

# A Guide to U.S., UK and EU Sanctions on Russia and Belarus

**December 23, 2022**

In response to Russia’s invasion of Ukraine, the United States, the United Kingdom (“UK”) and the European Union (“EU”) have imposed various sanctions and export controls. Below is an overview of the sanctions and export controls imposed by the United States, UK and EU as of 9:00 a.m. EST December 22, 2022. **All updates since the November 17 publication are indicated in red.**

In addition to the measures described below, other jurisdictions, including Australia, Canada and Japan, have adopted new sanctions against Russia. Also, on February 28, 2022, Switzerland announced it would adopt all sanctions the EU has imposed on Russia and freeze Russian assets, breaking with the country’s historical policy of neutrality.<sup>1</sup>

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<sup>1</sup> The Federal Council, “Switzerland adopts EU sanctions against Russia” (Feb. 28, 2022), available [here](#).

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## U.S. SANCTIONS

The U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) has imposed under Executive Order 14024: (i) additional prohibitions on Russian sovereign debt and on transactions involving the Central Bank of the Russian Federation (“CBR”), the National Wealth Fund of the Russian Federation and the Ministry of Finance of the Russian Federation; (ii) blocking sanctions on Russian President Vladimir Putin and other Russian government officials, entities and individuals close to President Putin and various financial institutions; (iii) correspondent and payable-through account sanctions on Public Joint Stock Company Sberbank of Russia (“Sberbank”); and (iv) additional prohibitions related to new debt and equity of major Russian state-owned enterprises and large privately owned financial institutions.<sup>2</sup> E.O. 14024 authorizes blocking sanctions on persons determined to operate or have operated in certain specified sectors of the Russian economy and other sectors as determined by the U.S. Secretary of the Treasury, in consultation with the Secretary of State. On May 8, 2022, Treasury expanded the scope of E.O. 14024 under this provision to cover the accounting,<sup>3</sup> trust and corporate formation services<sup>4</sup> and management consulting<sup>5</sup>

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<sup>2</sup> On March 1, 2022, OFAC published the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 (“New Regulations”) to implement E.O. 14024. The New Regulations were published in abbreviated form for the purpose of providing immediate guidance to the public. OFAC intends to supplement these regulations with a more comprehensive set of regulations that may include additional interpretive guidance and definitions, general licenses and other regulatory provisions. 87 Fed. Reg. 11297 (Mar. 1, 2022), available [here](#).

<sup>3</sup> “Accounting sector” includes the measurement, processing, and evaluation of financial data about economic entities. OFAC Frequently Asked Question (“FAQ”) 1038.

sectors of the Russian economy.<sup>6</sup> On September 15, 2022, Treasury expanded the scope of the executive order to include the quantum computing sector of the Russian economy.<sup>7</sup>

OFAC has also imposed (i) under E.O. 14065, comprehensive sanctions on the Donetsk and Luhansk regions of Ukraine; and (ii) under E.O. 14066, a prohibition on imports of certain Russian energy products into the United States and on investments in the Russian energy sector.

In addition, Executive Order 14068 imposed a prohibition on (i) imports into the United States of certain products of Russian origin; (ii) export, reexport, sale or supply from the United States or by a U.S. person<sup>8</sup> of luxury goods to any person in Russia; (iii) new investment by a U.S. person in any sector of the Russian economy as may be determined by the Secretary of the Treasury; and (iv) export, reexport, sale or supply from the United States or by a U.S. person of U.S. dollar-denominated banknotes to the Russian government or any person in Russia. Further, Executive Order 14071 prohibits new investment in and designated categories of services to the Russian Federation, as described further below. Executive Orders 14065, 14066, 14068 and 14071 also prohibit any approval, financing, facilitation or guarantee of any prohibited transaction by a U.S. person.

Finally, U.S. authorities have imposed blocking sanctions on certain Belarusian persons related to Belarus's support for and facilitation of the Russian military action in Ukraine as well as export controls restricting the access of Russia and Belarus to certain U.S. goods, software and technologies.

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<sup>4</sup> "Management consulting sector" includes strategic business advice; organizational and systems planning, evaluation, and selection; development or evaluation of marketing programs or implementation; mergers, acquisitions, and organizational structure; staff augmentation and human resources policies and practices; brand management; and executive search and vetting services. *Id.*; FAQ 1064.

<sup>5</sup> "Trust and corporate formation services sector" includes assisting persons in forming or structuring legal persons, such as trusts and corporations; acting or arranging for another person to act as directors, secretaries, administrative trustees, trust fiduciaries, registered agents, or nominee shareholders of legal persons; providing a registered office, business address, correspondence address, or administrative address for legal persons; and providing administrative services for trusts. FAQ 1038.

<sup>6</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(i) of Executive Order 14024, [available here](#). This follows determinations made on March 31, 2022, [available here](#) (Russian aerospace, marine and electronics sectors), and February 22, 2022, [available here](#) (Russian financial services sector). The technology sector and defense and related materiel sector of the Russian economy were identified in E.O. 14024 when it was issued on April 15, 2021.

<sup>7</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(i) of Executive Order 14024, [available here](#).

<sup>8</sup> A "U.S. person" is defined as any U.S. citizen, lawful permanent resident, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any individual or entity in the United States.

## Russia

### Prohibition on New Investment in and Provision of Certain Services to Russia

On April 6, 2022, U.S. President Joe Biden signed Executive Order 14071 prohibiting:

- All new investment in Russia by U.S. persons (wherever located).
- The exportation, reexportation, sale or supply, directly or indirectly, from the United States, or by a U.S. person (wherever located), to any “person located in the Russian Federation”<sup>9</sup> of any category of services the Secretary of the Treasury may determine.
- Any approval, financing, facilitation, or guarantee by a U.S. person (wherever located) of a transaction by a foreign person where the transaction by that foreign person would be prohibited by the executive order if performed by a U.S. person or within the United States.<sup>10</sup>

In addition, any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of or attempts to violate any of the prohibitions of the executive order, and any conspiracy formed to violate any of the prohibitions of the order, are prohibited. This prohibition applies to all of the executive orders and to directives issued under E.O. 14024 discussed below.

### ***New Investment Prohibition***

In a series of FAQs OFAC provided guidance on how it will interpret “new investment.”<sup>11</sup> FAQ 1049 defines “new investment” as the commitment of capital or other assets for the purpose of generating returns or appreciation, made on or after the effective date of the executive order. New investments include: (i) the purchase or acquisition of real estate in Russia (other than for noncommercial, personal use); (ii) entry into an agreement requiring the commitment of capital or other assets for the establishment or expansion of projects or operations in Russia, including the formation of joint ventures or other corporate entities in Russia; (iii) entry into an agreement providing for the participation in royalties or ongoing profits in Russia; (iv) the lending of funds to persons located in Russia for commercial purposes, including when such funds are intended to be used to fund a new or expanded project or operation in Russia; (v) the purchase of an equity interest in an entity located in Russia; (vi) the purchase or acquisition of rights to natural resources or exploitation thereof in Russia; and (vi)

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<sup>9</sup> OFAC interprets this phrase to include persons in the Russian Federation, individuals ordinarily resident in the Russian Federation, and entities incorporated or organized under the laws of the Russian Federation or any jurisdiction within the Russian Federation. FAQ 1058.

<sup>10</sup> 87 Fed. Reg. 20999 (Apr. 8, 2022).

<sup>11</sup> See FAQs 1049-1055.

commitments pursuant to the exercise of rights under an agreement entered into *before* the effective date of the executive order, where such commitment is made on or after the effective date of the executive order.

New investment does *not* include: (i) the maintenance of an investment made prior to the effective date of the executive order;<sup>12</sup> (ii) entry into, performance of, or financing of a contract, pursuant to ordinary commercial sales terms, to sell or purchase goods, services, or technology to or from an entity in Russia; and (iii) wind down or divestment of a pre-existing investment, such as a pre-existing investment in an entity, project, or operation, including any associated tangible property, located in Russia.

In addition, OFAC confirmed that U.S. persons are prohibited from purchasing new and existing debt and equity securities issued by an entity in Russia, but are not prohibited from selling or divesting, or facilitating the sale or divestment of, debt or equity securities issued by an entity in Russia to a non-U.S. person.<sup>13</sup> U.S. persons are also not required to divest such securities and may continue to hold such previously acquired securities. See the “FAQ” section of this Client Update for further information on the guidance on new investments issued by OFAC.

### ***Services Prohibition***

#### *1. Accounting, Trust and Corporate Formation, and Management Consulting Services*

On May 8, 2022, OFAC issued a determination pursuant to E.O. 14071 prohibiting the exportation, reexportation, sale or supply, directly or indirectly, from the United States or by a U.S. person of: (i) accounting; (ii) trust and corporate formation; and (iii) management consulting services, in each case to any person located in Russia.

However, the prohibition does not apply to: (i) any service to an entity located in Russia that is owned or controlled (directly or indirectly) by a U.S. person; and (ii) any service in connection with the wind down or divestiture of an entity located in Russia that is not owned or controlled (directly or indirectly) by a Russian person.<sup>14</sup>

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<sup>12</sup> “Maintenance” of investments generally includes all transactions ordinarily incident to performing under an agreement in effect prior to the effective date of the executive order, *provided* that such transactions are consistent with previously established practices and support pre-existing projects or operations. Maintenance includes: (i) transactions to ensure continuity of pre-existing projects or operations located in Russia (including payments to employees, suppliers, landlords, lenders, and partners); (ii) the preservation and upkeep of pre-existing tangible property in Russia; and (iii) activities associated with maintaining pre-existing capital investments or equity investments. Maintenance activities do not include the expansion of pre-existing projects or operations beyond those in effect prior to the effective date of the executive order. FAQ 1050.

<sup>13</sup> FAQ 1054.

<sup>14</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(ii) of E.O. 14071, *available* [here](#).

In addition, OFAC clarified that the prohibition does not extend to persons located outside of Russia that are owned or controlled by persons located in Russia, *provided* that the services are not an indirect export to a person located in Russia (*i.e.*, the benefit of the services is ultimately received by a person located in Russia).<sup>15</sup> However, the prohibition does apply to services provided to a parent company in Russia by its U.S. subsidiary.<sup>16</sup> See the “FAQ” section of this Client Update for further information on the guidance issued by OFAC, including specific services and roles that are prohibited. The prohibitions pursuant to this determination took effect on June 7, 2022.

## 2. *Quantum Computing*

On September 15, 2022, OFAC issued another determination pursuant to E.O. 14071 prohibiting the exportation, reexportation, sale or supply, directly or indirectly, from the United States or by a U.S. person of quantum computing services to any person in Russia. This prohibition does not apply to services: (i) to an entity located in Russia that is owned or controlled (directly or indirectly) by a U.S. person; and (ii) in connection with the wind down or divestiture of an entity located in Russia that is not owned or controlled (directly or indirectly) by a Russian person.<sup>17</sup> The determination took effect on October 15, 2022.

## 3. *Russian-Origin Crude Oil and Petroleum Products*

On September 9, 2022, OFAC indicated its intent to issue a determination pursuant to E.O. 14071 to implement a price cap on Russian-origin crude oil<sup>18</sup> (“Russian oil”) and petroleum products (“Russian petroleum”) as proposed by the G7 leaders on June 28, 2022<sup>19</sup> and confirmed on September 2, 2022.

On November 21, 2022, OFAC issued this determination, prohibiting the exportation, reexportation, sale or supply, directly or indirectly, from the United States, or by a United States person (wherever located) of certain services related to the maritime transportation of Russian oil to any person located in Russia, if the Russian oil is

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<sup>15</sup> FAQ 1059.

<sup>16</sup> FAQ 1062.

