

New U.S., UK and EU Sanctions against Russia in Response to Actions in the Donetsk and Luhansk Regions of Ukraine

February 24, 2022

On Monday, February 21, 2022, Russian President Vladimir Putin recognized the “independence and sovereignty” of the self-declared Donetsk People’s Republic (“DPR”) and Luhansk People’s Republic (“LPR”) and ordered Russian armed forces into separatist-controlled territories. Today, Russian forces pressed into Ukraine, and additional sanctions are expected shortly.

Here, we summarize the U.S., UK and EU sanctions to date.

U.S. Sanctions. The United States has imposed (i) embargoes on the breakaway territories, (ii) targeted sanctions on a handful of entities and individuals, and (iii) further restrictions on U.S. persons dealing in new Russian sovereign debt. In addition, the United States has declared that any person determined to be operating in Russia’s financial sector may now be targeted for sanctions.

- *Embargo of Breakaway Territories.* [E.O. 14065](#) imposes an embargo, apparently modeled on E.O. 13685’s embargo of Crimea, on the DPR and LPR regions of Ukraine, effectively prohibiting new U.S. investment in and any U.S. trade with the regions. The order authorizes future sanctions against persons determined to have operated in the DPR or LPR regions and certain other individuals and entities associated with such persons.
- The new embargoes were accompanied by [licenses](#) for wind-down activities in those regions (effective through 12:01 a.m. Eastern daylight time on March 23, 2022) and for humanitarian and related activities (international organizations, remittances and communications-related activities).
- *New Blocking Sanctions.* In response to Russia’s escalation in Ukraine, the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) [announced](#) new blocking sanctions under E.O. 14024 against Vnesheconombank (“VEB”), including 25 subsidiaries, and Promsvyazbank, together with 17 of its subsidiaries. Also newly designated were three adult children of Russian government officials already subject to U.S. blocking sanctions (two of whom were also redesignated under E.O. 14024).

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- A wind-down [license](#) was issued (effective through 12:01 a.m. Eastern daylight time on March 24, 2022) for dealings with VEB and its newly sanctioned subsidiaries, and another [license](#) was issued authorizing dealings with VEB in its role as servicer of Russian sovereign bonds issued before March 1, 2022. No wind-down license was issued regarding Promsvyazbank.
 - In addition, the United States has [imposed](#) blocking sanctions on the company responsible for building the Nord Stream 2 pipeline and its chief executive officer. A general [license](#) (effective through 12:01 a.m. Eastern daylight time on March 2, 2022) authorizes wind-down transactions involving Nord Stream 2 AG and its subsidiaries that would otherwise be prohibited by E.O. 14039.
 - *Sovereign Debt Restrictions.* OFAC [amended](#) existing sanctions on Russian sovereign debt such that U.S. persons are now also restricted from participating in the secondary market for sovereign debt issued after March 1, 2022.
 - *Financial Sector Determination.* The [determination](#) allows the Treasury Secretary to designate for U.S. sanctions any person operating in Russia's financial sector. This action does not result in any new sanctions. Rather, as OFAC explains in new [FAQ 964](#), it "exposes persons who operate or have operated in an identified sector to sanctions risk."

UK Sanctions. On February 22, 2022, the United Kingdom imposed asset freezes on five Russian entities and three individuals, as follows:

- Bank Rossiya;
- Black Sea Bank for Development and Reconstruction;
- Joint Stock Company Genbank;
- IS Bank;
- Public Joint Stock Company Promsvyazbank;
- Gennady Nikolayevich Timchenko;
- Boris Romanovich Rotenberg; and
- Igor Arkadyevich Rotenberg.

These asset freezes have been imposed under the newly expanded asset freeze designation criteria, which were introduced by the United Kingdom on February 10, 2022 (see [here](#)).

