, U.S. Treasury Imposes Immediate Economic Costs in Response to Actions in the Donetsk and Luhansk Regions, February 22, 2022, *available at* <https://home.treasury.gov/news/press-releases/jy0602>.
- 34 EO 14024 authorizes sanctions against a spouse or adult child of any person whose property and interests in property are blocked pursuant to EO 14024 for certain reasons, including for being or having been a leader, official, senior executive officer or member of the board of directors of the Government of the Russian Federation.
- 35 Executive Order 14039 of August 20, 2021, Blocking Property With Respect to Certain Russian Energy Export Pipelines, *available at* <https://home.treasury.gov/system/files/126/14039.pdf>.
- 36 See Press Statement, Nord Stream 2 and European Energy Security, May 19, 2021, *available at* <https://www.state.gov/nord-stream-2-and-european-energy-security/>.

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- 37 Press Statement, Sanctioning NS2AG, Matthias Warnig, and NS2AG's Corporate Officers, available at <https://www.state.gov/sanctioning-ns2ag-matthias-warnig-and-ns2ags-corporate-officers/>.
- 38 General License No. 4, Authorizing the Wind Down of Transactions Involving Nord Stream 2 AG, available at https://home.treasury.gov/system/files/126/peesa_gl4.pdf.
- 39 Directive 1A Under Executive Order 14024, Prohibitions Related to Certain Sovereign Debt of the Russian Federation, available at https://home.treasury.gov/system/files/126/russia_directive_1a.pdf.
- 40 For purposes of Directive 1A and Directive 2, a "U.S. financial institution" is defined to mean "any U.S. entity (including its foreign branches) that is engaged in the business of accepting deposits, making, granting, transferring, holding, or brokering loans or credits, or purchasing or selling foreign exchange, securities, futures or options, or procuring purchasers and sellers thereof, as principal or agent. It includes depository institutions, banks, savings banks, money services businesses, operators of credit card systems, trust companies, insurance companies, securities brokers and dealers, futures and options brokers and dealers, forward contract and foreign exchange merchants, securities and commodities exchanges, clearing corporations, investment companies, employee benefit plans, dealers in precious metals, stones, or jewels, and U.S. holding companies, U.S. affiliates, or U.S. subsidiaries of any of the foregoing. This term includes those branches, offices, and agencies of foreign financial institutions that are located in the United States, but not such institutions' foreign branches, offices, or agencies.
- 41 The entities listed in Annex 1 as of February 24, 2022, were:
- Credit Bank Of Moscow Public Joint Stock Company
 - Gazprombank Joint Stock Company
 - Joint Stock Company Alfa-Bank
 - Joint Stock Company Russian Agricultural Bank
 - Joint Stock Company Sovcomflot
 - Open Joint Stock Company Russian Railways
 - Public Joint Stock Company Alrosa
 - Public Joint Stock Company Gazprom
 - Public Joint Stock Company Gazprom Neft
 - Public Joint Stock Company Rostelecom
 - Public Joint Stock Company Rushydro
 - Public Joint Stock Company Sberbank Of Russia
 - Public Joint Stock Company Transneft
- 42 Directive 3 Under Executive Order 14024, Prohibitions Related to New Debt and Equity of Certain Russia-related Entities, available at https://home.treasury.gov/system/files/126/new_debt_and_equity_directive_3.pdf.
- 43 FAQ 985, available at <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/985>.
- 44 FAQ 989, available at <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/989>.
- 45 FAQ 987, available at <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/987>.
- 46 See, e.g., FAQs 989, 988 and 984, available at <https://home.treasury.gov/policy-issues/financial-sanctions/faq/added/2022-02-24>.
- 47 Directive 2 Under Executive Order 14024, Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions, available at https://home.treasury.gov/system/files/126/correspondent_accounts_directive_2.pdf.
- 48 See note 40.

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- 49 FAQ 969, *available at* <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/969>.
- 50 *Available at* <https://home.treasury.gov/policy-issues/financial-sanctions/consolidated-sanctions-list/list-of-foreign-financial-institutions-subject-to-correspondent-account-or-payable-through-account-sanctions-capta-list>.
- 51 General License No. 5, Official Business of Certain International Organizations and Entities, https://home.treasury.gov/system/files/126/russia_gl5.pdf.
- 52 General License No. 6, Transactions Related to the Exportation or Reexportation of Agricultural Commodities, Medicine, Medical Devices, Replacement Parts and Components, or Software Updates, or the Coronavirus Disease 2019 (COVID-19) Pandemic, *available at* https://home.treasury.gov/system/files/126/russia_gl6.pdf.
- 53 General License No. 7, Authorizing Overflight Payments, Emergency Landings, and Air Ambulance Services, *available at* https://home.treasury.gov/system/files/126/russia_gl7.pdf.
- 54 Final Rule, Implementation of Sanctions Against Russia Under the Export Administration Regulations (EAR), *available at* <https://public-inspection.federalregister.gov/2022-04300.pdf>.
- 55 Categories 3-9 of the EAR cover: electronics, computers, telecommunications, information security, sensors and lasers, navigation and avionics, marine, and aerospace and propulsion.
- 56 To minimize unintended consequences, a case-by-case review policy applies to applications to export, reexport, or transfer (in-country) items that ensure safety of flight, maritime safety, meet humanitarian needs, enable government space cooperation, and allow transactions for items destined to specified Western subsidiaries and joint ventures, support civil telecommunications infrastructure in certain countries, and government-to-government activities.
- 57 Items not designated under the control of another federal agency or listed on the CCL are classified as EAR99. EAR99 items generally consist of low-technology consumer goods and do not require a license in many situations.
- 58 See note 56.
- 59 The Final Rule adds a new footnote 3 to the Entity List for each of the Russian military end users that were removed from the MEU List and added to the Entity List. At the time of the issuance of the Final Rule, there were a total of 49 entities with a footnote 3 designation.
- 60 Press Release, U.S. Treasury Targets Belarusian Support for Russian Invasion of Ukraine, February 24, 2022, *available at* <https://home.treasury.gov/news/press-releases/jy0607>.
- 61 See General License No. 6, Official Business of the United States Government, *available at* https://home.treasury.gov/system/files/126/belarus_gl6.pdf; General License No. 7, Official Business of Certain International Organizations and Entities, *available at* https://home.treasury.gov/system/files/126/belarus_gl7.pdf.
- 62 UK hits Russian oligarchs and banks with targeted sanctions: Foreign Secretary's statement (Feb 22, 2022), *available at* <https://www.gov.uk/government/news/uk-hits-russian-oligarchs-and-banks-with-targeted-sanctions-foreign-secretary-statement>.
- 63 Office of Financial Sanctions Implementation HM Treasury, Financial Sanctions Notice (Feb 22, 2022).
- 64 Office of Financial Sanctions Implementation HM Treasury, Financial Sanctions Notice (Feb 22, 2022).
- 65 UK hits Russian oligarchs and banks with targeted sanctions: Foreign Secretary's statement (Feb 22, 2022), *available at* <https://www.gov.uk/government/news/uk-hits-russian-oligarchs-and-banks-with-targeted-sanctions-foreign-secretary-statement>.
- 66 PM statement to the House of Commons on Ukraine: 24 February 2022, *available at* <https://www.gov.uk/government/speeches/pm-statement-to-the-house-of-commons-on-ukraine-24-february-2022>.