<sup>17</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(ii) of E.O. 14071, *available here*.

<sup>18</sup> “Crude oil” is defined at Harmonized Tariff Schedule of the United States subheading 2709.00. See OFAC, *Guidance on Implementation of the Price Cap Policy for Crude Oil of Russian Federation Origin* (November 22, 2022), *available here*.

<sup>19</sup> Press release from the U.S. Department of the Treasury dated June 28, 2022, *available here*.

purchased above the price cap.<sup>20</sup> The determination took effect at 12:01 a.m. EST on December 5, 2022, and the price cap was set at \$60/barrel.<sup>21</sup>

OFAC has prohibited the following services as they relate to the maritime transport of Russian crude oil sold above the price cap:

- *Trading/commodities brokering*: Buying, selling or trading commodities and/or brokering the sale, purchase or trade of commodities on behalf of other buyers or sellers.
- *Financing*: A commitment for the provision or disbursement of any debt, equity, funds or economic resources, including grants, loans, guarantees, suretyships, bonds, letters of credit, supplier credits, buyer credits and import or export advances.
  - The processing or clearing of payments by intermediary banks is not considered “financing” for the purposes of this prohibition if the bank (i) is operating solely as an intermediary and (ii) does not have any direct relationship with the person providing services related to the maritime transport of the Russian oil as it relates to the transaction.
- *Shipping*: Owning or operating a ship for the purpose of carrying or delivering cargo and/or freight transportation; chartering or sub-chartering ships to deliver cargo or transport freight; brokering between shipowners and charterers; and serving as a shipping/vessel agent.
- *Insurance*: The provision of insurance, reinsurance or protection and indemnity (“P&I”) services; satisfying claims related to underwriting insurance policies that protect policyholders against losses that may occur as a result of property damage or liability; assuming all or part of the risk associated with existing insurance policies originally underwritten by other insurance carriers, including the reinsurance of a non-U.S. insurance carrier by a U.S. person; and liability insurance for maritime liability risks associated with the operation of a vessel, including cargo, hull, vessel, P&I and charterer’s liability.
- *Flagging*: Registering or maintaining the registration of a vessel with a country’s national registry of vessels. This definition does not include the deflagging of vessels transporting Russian oil sold above the price cap.

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<sup>20</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(ii) of E.O. 14071, [available here](#).

<sup>21</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(ii), 1(b), and 5 of E.O. 14071, [available here](#).



- *Customs brokering*: Assisting importers and exporters in meeting requirements governing imports and exports. This definition does not include legal services or assisting importers and exporters in meeting the requirements of U.S. sanctions.

Shipping, freight, customs and insurance costs are not included in the price cap and must be invoiced separately and at commercially reasonable rates. OFAC has stated that it would view the billing of commercially unreasonable shipping, freight, customs or insurance costs as a sign of potential evasion of the price cap.<sup>22</sup>

U.S. persons providing covered services are required to reject participating in evasive transactions or transactions that violate the determination, and to report such transactions to OFAC.<sup>23</sup> However, OFAC has provided U.S. service providers with a safe harbor from enforcement, provided that they comply in good faith with a recordkeeping and attestation process. To meet the requirements of the safe harbor, U.S. service providers must ensure that refiners or other purchasers in third countries that have not prohibited the import of Russian oil provide documentation showing that the Russian oil was purchased at or below the price cap. OFAC published guidance by “tier” of actor on what each type of actor must do and the diligence each type of actor must undertake to be afforded the safe harbor. U.S. persons may reasonably rely on a certificate of origin but should exercise caution if they have reason to believe such certificate has been falsified or is otherwise erroneous.<sup>24</sup>

Russian crude oil that is loaded onto a vessel at the port of loading prior to 12:01 a.m. EST, December 5, 2022, and unloaded at the port of destination prior to 12:01 a.m. EST, January 19, 2023, is not subject to the determination. Thus, U.S. service providers can continue to provide covered services with respect to Russian crude oil purchased at any price, provided that the Russian crude oil is loaded onto a vessel at the port of loading for maritime transport prior to 12:01 a.m. EST, December 5, 2022, and unloaded at the port of destination prior to 12:01 a.m. EST, January 19, 2023.<sup>25</sup>

On February 5, 2023, the price cap policy will be expanded to maritime transportation of Russian petroleum products.<sup>26</sup> OFAC anticipates publishing preliminary guidance on the implementation of the price cap policy for petroleum products in the near future.

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<sup>22</sup> OFAC, Guidance on Implementation of the Price Cap Policy for Crude Oil of Russian Federation Origin (November 22, 2022), available [here](#).

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> U.S. Department of the Treasury, Fact Sheet: Limiting Kremlin Revenues and Stabilizing Global Energy Supply with a Price Cap on Russian Oil, available [here](#).

### Prohibition on Certain Imports and Exports

On March 11, 2022, President Biden signed Executive Order 14068 prohibiting:

- Imports into the United States of the following products of Russian origin:
  - fish, seafood, and preparations thereof; alcoholic beverages; non-industrial diamonds; and any other products of Russian Federation origin as may be determined by the Secretary of Commerce. On June 28, 2022, gold was added to the list of prohibited Russian-origin goods imports.<sup>27</sup>
- Export, reexport, sale or supply from the United States or by a U.S. person (wherever located) of luxury goods, and any other items as may be determined by the Secretary of Commerce, to any person in Russia.
  - The list of U.S.-origin luxury goods issued by the Bureau of Industry and Security (“BIS”) of the U.S. Department of Commerce include certain spirits, tobacco products, clothing items, jewelry, vehicles and antique goods.<sup>28</sup>
- New investment by a U.S. person (wherever located) in any sector of the Russian economy as may be determined by the Secretary of the Treasury.
- Export, reexport, sale or supply (directly or indirectly) from the United States or by a U.S. person (wherever located) of U.S. dollar-denominated banknotes to the Russian government or any person in Russia.
- Any approval, financing, facilitation or guarantee by a U.S. person (wherever located) of a transaction by a foreign person that would be prohibited by this executive order if performed by a United States person or within the United States.<sup>29</sup>

### Prohibition on Certain Imports and Investments Related to Russian Energy

On March 8, 2022, President Biden signed E.O. 14066 prohibiting certain oil imports and new investments in the energy sector. Specifically, the executive order prohibits:

- The importation into the United States of the following products of “Russian Federation origin”<sup>30</sup>: crude oil; petroleum; petroleum fuels, oils and products of their distillation; liquefied natural gas; coal; and coal products;

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<sup>27</sup> U.S. Department of the Treasury, Determination Pursuant to Section 1(a)(i) of E.O. 14068, *available here*. The prohibition excludes gold of Russian Federation origin that was located outside of the Russian Federation prior to June 28, 2022 (see FAQ 1070).

<sup>28</sup> 87 Fed. Reg. 14785 (Mar. 11, 2022).

<sup>29</sup> 87 Fed. Reg. 14381 (Mar. 15, 2022).

- “New investment in the energy sector in the Russian Federation”<sup>31</sup> by a U.S. person, wherever located.
- Any approval, financing, facilitation or guarantee by a U.S. person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by E.O. 14066 if performed by U.S. person or within the United States.

The prohibition does not apply to imports that are not of Russian Federation origin, even if such items transit through or depart from the Russian Federation.<sup>32</sup>

OFAC issued General License (“GL”) 16 to authorize the limited import of these items pursuant to pre-existing written contracts or written agreements through April 22, 2022. In addition, U.S. persons are authorized to engage in transactions to sell or re-direct shipments that were laden on or after March 8, 2022 and previously destined for the United States and transactions such as the unwinding of contracts or other business-related activities by U.S. persons to comply with the import ban imposed under the executive order are permitted.<sup>33</sup> Transactions for the conduct of the official business of the U.S. federal government or the United Nations (including its specialized agencies, programs, funds, and related organizations) by employees, grantees, or contractors thereof are also authorized.

OFAC clarified that to the extent the import of such prohibited products of Russian Federation origin outside of the United States does not involve a sanctioned person or

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<sup>30</sup> OFAC anticipates publishing regulations defining “Russian Federation origin” as “goods produced, manufactured, extracted, or processed in the Russian Federation, excluding any Russian Federation origin good that has been incorporated or substantially transformed into a foreign-made product.” FAQ 1019.

<sup>31</sup> OFAC anticipates publishing regulations defining “new investment in the energy sector in the Russian Federation” as “a transaction that constitutes a commitment or contribution of funds or other assets for, or a loan or other extension of credit to, new energy sector activities (not including maintenance or repair) located or occurring in the Russian Federation beginning on or after March 8, 2022.” *Id.* For purposes of this interpretation, a loan or extension of credit is any transfer or extension of funds or credit on the basis of an obligation to repay, or any assumption or guarantee of the obligation of another to repay an extension of funds or credit, including: overdrafts, currency swaps, purchases of debt securities, purchases of a loan made by another person, sales of financial assets subject to an agreement to repurchase, renewals or refinancings whereby funds or credits are transferred or extended to a borrower or recipient, the issuance of standby letters of credit, and drawdowns on existing lines of credit. For the purposes of this interpretation, the energy sector includes the procurement, exploration, extraction, drilling, mining, harvesting, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication or transport of petroleum, natural gas, liquified natural gas, natural gas liquids or petroleum products or other products capable of producing energy, such as coal or wood or agricultural products used to manufacture biofuels, or the development, production, generation, transmission or exchange of power, through any means, including nuclear, electrical, thermal and renewable. *Id.*

<sup>32</sup> FAQ 1020.

<sup>33</sup> FAQ 1015.

an otherwise prohibited transaction, non-U.S. persons are not exposed to sanctions under the executive order.<sup>34</sup>

### **Prohibition on Russian-Affiliated Vessels Entering U.S. Ports**

On April 22, 2022, President Biden issued Proclamation 10371 prohibiting Russian-affiliated vessels from entering into U.S. ports.<sup>35</sup> “Russian-affiliated vessels” means: (i) vessels of Russian registry (*i.e.*, the vessel is Russian flagged); (ii) vessels that are Russian owned (*i.e.*, the legal title of ownership of the vessel that appears on the ship's registration documents is the Government of the Russian Federation or a Russian company, citizen, or permanent resident); or (iii) vessels that are Russian operated (*i.e.*, a Russian company, citizen, or permanent resident is responsible for the commercial decisions concerning the employment of a ship and decides how and where that asset is employed).

The prohibition does not apply in two scenarios:

- Russian-affiliated vessels used in the transport of source material,<sup>36</sup> special nuclear material,<sup>37</sup> and nuclear byproduct material<sup>38</sup> for which, and for such time as, the Secretary of Energy (in consultation with the Secretary of State and the Secretary of Commerce) determines that no viable source of supply is available that would not require transport by Russian-affiliated vessels; and
- Russian-affiliated vessels requesting only to enter U.S. ports due to force majeure, solely to allow seafarers of any nationality to disembark or embark for purposes of conducting crew changes, emergency medical care or for other humanitarian need.

The prohibition went into effect on April 28, 2022.

## **Full Blocking Sanctions**

### ***Specially Designated Nationals and Blocked Persons List***

OFAC and the U.S. Department of State have imposed full blocking sanctions under E.O. 14024 and other sanctions authorities by placing numerous entities and individuals on

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<sup>34</sup> Note that targeted prohibitions or restrictions may apply to certain energy-related dealings with specified Russian persons under other sanctions authorities. FAQ 1018.

<sup>35</sup> 87 Fed. Reg. 24265 (Apr. 22, 2022).

<sup>36</sup> The term “source material” has the same meaning given to that term in section 11(z) of the Atomic Energy Act of 1954 (AEA) ([42 U.S.C. 2014\(z\)](#)).