Unlike the United States and European Union, the United Kingdom has not implemented additional trade sanctions or broader capital market restrictions at this time. However, the UK foreign secretary has announced that the UK government is working to introduce further sanctions in the coming weeks that will (i) apply to members of the Duma and Federation Council who voted to recognize the independence of Donetsk and Luhansk, and (ii) impose trade sanctions on areas of the DPR and LPR controlled by nongovernment forces, which will prevent UK individuals and businesses from dealing with these territories. The UK foreign secretary has also stated that the UK will restrict Russian government sovereign debt sales, though the exact timing for these restrictions is currently unclear.

Further announcements on February 24, 2022 by the UK prime minister suggest that the UK may be working on a further package of sanctions, though at present it is unclear if this is a reference to the additional restrictions described above or further, harsher sanctions similar to those mentioned by the EU (as described below).

EU Sanctions. Just before midnight on February 23, 2022, the EU imposed what it described as its first package of sanctions in response to events in Ukraine. The sanctions consisted of three types of restrictions:

- 362 additional asset freeze designations, which target:
 - 22 individuals deemed to be directly involved with undermining Ukrainian sovereignty, with the list covering senior politicians, military leaders, prominent business persons closely linked to the Russian regime, and individuals deemed to be involved in state propaganda;
 - 4 Russian entities, which cover the Internet Research Agency (an entity purportedly involved with Ukraine-related disinformation campaigns), Bank Rossiya, Promsvyazbank and VEB; and
 - All 336 members of the Russian Duma, who have been added to the list for supporting the recognition of the Luhansk and Donetsk separatists.
- Restrictions on EU persons from dealing with any transferable securities or money market instruments issued by Russia and its government, the Central Bank of Russia and any person acting at its direction or on its behalf after March 9, 2022, and further restrictions on making new loans or credit available to these categories of persons

from February 23, 2022. These restrictions are similar to the preexisting EU capital market restrictions that were imposed in 2014 on certain Russian state-owned banks, oil and gas companies and manufacturers, with an important difference: unlike those preexisting sanctions, these restrictions do not state a minimum maturity period for the relevant instruments or loans. Notably, this category of restrictions does not affect secondary trading in Russian government debt issued prior to March 9, 2022.

- The EU has imposed trade restrictions on nongovernment-controlled areas in the Donetsk and Luhansk regions of Ukraine. These restrictions broadly mirror the wide-ranging trade sanctions that affect the Crimea and Sevastopol region of Ukraine and consist of: (i) import bans on goods from these territories, including a prohibition on ancillary services such as insurance for such imports, (ii) investment restrictions relating to this region, (iii) restrictions on the provision of certain listed transport, telecommunications, energy and oil and gas related goods, and any associated technical or financial services, (iv) a ban on certain services for the construction and engineering services industries in the region, and (v) a prohibition on providing service directly related to tourism in this region.

Although not technically a form of sanctions, Germany has also announced that it will suspend certification of the Nord Stream 2 project. Reports indicate that there is still a possibility that the project may be reassessed at a later date.

The EU has also announced that it is considering a further, tougher set of sanctions in response to the invasion on February 24, 2022, but has not yet announced the specifics of any such sanctions. Based on press reports, these restrictions may apply further asset freezes, impose trade sanctions on strategic sectors of Russia's economy and apply further restrictions to Russia's banking sector.

Looking ahead, companies should stay abreast of developments and identify counterparties that are newly designated or that become the target of sanctions due to being owned or controlled by a listed person. Companies conducting business in Russia or with Russian counterparties also should assess their potential exposure as western authorities adopt additional sanctions.

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Please do not hesitate to contact us with any questions.

WASHINGTON, D.C.



Satish M. Kini
smkini@debevoise.com



Robert T. Dura
rdura@debevoise.com



Aseel M. Rabie
arabie@debevoise.com

LONDON/NEW YORK



Jane Shvets
jshvets@debevoise.com

LONDON



Konstantin Bureiko
kbureiko@debevoise.com

NEW YORK



Carl Micarelli
cmicarelli@debevoise.com

MOSCOW



Alan Kartashkin
akartashkin@debevoise.com



Anastasia M. Magid
ammagid@debevoise.com