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- 67 PM statement to the House of Commons on Ukraine: 24 February 2022, *available at* <https://www.gov.uk/government/speeches/pm-statement-to-the-house-of-commons-on-ukraine-24-february-2022>.
- 68 Office of Financial Sanctions Implementation HM Treasury, Financial Sanctions Notice (Feb 24, 2022), *available at* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057264/Notice_Russia_240222.pdf.
- 69 Office of Financial Sanctions Implementation HM Treasury, Financial Sanctions Notice (Feb 24, 2022), *available at* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057264/Notice_Russia_240222.pdf.
- 70 Press Release, UK Government sanctions Vladimir Putin and Sergey Lavrov, 25 February 2022, *available at* <https://www.gov.uk/government/news/uk-government-sanctions-vladimir-putin-and-sergey-lavrov>.
- 71 Office of Financial Sanctions Implementation HM Treasury, Financial Sanctions Notice (Feb 25, 2022), *available at* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057547/Notice_Russia_250222.pdf.
- 72 General Licence – Wind Down of Positions Involving VTB, INT/2022/1272278, *available at* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057549/INT.2022.1272278_General_Licence_Wind_Down_of_Positions_Involving_VTB.pdf.
- 73 Office of Financial Sanctions Implementation HM Treasury, Financial Sanctions Notice (Feb 28, 2022), *available at* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1057799/Notice_Russia_280222.pdf.
- 74 EU adopts package of sanctions in response to Russian recognition of the non-government controlled areas of the Donetsk and Luhansk oblasts of Ukraine and sending of troops into the region (Feb 23, 2022), *available at* <https://www.consilium.europa.eu/en/press/press-releases/2022/02/23/russian-recognition-of-the-non-government-controlled-areas-of-the-donetsk-and-luhansk-oblasts-of-ukraine-as-independent-entities-eu-adopts-package-of-sanctions/>.
- 75 Council Regulation (EU) 2022/260, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0260&from=EN>; Council Decision (CFSP) 2022/265, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022D0265&from=EN>.
- 76 Council Regulation (EU) 2022/261, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0261&from=EN>; Council Decision (CFSP) 2022/267, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022D0267&from=EN>.
- 77 Russia/Ukraine: Press remarks by High Representative Josep Borrell after extraordinary informal meeting of EU Foreign Ministers (Feb 22, 2022), *available at* <https://www.consilium.europa.eu/en/press/press-releases/2022/02/22/statement-by-the-presidents-of-the-european-council-and-european-commission-on-russian-aggression-against-ukraine/>.
- 78 Council Regulation (EU) 2022/259, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0259&from=EN>; Council Decision (CFSP) 2022/265, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022D0265&from=EN>.
- 79 Council Regulation (EU) 2022/262, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0262&from=EN>; Council Decision (CFSP) 2022/264, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022D0264&from=EN>.
- 80 Council Regulation (EU) 2022/263, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R0263&from=EN>; Council Decision (CFSP) 2022/266,

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- 83 Council Regulation (EU) 2022/328, *available at* [EUR-Lex - L:2022:049:TOC - EN - EUR-Lex \(europa.eu\)](#).
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- 86 Council Decision (EU) 2022/333, *available at* [EUR-Lex - L:2022:054:TOC - EN - EUR-Lex \(europa.eu\)](#).
- 87 Joint Statement on Further Restrictive Economic Measures: 26 February 2022, *available at* [Joint Statement on Further Restrictive Economic Measures | The White House](#).
- 88 This measure is implemented in Regulation (EU) No 2022/334 of February 28, 2022 which amends Regulation (EU) No 833/2014, *available at* [EUR-Lex - L:2022:057:TOC - EN - EUR-Lex \(europa.eu\)](#).
- 89 News story, UK Statement on Further Economic Sanctions Targeted at the Central Bank of the Russian Federation, *available at* <https://www.gov.uk/government/news/uk-statement-on-further-economic-sanctions-targeted-at-the-central-bank-of-the-russian-federation>.

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