<sup>37</sup> The term “special nuclear material” has the same meaning given to that term in section 11(aa) of the AEA ([42 U.S.C. 2014\(aa\)](#)).

<sup>38</sup> The term “byproduct material” has the same meaning given to that term in section 11(e) of the AEA ([42 U.S.C. 2014\(e\)](#)).

OFAC’s List of Specially Designated Nationals and Blocked Persons (“SDN List”). Below is a non-exhaustive list of entities and individuals on the SDN List:

Financial Institutions <sup>39</sup>	State-Owned Enterprises & Management <sup>40</sup>	Prominent Business Figures <sup>41</sup>	Political Figures <sup>42</sup>	Other
PJSC Rosbank (“Rosbank”)	5 Russian Railways board members	Vladimir Potanin (and family members)	The Federation Council of the Federal Assembly of the Russian Federation and 169 council members	AO PKK Milandr and its microelectronics procurement network
JSC Moscow Industrial Bank (and 10 subsidiaries)	JSC Promising Industrial and Infrastructure Technologies and its General Director	Sergei Anatolyevich Kogogin (KAMAZ chairman) <sup>44</sup>	Former Prime Minister and former President Dmitry Anatolievich Medvedev and family	2 technology procurement companies and their owner <sup>49</sup>
PJSC Transkapitalbank (“TKB”) (and 1 subsidiary)	JSC State Transportation Leasing Company (“STL”) (and 4 subsidiaries)	Alexey Mordashov (and family members) and his businesses (Severgroup LLC, Nord Gold PLC (“Nord Gold”), PJSC Severstal (“Severstal”), LLC Algoritm)	Russian Security Council member Aleksandr Dmitrievich Beglov and family	5 Russian technology and defense companies and one general director <sup>50</sup>
Sberbank (and 42 subsidiaries)	State Corporation Rostec (“Rostec”) (and over 57 subsidiaries and affiliates) and 19 board members	God Nisanov	Russian Prime Minister Mikhail Vladimirovich Mishustin and family	Novastream Limited and its general director
Alfa-Bank JSC (“Alfa-Bank”) (and five subsidiaries and five vessels)	929 GLIT, state flight testing center	Evgeny Novitsky	Speaker of Russian Federation Council Valentina Ivanovna Matviyenko and her son	Safiran Airport Services
SMP Bank	3 state-owned television stations <sup>43</sup>	Alisher Burhanovich Usmanov	Dmitry Peskov (and family members)	4 Russian financial technocrats (e.g., CEO of the National Payment Card System JSC (“NSPK”))
VTB Bank PJSC (“VTB”) (and 37 subsidiaries)	27 Gazprombank JSC board members	Yevgeniy Prigozhin (and family members)	Viktor Vasiliyevich Zolotov (head of Russian National Guard) and family	Task Force Rusich
PJSC Bank Financial Corporation Otkritie (“Otkritie”) (and 12 subsidiaries)	16 Otkritie board members	Sergey Chemezov (and his son)	Russian Deputy Prime Minister Aleksandr Valentinovich Novak	13 entities in the Russian electronics sector
OJSC Sovcombank (“Sovcombank”) (and 22 subsidiaries)	PJSC Alrosa (“Alrosa”)	Gennady Nikolayevich Timchenko (and family members)	CBR Governor Elvira Sakhmizadovna Nabiullina and First Deputy Governor Olga Nikolaevna Skorobogatova	PJSC Magnitogorskiy Metallurgicheskiy Kombinat (“MMK”)
JS Commercial Bank Novikombank (“Novikombank”)	JSC United Shipbuilding Corporation (and 28 subsidiaries and eight board members)	Ksenia Gennadevna Frank		Interregional Social Organization Union of Donbas Volunteers and 16 of its leading officials
Vnesheconombank (“VEB”) (and 25	Herman Oskarovich Gref (CEO) and Alexander Aleksandrovich Vedyakhin (First Deputy Chairman of the Executive Board) and 8 other members of the Executive Board of Sberbank	Viktor Feliksovich Vekselberg		LLC RSB-Group, LLC Private Security Organization RSB-Group and director, Oleg Anatolyevich

<sup>39</sup> Bank Rossiya was previously designated by OFAC. Bank Rossiya is described in the “EU Sanctions” section as subject to sanctions imposed by the EU.

<sup>40</sup> UralVagonZavod was previously designated by OFAC. UralVagonZavod is described in the “EU Sanctions” and “UK Sanctions” sections as subject to sanctions imposed by the EU and UK.

<sup>41</sup> Andrei Kostin was previously designated by OFAC. Andrei Kostin is described in the “EU Sanctions” and “UK Sanctions” sections as subject to sanctions imposed by the EU and UK.

<sup>42</sup> Other political figures have been designated for human rights violations, including Khusein Merlovich Khutaev, Nurid Denilbekovich Salamov and Dzhabrail Alkhazurovich Akhmatov, among others. Press release of the U.S. Department of State dated April 20, 2022, available [here](#).

<sup>43</sup> JSC Channel One Russia; Television Station Russia-1; and JSC NTV Broadcasting Company.

<sup>44</sup> OFAC also designated Zalog OOO, LLC PFMK and LLC Alfa-Invest for being owned, controlled by or acting on behalf of Kogogin.

Financial Institutions <sup>39</sup>	State-Owned Enterprises & Management <sup>40</sup>	Prominent Business Figures <sup>41</sup>	Political Figures <sup>42</sup>	Other
subsidiaries)  Promsvyazbank (“PSB”) (and 17 subsidiaries)	17 members of the board of Sovcombank  10 members of the management board of VTB, Andrey Sergeyevich Puchkov, Yuriy Alekseyevich Soloviev and Denis Aleksandrovich Bortnikov (VTB executives)  Igor Shuvalov (and family members) and Sergey Gorkov (VEB)  Nikolay Petrovich Tokarev (and family members) (Transneft)  Petr Mikhailovich Fradkov (PSB)  Russian Direct Investment Fund (“RDIF”) and its management company (JSC RDIF)  Kirill Aleksandrovich Dmitriev (CEO of RDIF and JSC RDIF)  Tactical Missiles Corporation JSC (“KTRV”) and its General Director, Boris Viktorovich Obnosov	Andrei Guriev (and son)  Andrei Skoch  Suleiman Kerimov (and his son)	Ramzan Akhmatovich Kadyrov and family  Federal Security Service (“FSB”) <sup>45</sup> and procurement network linked to FSB <sup>46</sup>  Vitaliy Pavlovich Khotsenko (and 6 high-level officials of the so-called DPR and LPR governments)  Halyna Danylchenko <sup>47</sup>  Mariya Zakharova  Yury Slyusar  Vitaly Savelyev  Maxim Reshetnikov  Irek Envarovich Faizullin  Dmitriy Yuryevich Grigorenko  Vladimir Putin (and his two daughters)  Sergei Lavrov (and his wife and daughter)  Valery Gerasimov  Sergei Shoigu and family  All members of the State Duma  Senior Russian defense officials  146 members of the Russian Federation Council <sup>48</sup>	Krinitsyn  Advanced Research Foundation and its director, Andrey Ivanovich Grigoryev  Radioavtomatika (and three of its Russian directors) and 2 third-country suppliers providing support <sup>51</sup>  Promkomplektlogistic Private Company  Sergei Pavlovich Roldugin and Elena Yuryevna Mirtova  4 Putin-linked yachts and their owners or managers <sup>52</sup>  Imperial Yachts SARM and its CEO, Evgeniy Kochman <sup>53</sup>  SRL Skyline Aviation  5 yachts and aircraft of SDNs <sup>54</sup>  Promtekhlogiya LLC  8 Russian maritime-related companies (and 69 vessels)  Konstantin Malofeyev (re-designated), his sanctions evasion network, <sup>55</sup> his son and others who have provided assistance or acted on his behalf <sup>56</sup>  Bitriver AG (and 10 Russia-based

<sup>49</sup> Yury Yuryevich Orekhov, Nord-Deutsche Industrieanlagenbau GmbH and Opus Energy Trading LLC.

<sup>50</sup> Scientific-Technical Center for Electronic Warfare (AO NTTs REB) (and its director Aleksandr Pavlovich Sarkisyan); Rotek Elpom; ZAO NTTs Modul; OOO Valtex-ST; and OAO Radioavionika.

<sup>45</sup> Re-designated June 28, 2022 pursuant to E.O. 14024; previously designated under E.O. 13382, E.O. 13694, as amended by E.O. 13757, and section 224(a)(1)(A) of the Countering America’s Adversaries Through Sanctions Act.

<sup>46</sup> Alexander Aleksandrovich Kokorev, Natalia Vasilyevna Kokoreva, Dmitriy Valeryevich Afanasyev and Hong Kong entity EMC Sud Limited.

<sup>47</sup> Russia-installed mayor of Melitopol.

<sup>48</sup> On June 30, 2022, OFAC issued a Notification of Blocked Property to Heritage Trust, a Delaware-based trust, to formally communicate OFAC’s determination that the trust is subject to the same prohibitions applicable to Suleiman Abusaidovich Kerimov, a member of the Russian Federation Council previously designated by OFAC. On November 14, 2022, Kerimov’s immediate family and his nephew were designated along with France-based real estate companies belonging to one of his daughters (and those companies’ president). OFAC also

Financial Institutions <sup>39</sup>	State-Owned Enterprises & Management <sup>40</sup>	Prominent Business Figures <sup>41</sup>	Political Figures <sup>42</sup>	Other
			<p>All members of the Russian Security Council</p> <p>Sons of previously designated individuals in President Putin’s inner circle: Sergei Sergeevich Ivanov, Andrey Patrushev, Ivan Igorevich Sechin and Vladimir Sergeevich Kiriyenko</p>	<p>subsidiaries)</p> <p>17 entities and 10 individuals that have assisted Russia evade sanctions</p> <p>12 Russian technology companies</p> <p>OOO Volga Group (“Volga Group”)</p> <p>OOO Transoil</p> <p>7 Russian media outlets and websites<sup>57</sup></p> <p>26 Russia- and Ukraine-based individuals determined to play central roles in organizations that spread disinformation</p> <p>100+ Russian defense and defense-related entities</p> <p>Nord Stream 2 AG</p> <p>3 military entities, 2 individuals and 1</p>

designated Alexander-Walter Studhalter, a Swiss national, who managed Kerimov’s companies and allegedly laundered money on Kerimov’s behalf, and eight entities across six countries associated with Studhalter. In addition, Emperor Aviation Ltd, which coordinated travel for Kerimov’s immediate family, was sanctioned on November 14, 2022.

<sup>51</sup> Sinno Electronics Co., Limited (China) and Taco LLC (Armenia).

<sup>52</sup> Graceful (Russia-flagged yacht); Olympia (Cayman Islands-flagged yacht); SCF Management Services Cyprus Ltd; Ironstone Marine Investments; JSC Argument; O’Neill Assets Corporation; Andrei Valeryevich Gasilov. Shellest; Nega; Non-Profit Partnership Revival of Maritime Traditions; Limited Liability Company Gelios.

<sup>53</sup> OOO Nord Marine, OOO Yakht-Treid, OOO Bilding Management and OOO Nord Marin Inzhiniring were designated for being owned or controlled by Kochman.

<sup>54</sup> T7-OKY; Sea Rhapsody; Madame Gu; 3A-MGU and P4-MGU.

<sup>55</sup> Autonomous Noncommercial Organization for the Study and Development of International Cooperation in the Economic Sphere International Agency of Sovereign Development (“IASD”) and four key staff; Agent de Asigurare Lider Asig Societate cu Raspundere Limitata; Organizatia de Creditare Nebancara Lider Leasing SRL; OKAF Trading Societatea cu Raspundere Limitata; Societatea cu Raspundere Limitata Project Invest Company; MGI PTE Ltd; and JSC Marshal.Global (“MarGlo”) (and its general director, Mikhail Aleksandrovich Leshchenko and MarGlo-affiliated Imperiya general director, Roman Viktorovich Nechiporuk).

<sup>56</sup> Tsargrad OOO; Pavel Vladimirovich Kuzmin; Analiticheski Tsentri Katekhon OOO; and All-Russian Public Organization Society for the Promotion of Russian Historical Development Tsargrad; Teshilovo OOO; Spetsinvestservis OOO (and its general director, Yevgeniy Yuryevich Gadetskiy); Imenie Tsargrad OOO; Tsargrad-Media OOO (and its general director, Natalya Aleksandrovna Tyurina); Kurort Livadiya OOO; Tsargrad Park OOO; Kurort Tsargrad Spas-Teshilovo OOO; Zareche-Oka OOO; Proizvodstvenno-Stroitel'naya Kompaniya SNM; Imperiya 19-31 OOO ; Ekoferma Zareche OOO; Tsargrad-Kultura OOO; Kontur OOO; and Tureya OOO.

<sup>57</sup> Odná Rodyna; Rhythm of Eurasia; Journal Kamerton; New Eastern Outlook; Oriental Review; United World International; and Geopolitica.



Financial Institutions <sup>39</sup>	State-Owned Enterprises & Management <sup>40</sup>	Prominent Business Figures <sup>41</sup>	Political Figures <sup>42</sup>	Other
				private military contractor that have facilitated the acquisition of unmanned aerial vehicles (“UAVs”) from Iran <sup>58</sup>

Additionally, all entities that are owned 50% or more (directly or indirectly) by any of these entities or individuals are subject to blocking, even if not identified by OFAC.

Generally, U.S. persons are prohibited from any dealings with, and are required to block and freeze the assets of, parties placed on the SDN List and any entities that are owned (directly or indirectly) 50% or more by such parties. These restrictions also prohibit making any contribution or provision of funds, goods or services by, to or for the benefit of any blocked person and receiving any contribution or provision of funds, goods or services from any such person.

OFAC explained that a U.S. fund may not buy, sell or otherwise engage in transactions related to debt or equity of the blocked Russian financial institutions and must block such holdings, unless exempted, authorized under GL 9C (as described below) or otherwise authorized by OFAC. However, a U.S. fund that contains such blocked holdings generally is not itself considered a blocked entity as long as the blocked holdings represent less than a predominant share by value of debt or equity of blocked persons. As a result, U.S. persons may continue to invest in the fund and the fund may continue to operate. The fund may divest itself of blocked holdings as authorized under GL 9C or separately authorized by OFAC.<sup>59</sup>

Although the prohibitions related to blocked persons apply only to U.S. persons, the United States has authority to apply “secondary sanctions” on those non-U.S. persons that have “materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of” persons blocked pursuant to E.O. 14024 or certain activities for or on behalf of, or for the benefit of, the Russian government (including malicious cyber-enabled activities, interference in a U.S. or other foreign government election, actions or policies that undermine democratic

<sup>58</sup> The U.S. Department of State re-designated PMC Wagner and OFAC designated Abba Djuma and Tigran Khristoforovich Srabionov pursuant to E.O. 14024. Press release of the U.S. Treasury Department dated November 15, 2022, *available here*. The U.S. Department of State also designated Russian Aerospace Forces (VKS), 924<sup>th</sup> State Center for Unmanned Aviation and the Command of the Military Transport Aviation (VTA) pursuant to Section 1(a)(i) of E.O. 14024. Press release of the U.S. Department of State, *available here*.

<sup>59</sup> FAQ 982. Throughout this Client Update we refer to the most recent versions of GLs that have been amended, even if the FAQs have not yet been updated to reflect the new GL number.



processes or institutions and other specified malign activities).<sup>60</sup> These secondary sanctions do not impose direct compliance obligations, but instead seek to discourage non-U.S. persons from engaging in targeted activities with Russia by threatening the imposition of certain penalties against any person determined to have engaged in the targeted activity. However, OFAC explained that non-U.S. persons generally do not risk exposure to U.S. blocking sanctions under E.O. 14024 for engaging in transactions with blocked persons, where those transactions would not require a specific license if engaged in by a U.S. person (*provided* that such transactions do not evade or avoid, have the purpose of evading or avoiding, cause a violation of, attempt to violate or constitute a conspiracy formed to violate prohibitions under E.O. 14024).<sup>61</sup>

### ***Expanded Secondary Sanctions***

On December 15, 2022, the U.S. Senate passed the Fiscal Year 2023 National Defense Authorization Act (“NDAA”), which will now go to President Biden for approval after reconciliation with the version earlier adopted by the House of Representatives. Notably, section 5590 of the NDAA includes provisions directing the President to impose sanctions against trade in Russian gold.

The bill requires that the President submit periodic reports to Congress identifying foreign persons that knowingly participated in a significant transaction for the sale, supply or transfer (including transportation), of gold, directly or indirectly, to or from (i) Russia or (ii) the government of Russia, including outside Russia or involving reserves of the Central Bank of Russia. The report must also identify foreign persons who knowingly participated in a significant transaction that otherwise involved gold in which the Russian government had any interest. Under the bill, the President would be required to impose blocking and visa sanctions against those persons identified in the reports.

### **Prohibition on Sovereign Debt and Transactions with the Central Bank of Russia**

[Directive 4](#), “Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation” (the “Russia-related Sovereign Transactions Directive”), prohibits U.S. persons from engaging in any transaction (direct or indirect)<sup>62</sup> involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation or the Ministry of Finance of the Russian Federation (“Directive 4 Entities”), including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.

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<sup>60</sup> E.O. 14024 section 1(a)(vi).

<sup>61</sup> FAQ 980.

<sup>62</sup> FAQ 998.

Because the directive's prohibition covers direct and indirect involvement of the Directive 4 Entities, OFAC has urged U.S. persons to be cautious of nonroutine foreign exchange transactions that may indirectly involve Directive 4 Entities. OFAC also noted that U.S. persons should exercise caution in engaging in foreign exchange transactions on the Moscow Exchange given the current heightened risk that the Central Bank of the Russian Federation could be a counterparty to such transactions.<sup>63</sup>

Directive 4 does *not* prohibit trading in the secondary markets for debt or equity of Directive 4 Entities, *provided* that no Directive 4 Entity is a counterparty to such transaction.<sup>64</sup> Further, OFAC clarified that its "50% Rule"<sup>65</sup> does not apply to this directive<sup>66</sup> and that U.S. persons are not required to block transactions involving Directive 4 Entities, but must only reject such transactions.<sup>67</sup>

[Directive 1A](#), "Prohibitions Related to Certain Sovereign Debt of the Russian Federation" (the "Russia-related Sovereign Debt Directive"), prohibits U.S. financial institutions<sup>68</sup> from participating in the secondary market for bonds issued after March 1, 2022 by the Directive 4 Entities (prohibitions on participation in primary market and lending had been introduced earlier).

Entities determined to be subject to the prohibitions of Directive 1A or Directive 4 will be listed on OFAC's Non-SDN Menu-Based Sanctions List.

### **Correspondent and Payable-Through Account Sanctions on Sberbank**

Prior to the imposition of full blocking sanctions on Sberbank and its subsidiaries on April 6, 2022, OFAC imposed restrictions on Sberbank and 25 foreign financial institution ("FFI") subsidiaries that are 50% or more owned, directly or indirectly, by Sberbank pursuant to Directive 2 under E.O. 14024.

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<sup>63</sup> FAQ 981, 1002.

<sup>64</sup> FAQ 1005.

<sup>65</sup> The "50% Rule" states that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked.

<sup>66</sup> FAQ 1001.

<sup>67</sup> FAQ 1004.

<sup>68</sup> For the purposes of this directive, the term "U.S. financial institution" means 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.

[Directive 2](#), “Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions” (the “Russia-related CAPTA Directive”), prohibits U.S. financial institutions<sup>69</sup> from:

- opening or maintaining a correspondent account<sup>70</sup> or payable-through account<sup>71</sup> for or on behalf of FFIs determined to be subject to the prohibitions of the directive, or their property or interests in property; and
- processing a transaction involving such FFIs or their property or interests in property.

OFAC clarified that the prohibitions of Directive 2 apply with respect to any currency, not just transactions denominated in U.S. dollars.<sup>72</sup>

All FFIs that are 50% or more owned by a designated entity are covered. However, OFAC also clarified that the prohibitions do not apply to subsidiaries that are not FFIs, even if those non-FFI subsidiaries are 50% or more owned, directly or indirectly, individually or in the aggregate, by one or more FFIs determined to be subject to the directive.<sup>73</sup>

Directive 2 does not impose blocking sanctions and, thus, does not require U.S. financial institutions to block the assets of FFIs subject to the prohibitions of the directive.<sup>74</sup> Instead, the directive requires that U.S. financial institutions reject any transaction involving any such FFI or its property or interests in property. This includes rejecting transactions related to any securities (including depositary receipts) issued by such FFI, including secondary market trading.<sup>75</sup>

Prohibitions for Sberbank and its FFI subsidiaries under Directive 2 took effect at 12:01 a.m. EDT on March 26, 2022. For FFIs that are later determined to be subject to Directive 2, the prohibitions of the directive would take effect 30 days after the date of

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<sup>69</sup> The prohibition only applies to U.S. financial institutions and does not apply to foreign subsidiaries of U.S. financial institutions (see FAQ 972). U.S. individuals and companies that are not “U.S. financial institutions,” as defined in fn. 10, can process transactions involving FFIs that are subject to the directive. See FAQ 973.

<sup>70</sup> Directive 2 defines “correspondent account” as “an account established by a U.S. financial institution for [an FFI] to receive deposits from, or to make payments on behalf of, the [FFI], or to handle other financial transactions related to such [FFI].”

<sup>71</sup> The term “payable-through account” is defined as “a correspondent account maintained by a U.S. financial institution for [an FFI] by means of which the [FFI] permits its customers to engage, either directly or through a subaccount, in banking activities usual in connection with the business of banking in the United States.”

<sup>72</sup> FAQ 971.

<sup>73</sup> FAQ 969.

<sup>74</sup> FAQ 967.

<sup>75</sup> *Id.*

such determination. Entities determined to be subject to the prohibitions of this directive will be listed on OFAC's CAPTA List.

### Debt and Equity Prohibitions

[Directive 3](#), "Prohibitions Related to New Debt and Equity of Certain Russia-related Entities" (the "Russia-related Entities Directive"), prohibits U.S. persons and persons within the United States from all transactions in, provision of financing for, and other dealings in: (i) new debt<sup>76</sup> of longer than 14 days' maturity; and (ii) new equity, in each case, of entities determined to be subject to the prohibitions of the directive or their property or interests in property, including entities that are 50% or more owned by an entity subject to the directive, and irrespective of currency denomination.<sup>77</sup>

OFAC has determined 13 entities are subject to the prohibitions under Directive 3. Three of these, Sberbank, Alfa-Bank and Alrosa, have since become subject to full blocking sanctions. The other ten entities determined to be subject to Directive 3 are:

- Credit Bank of Moscow PJSC
- PJSC Transneft
- Gazprombank JSC
- PJSC Rostelecom
- JSC Russian Agricultural Bank
- PJSC RusHydro
- PJSC Gazprom
- JSC Sovcomflot
- PJSC Gazprom Neft
- OJSC Russian Railways

Prohibitions took effect at 12:01 a.m. EDT on March 26, 2022 for these entities and their 50% or more owned subsidiaries. For any entity later determined to be subject to Directive 3, the prohibitions of the directive would take effect 30 days after the date of such determination. Entities determined to be subject to the prohibitions of this directive will be listed on OFAC's Non-SDN Menu-Based Sanctions List.

With respect to long-term credit facility or loan agreements between a U.S. person and an entity subject to the directive entered into before the directive's effective date, OFAC explained that drawdowns and disbursements with repayment terms of 14 days or less are permitted. Drawdowns and disbursements whose repayment terms exceed 14 days

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<sup>76</sup> For the purposes of Directive 3, "debt" includes "bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers acceptances, discount notes or bills, or commercial paper," and "equity" includes "stocks, share issuances, depositary receipts, or any other evidence of title or ownership." FAQ 986.

<sup>77</sup> FAQ 985, 984.

are also not prohibited if the terms of such drawdowns and disbursements (including the length of the repayment period, the interest rate applied to the drawdown and the maximum drawdown amount) were contractually agreed to prior to the relevant sanctions effective date and are not modified on or after the relevant sanctions effective date. Agreements that are modified to replace LIBOR as the reference rate will not be treated as new debt for OFAC sanctions purposes, so long as no other material terms of the loan, contract or agreement are modified.<sup>78</sup> However, U.S. persons may not deal in a drawdown or disbursement initiated on or after the relevant sanctions effective date with a repayment term that is longer than 14 days if the terms of the drawdown or disbursement were negotiated on or after the relevant sanctions effective date. Such a newly negotiated drawdown or disbursement would constitute a prohibited extension of credit.<sup>79</sup>

### **General Licenses**

For the purpose of minimizing unintended consequences on third parties, OFAC issued a number of general licenses in connection with these actions.

#### **GL 2: Servicing Transactions Involving VEB**

GL 2 authorizes all transactions prohibited by E.O. 14024 involving VEB and its subsidiaries that are ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022 by the Directive 4 Entities.

#### **GL 3: Wind Down of Transactions Involving VEB (expired)**

GL 3, which has now expired, had authorized through 12:01 a.m. EDT on March 24, 2022 all transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the wind down of transactions involving VEB and its subsidiaries.

#### **GL 4: Wind Down of Transactions Involving Nord Stream 2 AG (expired)**

GL 4, which has now expired, had authorized through 12:01 a.m. EST on March 2, 2022 all transactions prohibited by E.O. 14039 that are ordinarily incident and necessary to the wind down of transactions involving Nord Stream 2 AG and its subsidiaries.

#### **GL 5: Transactions Related to Official Business of Certain International Organizations and Entities**

GL 5 authorizes transactions by employees, grantees or contractors for the conduct of the official business of: (i) the International Centre for Settlement of Investment Disputes, the Multilateral Investment Guarantee Agency, the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies; and (ii) The African Development Bank Group, the Asian Development Bank,

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<sup>78</sup> FAQ 989, referencing FAQ 956.

<sup>79</sup> FAQ 987.

the European Bank for Reconstruction and Development and the Inter-American Development Bank Group, including any fund entity administered or established by any of the foregoing (the “Selected International Organizations”).

Note that transactions for the conduct of the official business of the United Nations (including its specialized agencies, programs, funds and related organizations) by employees, grantees or contractors are exempted under section 9 of E.O. 14024.

**GL 6B: Transactions Related to Agricultural Commodities, Medicine, Medical Devices, the COVID-19 Pandemic or Clinical Trials**<sup>80</sup>

GL 6B authorizes transactions related to (1) the production, manufacturing, sale or transport of agricultural commodities,<sup>81</sup> agricultural equipment, medicine,<sup>82</sup> medical devices,<sup>83</sup> replacement parts and components for medical devices or software updates for medical devices; (2) the prevention, diagnosis, or treatment of COVID19 (including research or clinical studies relating to COVID-19); or (3) ongoing clinical trials and other medical research activities.

Because GL 6B does not authorize a U.S. financial institution to maintain or open a correspondent account or payable-through account for or on behalf of entities subject to the prohibitions of Directive 2, OFAC clarified that for a U.S. financial institution to engage in transactions authorized under GL 6B all such funds transfers must be processed indirectly through a non-sanctioned, non-U.S. financial institution.<sup>84</sup>

**GL 7A: Transactions Related to Overflight and Emergency Landings**<sup>85</sup>

GL 7A authorizes transactions that are ordinarily incident and necessary to: (i) the receipt of, and payment of charges for, services rendered in connection with overflights of the Russian Federation or emergency landings in the Russian Federation by aircraft registered in the United States or owned or controlled by, or chartered to, U.S. persons; and (ii) provide air ambulance and related medical services, including medical evacuation, to individuals in the Russian Federation.

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<sup>80</sup> Effective July 14, 2022, GL 6B replaces and supersedes GL 6A, issued March 24, 2022.

<sup>81</sup> Agricultural commodities are products that fall within the term “agricultural commodity” as defined in section 102 of the Agricultural Trade Act of 1978 (7 U.S.C. 5602) and are intended for use as: (i) food for humans (including raw, processed, and packaged foods; live animals; vitamins and minerals; food additives or supplements; and bottled drinking water) or animals (including animal feeds); (ii) seeds for food crops; (iii) fertilizers or organic fertilizers; or (iv) reproductive materials (such as live animals, fertilized eggs, embryos, and semen) for the production of food animals.

<sup>82</sup> Medicine is an item that falls within the definition of the term “drug” in section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321).

<sup>83</sup> A medical device is an item that falls within the definition of “device” in section 201 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321).

<sup>84</sup> FAQ 978.

<sup>85</sup> Effective May 5, 2022, GL 7A replaces and supersedes GL 7, issued February 24, 2022.

**GL 8E: Transactions Related to Energy**<sup>86</sup>

GL 8E authorizes through 12:01 a.m. EDT on May 16, 2023 transactions that are “related to energy” involving one or more of the Covered Entities (as described below), Alfa-Bank, Rosbank (and any entity owned 50% or more by Alfa-Bank or Rosbank) and the Central Bank of the Russian Federation. The “Covered Entities” are: (i) VEB; (ii) Otkritie; (iii) Sovcombank; (iv) Sberbank; (v) VTB; or (vi) any entity in which one or more of the entities listed in (i)-(v) own, directly or indirectly, individually or in the aggregate, a 50% or greater interest (“Covered Subsidiaries”).

The term “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.

Because GL 8E does not authorize a U.S. financial institution to maintain or open a correspondent account or payable-through account for or on behalf of entities subject to the prohibitions of Directive 2, OFAC clarified that for a U.S. financial institution to engage in transactions authorized under GL 8E, all such funds transfers must be processed indirectly through a non-sanctioned, non-U.S. financial institution.<sup>87</sup>

GL 8E does not: (i) authorize any transaction prohibited by Directive 1A under E.O. 14024 (the Russia-related Sovereign Debt Directive); or (ii) any debit to an account on the books of a U.S. financial institution of the Central Bank of the Russian Federation.

**GL 9C: Dealings in Certain Debt or Equity**<sup>88</sup> (*expired*)

GL 9C had authorized through 12:01 a.m. EDT on May 25, 2022 transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to: (a) dealings in debt or equity of any of the Covered Entities that were issued prior to February 24, 2022 (the “Tranche 1 Debt or Equity”), *provided* that any divestment or transfer of, or facilitation of divestment or transfer of, the Tranche 1 Debt or Equity must be to a non-U.S. person; or (b) facilitating, clearing and settling trades of Tranche 1 Debt or Equity that were placed prior to 4:00 p.m. EST, February 24, 2022.

GL 9C also had authorized through 12:01 a.m. EDT on June 30, 2022 transactions that are ordinarily incident and necessary to: (a) dealings in debt or equity of Alfa-Bank (or

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<sup>86</sup> Effective December 15, 2022, GL 8E replaces and supersedes GL 8D, issued November 10, 2022.

<sup>87</sup> FAQ 978.

<sup>88</sup> Effective April 7, 2022, GL 9C replaces and supersedes GL 9B, issued April 6, 2022.



any entity in which Alfa-Bank owns, directly or indirectly, a 50% or greater interest, hereinafter referred to as “Alfa-Bank Entities”) issued prior to April 6, 2022 (the “Alfa-Bank Debt or Equity”), *provided* that any divestment or transfer of, or facilitation of divestment or transfer of, the Alfa-Bank Debt or Equity must be to a non-U.S. person; or (b) facilitating, clearing and settling trades of Alfa-Bank Debt or Equity that were placed prior to 4:00 p.m. EDT on April 6, 2022.

GL 9C had also authorized through 12:01 a.m. EDT on July 1, 2022 transactions that are ordinarily incident and necessary to: (a) dealings in debt or equity of Alrosa (or any entity in which Alrosa owns, directly or indirectly, a 50% or greater interest, hereinafter referred to as “Alrosa Entities”) issued prior to April 7, 2022 (the “Alrosa Debt or Equity”), *provided* that any divestment or transfer of, or facilitation of divestment or transfer of, the Alrosa Debt or Equity must be to a non-U.S. person; or (b) facilitating, clearing and settling trades of Alrosa Debt or Equity that were placed prior to 4:00 p.m. EDT on April 7, 2022.

To the extent ordinarily incident and necessary to effect the transactions described in clauses (b) above, GL 9C had authorized debits to accounts on the books of a U.S. financial institution of the blocked persons.

As part of a divestment transaction to a non-U.S. person, U.S. persons were authorized during the term of GL 9C to engage in purchases of or investments in debt or equity covered by GL 9C, or facilitate such purchases or investments, if ordinarily incident and necessary to the divestment or transfer as described in clauses (a) above (*e.g.*, to buy to cover a short position in such holdings).<sup>89</sup>

GL 9C did *not* authorize U.S. persons to sell, or to facilitate the sale of Tranche 1 Debt or Equity, Alfa-Bank Debt or Equity or Alrosa Debt or Equity, directly or indirectly, to any person whose property and interests in property are blocked.

The license had authorized through 12:01 a.m. EDT on May 25, 2022 transactions prohibited by Directive 4 that are ordinarily incident and necessary to the receipt of interest, dividend or maturity payments in connection with debt or equity of the Directive 4 Entities issued before March 1, 2022. Now that this authorization has expired, U.S. persons require a specific license to continue to receive such payments.<sup>90</sup>

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<sup>89</sup> *Id.*

<sup>90</sup> FAQ 981.



**GL 10C: Transactions Related to Derivative Contracts**<sup>91</sup> *(expired)*

GL 10C, which has now expired, had authorized through 12:01 a.m. EDT on May 25, 2022 transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 p.m. EST February 24, 2022 that: (i) include one of the Covered Entities as a counterparty; or (ii) are linked to the debt or equity of a Covered Entity; *provided* that any payments to a blocked person are made into a blocked account.

GL 10C had also authorized through 12:01 a.m. EDT on May 25, 2022 transactions prohibited by Directive 4 that are ordinarily incident and necessary to the wind down of derivative contracts, repurchase agreements or reverse repurchase agreements entered into prior to 12:01 a.m. EST March 1, 2022 that include a Directive 4 Entity as a counterparty.

GL 10C also authorized through 12:01 a.m. EDT on June 30, 2022 transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 p.m. EDT on April 6, 2022 that: (i) include Alfa-Bank Entities as a counterparty; or (ii) are linked to the debt or equity of Alfa-Bank Entities; *provided* that any payments to a blocked person are made into a blocked account.

The license had also authorized through 12:01 a.m. EDT on July 1, 2022 transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 p.m. EDT on April 7, 2022 that: (i) include Alrosa Entities as a counterparty; or (ii) are linked to the debt or equity of Alrosa Entities; *provided* that any payments to a blocked person are made into a blocked account.

To the extent ordinarily incident and necessary to effect the transactions authorized by this GL, debits to accounts on the books of a U.S. financial institution of the blocked entities were authorized.

**GL 11: Wind Down of Transactions Involving Otkritie, Sovcombank, VTB or their Covered Subsidiaries** *(expired)*

GL 11, which has now expired, had authorized through 12:01 a.m. EDT March 26, 2022 otherwise prohibited transactions by E.O. 14024 that are ordinarily incident and necessary to the wind down of transactions involving Otkritie, Sovcombank, VTB or their Covered Subsidiaries. Under the GL, U.S. persons were able to engage in activities that were ordinarily incident and necessary to exit operations, contracts or other agreements that were in effect prior to the effective date of the blocking sanctions

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<sup>91</sup> Effective April 7, 2022, GL 10C replaces and supersedes GL 10B, issued April 6, 2022.

imposed on these Russian financial institutions, *provided* that such transactions did not involve a debit to a blocked account on the books of a U.S. financial institution.<sup>92</sup> For example, a U.S. financial institution may have take steps necessary to collect on outstanding loans made to a blocked person, including exercising rights to any related collateral, *provided* the transaction did not involve a debit to a blocked account on the books of a U.S. financial institution (unless separately authorized).<sup>93</sup>

A U.S. financial institution could have taken steps necessary to pay outstanding loans, *provided* that a payment for the benefit of a blocked person must be transferred into a blocked account. Similarly, a U.S. financial institution may have taken steps necessary to close a correspondent account maintained for a blocked person. However, funds in the correspondent account may not be returned to the blocked person, and must remain blocked, absent separate authorization from OFAC.<sup>94</sup>

GL 11 had authorized only those new or continued business activities that are ordinarily incident and necessary to wind-down activities. Wind-down activities did not include the continued processing of funds transfers, securities trades or other transactions involving a blocked person that were part of ongoing business activities prior to the imposition of sanctions, unless separately authorized (*see, e.g.*, GLs 9C and 10C).<sup>95</sup>

**GL 12: Rejection of Transactions Involving Certain Blocked Persons (expired)**

GL 12, which has now expired, had authorized U.S. persons through 12:01 a.m. EDT March 26, 2022 to reject (rather than block) prohibited transactions involving Otkritie, Sovcombank, VTB or their Covered Subsidiaries. For example, a U.S. financial institution could have rejected, rather than block, an attempted unauthorized funds transfer until the expiration of GL 12.<sup>96</sup>

Notably, GL 12 did not authorize U.S. persons to reject prohibited transactions involving VEB, and therefore U.S. persons would have had to block such transactions (unless otherwise authorized).

**GL 13C: Administrative Transactions Prohibited by Directive 4**<sup>97</sup>

GL 13C authorizes U.S. persons or entities owned or controlled (directly or indirectly) by a U.S. person through 12:01 a.m. EST March 7, 2023, to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications, to the extent such transactions are prohibited by Directive 4, *provided* such transactions are

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<sup>92</sup> FAQ 975, 990.

<sup>93</sup> FAQ 975.

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

<sup>96</sup> FAQ 975.

<sup>97</sup> Effective November 21, 2022, GL 13C replaces and supersedes GL 13B, issued September 8, 2022.

ordinarily incident and necessary to such persons' day-to-day operations in the Russian Federation.

**GL 14: Clearing and Settlement Transactions Prohibited by Directive 4**

GL 14 authorizes all transactions prohibited by Directive 4 involving the Directive 4 Entities, where the Directive 4 Entity's sole function in the transaction is to act as an operator of a clearing and settlement system, *provided* that: (i) there is no transfer of assets to or from any Directive 4 Entity, unless separately authorized; and (ii) no Directive 4 Entity is either a counterparty or a beneficiary to the transaction (unless separately authorized).

**GL 15: Transactions Involving Certain Blocked Entities Owned by Alisher Burhanovich Usmanov**

GL 15 authorizes all dealings with entities that are 50% or more directly or indirectly owned by Usmanov that are not on OFAC's SDN List. In other words, only those entities owned 50% or more directly or indirectly by Usmanov that are on OFAC's SDN List are subject to blocking sanctions.

**GL 16: Transactions Related to Certain Imports Prohibited by E.O. 14066 (expired)**

As described above, GL 16, which has now expired, had authorized through 12:01 a.m. EDT April 22, 2022 all transactions prohibited by E.O. 14066 that were ordinarily incident and necessary to the importation into the United States of crude oil; petroleum; petroleum fuels, oils and products of their distillation; liquefied natural gas; coal; and coal products of Russian Federation origin pursuant to written agreements entered prior to March 8, 2022.

**GL 17A: Transactions Related to Certain Imports Prohibited by E.O. 14068<sup>98</sup> (expired)**

GL 17A, which has now expired, had authorized through 12:01 a.m. EDT June 23, 2022 all transactions prohibited by E.O. 14068 that are ordinarily incident and necessary to the importation into the United States of fish, seafood and preparations thereof of Russian origin pursuant to written agreements entered into prior to March 11, 2022.

In addition, GL 17A had authorized through 12:01 a.m. EDT March 25, 2022 all transactions prohibited by E.O. 14068 that were ordinarily incident and necessary to the importation into the United States of alcoholic beverages or non-industrial diamonds of Russian origin pursuant to written agreements entered into prior to March 11, 2022.

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<sup>98</sup> Effective March 24, 2022, GL 17A replaces and supersedes GL 17, issued March 11, 2022.

**GL 18: Transactions Related to U.S. Dollar-Denominated Banknote Noncommercial, Personal Remittances Prohibited by E.O. 14068**

GL 18 authorizes all transactions prohibited by E.O. 14068 that are ordinarily incident and necessary to the transfer of U.S. dollar-denominated banknote noncommercial, personal remittances<sup>99</sup> from: (i) the United States or a U.S. person, wherever located, to an individual located in the Russian Federation; or (ii) a U.S. person who is an individual located in the Russian Federation. Noncommercial, personal remittances do not include charitable donations to or for the benefit of an entity or funds transfers for use in supporting or operating a business, including a family-owned business.

Transferring institutions may rely on the originator of a funds transfer with regard to compliance with GL 18, *provided* that the transferring institution does not know or have reason to know that the funds transfer is not in compliance with GL 18.

**GL 19: Transactions Related to Personal Maintenance of U.S. Individuals Located in the Russian Federation Prohibited by E.O. 14068**

GL 19 authorizes individuals who are U.S. persons located in the Russian Federation to engage in all transactions prohibited by E.O. 14068 that are ordinarily incident and necessary to their personal maintenance within the Russian Federation, 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.

**GL 20: Third-Country Diplomatic and Consular Funds Transfers**

GL 20 authorizes U.S. persons to engage in all transactions ordinarily incident and necessary to the official business of third-country diplomatic or consular missions located in Russia that are prohibited by E.O. 14024 or section 1(a)(iv) of E.O. 14068.

**GL 21A: Wind Down of Sberbank CIB USA, Inc. and Alrosa USA, Inc.<sup>100</sup> (expired)**

GL 21A, which has now expired, had authorized U.S. persons to engage through 12:01 a.m. on EDT June 7, 2022 in all transactions ordinarily incident and necessary to the wind down of Sberbank CIB USA, Inc. or Alrosa USA, Inc. (or any entity in which these entities owns, directly or indirectly, a 50% or greater interest), including the processing and payment of salaries, severance, and expenses; payments to vendors and landlords; and closing of accounts.

**GL 22: Wind Down of Transactions Involving Sberbank (expired)**

GL 22, which has now expired, had authorized through 12:01 a.m. EDT on April 13, 2022 all transactions ordinarily incident and necessary to the wind down of transactions

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<sup>99</sup> Noncommercial, personal remittances do not include charitable donations to or for the benefit of an entity or funds transfers for use in supporting or operating a business, including a family-owned business.

<sup>100</sup> Effective April 7, 2022, GL 21A replaces and supersedes GL 21, issued April 6, 2022.

involving Sberbank or any entity in which Sberbank owns, directly or indirectly, a 50% or greater interest.

**GL 23: Wind Down of Transactions Involving Alfa-Bank (expired)**

GL 23, which has now expired, had authorized through 12:01 a.m. EDT on May 6, 2022 all transactions ordinarily incident and necessary to the wind down of transactions involving Alfa-Bank or any entity in which Alfa-Bank owns, directly or indirectly, a 50% or greater interest.

**GL 24: Wind Down of Transactions Involving Alrosa (expired)**

GL 24, which has now expired, had authorized through 12:01 a.m. EDT on May 7, 2022 all transactions ordinarily incident and necessary to the wind down of transactions involving Alrosa or any entity in which Alrosa owns, directly or indirectly, a 50% or greater interest.

**GL 25C: Transactions Related to Telecommunications and Certain Internet-Based Communications**<sup>101</sup>

GL 25C authorizes all transactions ordinarily incident and necessary to the receipt or transmission of telecommunications involving the Russian Federation. In addition, the exportation or reexportation, sale, or supply (directly or indirectly) from the United States or by U.S. persons (wherever located) to the Russian Federation of services, software, hardware, or technology incident to the exchange of communications over the internet (e.g., instant messaging, videoconferencing, chat and email, social networking, sharing of photos, movies, and documents, web browsing, blogging, web hosting and domain name registration services) is authorized.

OFAC clarified that GL 25C does not authorize any transactions involving JSC Channel One Russia, JSC NTV Broadcasting Company, Television Station Russia-1, LLC Algoritm, New Eastern Outlook or Oriental Review, recently designated entities, unless separately authorized.

**GL 26A: Wind Down of Transactions Involving JSC SB Sberbank Kazakhstan, Sberbank Europe AG or Sberbank (Switzerland) AG**<sup>102</sup> *(expired)*

GL 26A, which has now expired, had authorized through 12:01 a.m. EDT July 12, 2022 all transactions ordinarily incident and necessary to the wind down of transactions involving JSC SB Sberbank Kazakhstan, Sberbank Europe AG or Sberbank (Switzerland) AG or any entity in which these blocked entities own, directly or indirectly, a 50% or greater interest.

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<sup>101</sup> Effective July 14, 2022, GL 25C replaces and supersedes GL25B, dated June 2, 2022.

<sup>102</sup> Effective May 5, 2022, GL 26A replaces and supersedes GL 26, issued April 12, 2022.

**GL 27: Certain Transactions in Support of Nongovernmental Organizations' Activities**

GL 27 authorizes all transactions ordinarily incident and necessary to certain activities<sup>103</sup> by nongovernmental organizations, *provided* that the only involvement of blocked persons is the processing of funds by financial institutions blocked pursuant to E.O. 14024.

**GL 28A: Certain Transactions Involving TKB and Afghanistan**<sup>104</sup>

GL 28A authorizes through 12:01 a.m. EST January 18, 2023 all transactions involving TKB (or any entity in which TKB owns a 50% or greater interest) that are ultimately destined for or originating from Afghanistan.

U.S. financial institutions are authorized to operate correspondent accounts on behalf of TKB (or any entity in which TKB owns a 50% or greater interest), *provided* such accounts are used solely to effect transactions authorized in this general license.

**GL 29: Wind Down of Transactions Involving TKB (expired)**

GL 29, which has now expired, had authorized through 12:01 a.m. EDT May 20, 2022 all transactions ordinarily incident and necessary to the wind down of transactions involving TKB (or any entity in which TKB owns a 50% or greater interest).

**GL 30A: Transactions Involving SEFE Securing Energy for Europe GmbH (Gazprom Germania GmbH)**<sup>105</sup>

GL 30A authorizes through 12:01 a.m. EST December 16, 2022, all transactions involving SEFE Securing Energy for Europe GmbH (formerly known as Gazprom Germania GmbH), or any entity in which SEFE Securing Energy for Europe GmbH owns, directly or indirectly, a 50% or greater interest, that are prohibited by Directive 3 under E.O. 14024.

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<sup>103</sup> The authorized activities are those that: (i) support humanitarian projects to meet basic human needs in Ukraine or Russia, including drought and flood relief; food, nutrition, and medicine distribution; the provision of health services; assistance for vulnerable or displaced populations, including individuals with disabilities and the elderly; and environmental programs; (2) support democracy building in Ukraine or Russia, including activities to support rule of law, citizen participation, government accountability and transparency, human rights and fundamental freedoms, access to information and civil society development projects; (3) support education in Ukraine or Russia, including combating illiteracy, increasing access to education, international exchanges, and assisting education reform projects; (4) support non-commercial development projects directly benefiting the people of Ukraine or Russia, including those related to health, food security, and water and sanitation; and (5) support environmental and natural resource protection in Ukraine or Russia, including the preservation and protection of threatened or endangered species, responsible and transparent management of natural resources, and the remediation of pollution or other environmental damage.

<sup>104</sup> Effective October 17, 2022, GL 28A replaces and supersedes GL 28, issued April 20, 2022.

<sup>105</sup> Effective July 14, 2022, GL 30A replaces and supersedes GL30, issued May 2, 2022.

**GL 31: Transactions Related to Patents, Trademarks and Copyrights**

GL 31 authorizes the following transactions in connection with a patent, trademark, copyright or other form of intellectual property protection (“IP protection”) in the United States or Russia: (i) the filing and prosecution of any application to obtain IP protection; (ii) the receipt of IP protection; (iii) the renewal or maintenance of IP protection; and (iv) the filing and prosecution of any opposition or infringement proceeding with respect to IP protection, or the entrance of a defense to any such proceeding.

**GL 32: Wind Down of Transactions Involving Amsterdam Trade Bank NV (expired)**

GL 32, which has now expired, had authorized through 12:01 a.m. EDT July 12, 2022 all transactions ordinarily incident and necessary to the wind down of transactions involving Amsterdam Trade Bank NV, or any entity in which Amsterdam Trade Bank NV owns a 50% or greater interest.

**GL 33: Wind Down of Operations or Existing Contracts Involving Certain Blocked Entities (expired)**

GL 33, which has now expired, had authorized through 12:01 a.m. EDT June 7, 2022 all transactions ordinarily incident and necessary to the wind down of operations, contracts or other agreements that were in effect prior to May 8, 2022 involving JSC Channel One Russia, JSC NTV Broadcasting Company, Television Station Russia-1 or any entity in which one or more of the above entities own (directly or indirectly) a 50% or greater interest.

However, any payment to a blocked person must have been made into a blocked account located in the United States.

**GL 34: Wind Down of Accounting, Trust and Corporate Formation and Management Consulting Services (expired)**

GL 34, which has now expired, had authorized through 12:01 a.m. EDT July 7, 2022 all transactions ordinarily incident and necessary to the wind down of the exportation, reexportation, sale or supply, directly or indirectly, from the United States or by a U.S. person of accounting, trust and corporate formation or management consulting services to any person located in Russia that are prohibited by E.O. 14071.

**GL 35: Transactions Involving Credit Rating and Auditing Services (expired)**

GL 35, which has now expired, had authorized through 12:01 a.m. EDT August 20, 2022 all transactions ordinarily incident and necessary to the exportation, reexportation, sale or supply, directly or indirectly, from the United States or by a U.S. person of credit



rating<sup>106</sup> or auditing services<sup>107</sup> to any person located in Russia that are prohibited by E.O. 14071.

**GL 36: Wind Down of Transactions Involving Severstal (expired)**

GL 36, which has now expired, had authorized through 12:01 a.m. EDT August 31, 2022, transactions ordinarily incident and necessary to the wind down of transactions involving Severstal or any entity in which it owns, directly or indirectly, a 50% or greater interest, *provided* that any payment to Severstal or any other blocked person was made into a blocked account.

**GL 37: Wind Down of Transactions Involving Nord Gold (expired)**

GL 37, which has now expired, had authorized through 12:01 a.m. EDT July 1, 2022, transactions ordinarily incident and necessary to the wind down of transactions involving Nord Gold or any entity in which it owns, directly or indirectly, a 50% or greater interest, *provided* that any payment to Nord Gold or any other blocked person was made into a blocked account.

**GL 38A: Transactions Related to Pension Payments<sup>108</sup>**

GL 38A authorizes all transactions ordinarily incident and necessary to the processing of pension payments to: (i) U.S. persons; or (ii) non-U.S. persons not located in Russia that are prohibited by E.O. 14024, *provided* that the only involvement of blocked persons is the processing of funds by financial institutions blocked pursuant to E.O. 14024.

**GL 39: Wind Down of Transactions Involving Rostec (expired)**

GL 39, which has now expired, had authorized through 12:01 a.m. EDT August 11, 2022, all transactions ordinarily incident and necessary to the wind down of any transactions involving Rostec, or any entity blocked not earlier than June 28, 2022 in which Rostec owns (directly or indirectly) a 50% or greater interest, that are prohibited by E.O. 14024.

However, any payment to a blocked person must have been made into a blocked account.

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<sup>106</sup> The term “credit rating services” means services related to assessments of a borrower’s ability to meet financial commitments, including analysis of general creditworthiness or with respect to a specific debt or financial obligation. FAQ 1035.

<sup>107</sup> The term “auditing services” means examination or inspection of business records by an auditor, including checking and verifying accounts, statements, or other representation of the financial position or regulatory compliance of the auditee. *Id.*

<sup>108</sup> Effective August 19, 2022, GL 38A replaces and supersedes GL38, issued June 2, 2022.



**GL 40C: Transactions Related to Civil Aviation Safety**<sup>109</sup>

GL 40C authorizes all transactions ordinarily incident and necessary to the provision, exportation or reexportation of goods, technology or services to ensure the safety of civil aviation involving one or more of the blocked entities listed in the annex to GL 40C and that are prohibited by E.O. 14024.

However, the aircraft must be registered in a jurisdiction solely outside of the Russian Federation and the goods, technology or services that are provided, exported or reexported must be for use on aircraft operated solely for civil aviation purposes.

**GL 41: Transactions Related to Agricultural Equipment**

GL 41 authorizes through 12:01 a.m. EST December 22, 2022, all transactions ordinarily incident and necessary to the manufacture, sale and maintenance of agricultural equipment, components and spare parts produced by Nefaz Publicly Traded Company (“Nefaz”) or PJSC Tutaev Motor Plant (“Tutaev”), or any entity in which Nefaz or Tutaev owns (directly or indirectly, individually or in the aggregate) a 50% or greater interest that are prohibited by the Russian Harmful Foreign Activities Sanctions Regulations.

However, any payment to a blocked person must be made into a blocked account.

**GL 42: Transactions with the Federal Security Service**

GL 42 authorizes all transactions involving the FSB prohibited by E.O. 14024 that are ordinarily incident and necessary for: (1) requesting, receiving, utilizing, paying for or dealing in licenses, permits, certifications or notifications issued or registered by the FSB for the importation, distribution or use of information technology products in the Russian Federation, *provided* that (i) the exportation, reexportation or provision of any goods or technology that are subject to the EAR is licensed or otherwise authorized by the Department of Commerce, and (ii) the payment of any fees to the FSB for such licenses, permits, certifications or notifications does not exceed \$5,000 in any calendar year; (2) complying with law enforcement or administrative actions or investigations involving the FSB; and (3) complying with rules and regulations administered by the FSB.

**GL 43A: Divestment or Transfer of Debt or Equity of, and Wind Down of Derivative Contracts Involving, Severstal or Nord Gold**<sup>110</sup> (*expired*)

GL 43, which has now expired, had authorized through 12:01 a.m. EDT August 31, 2022, all transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the divestment or transfer, or facilitation of the divestment or transfer, of debt or equity

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<sup>109</sup> Effective November 14, 2022, GL 40C replaces and supersedes GL40B, issued August 3, 2022.

<sup>110</sup> Effective August 2, 2022, GL 43A replaces and supersedes GL43, issued June 2, 2022.

of Severstal or Nord Gold, or any entity in which Severstal or Nord Gold owns (directly or indirectly, individually or in the aggregate) a 50% or greater interest, purchased prior to June 2, 2022 (“covered debt or equity”). However, any divestment or transfer, or facilitation of divestment or transfer, of covered debt or equity must have been made to a non-U.S. person.

GL 43A also had authorized through 12:01 a.m. EDT August 31, 2022, all transactions prohibited by E.O. 1024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to June 2, 2022 that (i) include Severstal or Nord Gold, or any entity in which Severstal or Nord Gold owns (directly or indirectly, individually or in the aggregate) a 50% or greater interest as a counterparty or (ii) are linked to covered debt or equity as defined above. Any payments to a blocked person was required to be made into a blocked account.

U.S. financial institutions were also authorized to unblock covered debt or equity that was blocked on or after June 2, 2022 but before June 28, 2022, *provided* that the unblocked covered debt or equity was solely used to effect transactions authorized by GL43A. U.S. financial institutions unblocking property must file an unblocking report.

**GL 44: Export or Reexport of Certain Accounting Services to U.S. Individuals in Russia**

GL 44 authorizes all transactions ordinarily incident and necessary to the exportation, reexportation, sale, or supply (directly or indirectly) from the United States or by a U.S. person (wherever located) of tax preparation or filing services to any individual who is a U.S. person located in the Russian Federation.

**GL 45: Transactions Related to the Wind Down of Certain Financial Contracts Prohibited by the New Investment Prohibition (expired)**

GL 45, which has now expired, had authorized through 12:01 a.m. EDT October 20, 2022, all transactions prohibited by the new investment prohibition in E.O. 14071 that are ordinarily incident and necessary to the wind down of financial contracts or other agreements that were entered into on or before June 6, 2022 and involve, or are linked to, debt or equity issued by an entity in the Russian Federation.

The transactions authorized by this general license included: (1) the purchase by U.S. persons of debt or equity issued by an entity in the Russian Federation, where that purchase is ordinarily incident and necessary to the wind down of covered contracts; and (2) the facilitating, clearing and settling of a purchase by U.S. persons of debt or equity issued by an entity in the Russian Federation, where that purchase is ordinarily incident and necessary to the wind down of covered contracts.

**GL 46: Transactions in Support of an Auction Process to Settle Certain Credit Derivative Transactions Prohibited by the New Investment Prohibition**

GL 46 authorizes all transactions related to the establishment, administration, participation in and execution of an auction process as announced by the EMEA Credit Derivatives Determination Committee to settle credit derivative transactions with a reference entity of “the Russian Federation” and prohibited by the new investment prohibition in E.O. 14071.

The purchase or receipt of debt obligations of the Russian Federation by U.S. persons is authorized for the period beginning two business days prior to the announced date of the auction and ending eight business days after the conclusion of the auction. All transactions ordinarily incident and necessary to facilitating, clearing and settling transactions authorized under this license are also authorized.

**GL 47A: Wind Down of Transactions Involving Certain Entities Blocked on August 2<sup>111</sup> (expired)**

GL 47A, which has now expired, had authorized through 12:01 a.m. EDT on September 1, 2022 all transactions ordinarily incident and necessary to the wind down of any transaction involving one or more of the following blocked persons: Skolkovo Foundation; Skolkovo Institute of Technology; Technopark Skolkovo Limited Liability Company; Federal State Institution of Higher Vocational Education Moscow Institute of Physics and Technology; Publichnoe Aktsionernoe Obschestvo Magnitogorskiy Metallurgicheskiy Kombinat (“Magnitogorskiy”); Joint Stock Company State Transportation Leasing Company (“State Transportation Leasing”); or any entity in which one or more of the above persons own (directly or indirectly, individually or in the aggregate) a 50% or greater interest. However, any payment to a blocked person was required to be made into a blocked account.

**GL 48A: Divestment or Transfer of Debt or Equity of, and Wind Down of Derivative Contracts Involving, Magnitogorskiy or State Transportation Leasing<sup>112</sup> (expired)**

GL 48A, which has expired, had authorized through 12:01 a.m. EDT October 3, 2022 all transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the divestment or transfer, or facilitation of the divestment or transfer, to a non-U.S. person of debt or equity purchased prior to August 2, 2022 of Magnitogorskiy, State Transportation Leasing or any entity in which Magnitogorskiy or State Transportation Leasing entities own (directly or indirectly, individually or in the aggregate) a 50% or greater interest.

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<sup>111</sup> Effective August 3, 2022, GL 47A replaces and supersedes GL47, issued August 2, 2022.

<sup>112</sup> Effective August 3, 2022, GL 48A replaces and supersedes GL48, issued August 2, 2022.

All transactions that are ordinarily incident and necessary to facilitating, clearing and settling trades of the covered debt or equity described above were authorized through 12:01 a.m. EDT October 31, 2022, *provided* that such trades were placed prior to 4:00 p.m. EDT August 2, 2022.

All transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to August 2, 2022, that (i) include Magnitogorskiy, State Transportation Leasing or any entity in which Magnitogorskiy or State Transportation Leasing entities own a 50% or greater interest as a counterparty or (ii) are linked to the covered debt or equity described above were authorized through 12:01 a.m. EDT October 3, 2022, *provided* that any payments to a blocked person were made into a blocked account.

**GL 49: Wind Down of Transactions Involving MMK Metalurji Sanayi Ticaret Ve Liman Isletmeciligi Anonim Sirketi**

GL 49 authorizes through 12:01 a.m. EST January 31, 2023 all transactions ordinarily incident and necessary to the wind down of any transaction involving MMK Metalurji Sanayi Ticaret Ve Liman Isletmeciligi Anonim Sirketi (“MMK Metalurji”) or any entity in which MMK Metalurji owns (directly or indirectly) a 50% or greater interest, *provided* that any payment to a blocked person must be made into a blocked account.

**GL 50: Closing of Individual Accounts at Blocked Financial Institutions**

GL 50 authorizes all transactions prohibited by E.O. 14024 that are ordinarily incident and necessary to (i) the closing of an account of an individual (wherever located) who is not a blocked person (“the account holder”), held at a financial institution blocked pursuant to E.O. 14024, and (ii) the unblocking and lump sum transfer of all remaining funds and other assets in the account to the account holder, including to an account of the account holder held at a non-blocked financial institution.

**GL 51: Wind Down of Transactions Involving Aquarius (expired)**

GL 51, which has expired, had authorized through 12:01 a.m. EDT October 15, 2022 all transactions ordinarily incident and necessary to the wind down of any transaction involving Limited Liability Company Group of Companies Akvarius (“Aquarius”) or any entity in which Aquarius owns (directly or indirectly) a 50% or greater interest, *provided* that any payment to a blocked person must be made into a blocked account.

**GL 52: Journalistic Activities and Establishment of News Bureaus**

GL 52 authorizes U.S. news reporting organizations or U.S. individuals who are journalists, photojournalists, or broadcast or technical personnel to engage in a variety of transactions to the extent such transactions are ordinarily incident and necessary to journalistic activities or to establish or operate a news bureau. Any transactions involving Joint Stock Company Channel One Russia, Joint Stock Company NTV

Broadcasting Company, Television Station Russia-1, Limited Liability Company Algoritm, New Eastern Outlook, or Oriental Review remain prohibited, unless separately authorized.

**GL 53: Diplomatic Missions of the Russian Federation**

GL 53 authorizes U.S. persons to engage in all transactions ordinarily incident and necessary to the official business of diplomatic or consular missions of the Government of the Russian Federation (“Russian missions”) that would otherwise be prohibited by Directive 4, including the compensation of employees of Russian missions.

OFAC confirmed that the GL 53 authorization applies to transactions related to Russian missions located in or outside the United States and that non-U.S. persons may engage in transactions authorized for U.S. persons under GL 53 without risk of sanctions under E.O. 14024.<sup>113</sup>

**GL 54: Certain Transactions Involving VEON Ltd.**

GL 54 authorizes all transactions ordinarily incident and necessary to (i) the purchase or receipt of any debt or equity securities of VEON Ltd. that are prohibited by the new investment prohibition of E.O. 14071, *provided* that the debt or equity securities were issued prior to June 6, 2022, and (ii) facilitating, clearing and settling of such transactions.

**GL 55: Certain Services Related to Sakhalin-2**

GL 55 authorizes through 12:01 a.m. EDT, September 30, 2023, all transactions related to the maritime transport of crude oil originating from the Sakhalin-2 project, *provided* that the Sakhalin-2 crude oil is solely for importation into Japan.

**GL 56: Certain Services with Respect to the EU**

GL 56 authorizes all transactions related to the importation of crude oil into the Republic of Bulgaria, the Republic of Croatia or landlocked EU Member States as described in Council Regulation (EU) 2022/879 of June 3, 2022.

**GL 57: Certain Services Related to Vessel Emergencies**

GL 57 authorizes all transactions that are ordinarily incident and necessary to addressing vessel emergencies related to the health or safety of the crew or environmental protection, including safe docking or anchoring, emergency repairs or salvage operations.

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<sup>113</sup> FAQ 1096.

**GL 58: Wind down and Rejection of Transactions Involving Rosbank**

GL 58 authorizes through 12:01 a.m. EDT March 15, 2023, all transactions that are ordinarily incident and necessary to the wind down of transactions involving Rosbank, or any entity in which Rosbank owns (directly or indirectly) a 50% or greater interest (“Rosbank Entities”), *provided* that any payment to a blocked person must be made into a blocked account.

U.S. persons are authorized to reject (rather than block) through 12:01 a.m. EDT March 15, 2023, all transactions that are ordinarily incident and necessary to the processing of funds involving Rosbank or Rosbank Entities as an originating, intermediary or beneficiary financial institution.

**GL 59: Transactions Related to Debt or Equity of or Derivative Contracts Involving Rosbank**

GL 59 authorizes through 12:01 a.m. EDT March 15, 2023 all transactions that are ordinarily incident and necessary to:

- the divestment or transfer, or the facilitation of the divestment or transfer, of debt or equity of Rosbank or Rosbank Entities to a non-U.S. person;
- facilitating, clearing and settling trades of covered debt or equity that were placed prior to 4:00 p.m. EST December 15, 2022; or
- the wind down of derivative contracts entered into prior to 4:00 p.m. EST December 15, 2022, that (i) include Rosbank or Rosbank Entities as a counterparty or (ii) are linked to covered debt or equity, *provided* that any payments to a blocked person are made into a blocked account.

**FAQs**

OFAC provided further guidance on these sanctions by updating or issuing new Frequently Asked Questions. Below is a non-exhaustive list of these FAQs, many of which are addressed in the preceding discussion, as applicable.

- Provide an overview of actions related to Russia’s financial services sector pursuant to E.O. 10424 (FAQs 966, 974).
- Explain the wind down requirements for dealings with relevant banks and notes that not all newly sanctioned banks are covered by a wind-down period (e.g., PSB or Novikombank)(FAQ 975).
- Address questions related to Directive 2 (FAQs 967, 968, 969, 970, 971, 972), including:

- FAQ 967 provides guidance on the scope of Directive 2's restrictions.
- FAQ 969 explains that OFAC's "50% Rule" applies to Directive 2 (*i.e.*, that all FFIs directly or indirectly owned 50% or more by a designated person are also subject to the same restrictions as the designated person).
- FAQ 971 cautions that Directive 2's restrictions apply to all currencies, not just U.S. dollar transactions.
- FAQ 972 notes that non-U.S. financial institutions are not within the scope of Directive 2's restrictions regarding Sberbank, but FAQ 970 further explains that non-U.S. financial institutions may not use their own accounts to process U.S. dollar or other transactions on behalf of Sberbank at a U.S. financial institution.
- Address authorized transactions related to energy (FAQs 976, 977) and for official business of an international organization, humanitarian-related trade or the response to the COVID-19 pandemic (FAQ 979).
- Explain compliant payment flows for certain licensed transactions under GLs 6, 7 and 8E (FAQ 978).
- Address accounts held by U.S. persons at a sanctioned FFI (FAQ 973).
- Note that non-U.S. persons face the risk of being sanctioned themselves if U.S. authorities determine that they have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of a Russian company blocked under the new sanctions (FAQ 980).
- Address debt and equity restrictions under Directive 3 and related GL 9C (FAQs 981, 982, 983, 984, 985, 986, 987, 988, 989).
- Provide that debits to blocked accounts are only permitted if expressly authorized (FAQ 990).
- Address questions related to Directive 4 (FAQs 998, 999, 1001, 1002, 1003, 1004, 1005), including:
  - FAQs 998 and 1002 clarify that direct and indirect transactions involving Directive 4 Entities are prohibited and warn U.S. persons of nonroutine foreign exchange transactions that may indirectly involve Directive 4 Entities.
  - FAQ 999 explains what authorizations exist for Directive 4 Entities.



- FAQ 1001 confirms that OFAC’s “50% Rule” does not apply to Directive 4.
- FAQ 1004 clarifies that U.S. persons are not required to block transactions involving Directive 4 Entities.
- FAQ 1005 confirms that Directive 4 does *not* prohibit trading in the secondary markets for debt or equity of Directive 4 Entities, *provided* that no Directive 4 Entity is a counterparty to such transaction.
- Explain that if GL 8C is not renewed, OFAC intends to issue a general license authorizing the orderly wind down of activities covered by GL 8C (FAQ 1012).<sup>114</sup>
- Describe the scope of the prohibitions under E.O. 14066 and the activities that are authorized through 12:01 EDT April 22, 2022 for certain transactions prohibited by E.O. 14066 (FAQs 1010, 1013-1016, 1018-1020), including:
  - Clarify that the wind down of contracts or other business-related activities by U.S. persons to comply with the import ban imposed under E.O. 14066 and transactions to sell or re-direct shipments that were laden on or after March 8, 2022 and previously destined for the United States are authorized (FAQ 1010).
- Affirm that E.O. 14024 and other Russia-related sanctions extend to virtual currency and digital assets and that (i) U.S. persons, including virtual currency exchanges, virtual wallet hosts and other service providers are prohibited from engaging in or facilitating prohibited transactions, and (ii) U.S. financial institutions are prohibited from processing prohibited virtual currency transactions (FAQ 1021).
- Address questions related to E.O. 14068, including:
  - FAQ 1022 provides an overview of the new Russia-related prohibitions on certain imports, exports and new investment.
  - FAQ 1023 confirms that (i) GL 17A authorizes prohibited transactions related to certain Russian-origin imports pursuant to written agreements entered into prior to March 11, 2022 through March 25, 2022 (alcoholic beverages and non-industrial diamonds) and June 23, 2022 (fish, seafood and preparations thereof), but does not authorize entry into new contracts; and (ii) E.O. 14068 does not prohibit transactions such as the unwinding of contracts or other business-related

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<sup>114</sup> OFAC has not updated this FAQ since the issuance of GL 8D on November 10, 2022, which superseded GL 8C and extended the term of the license to May 15, 2023.



activities by U.S. persons to comply with the import ban or to sell or redirect shipments outside of the United States previously destined for the United States.

- FAQ 1024 (i) confirms that E.O. 14068 does not prohibit U.S. persons from engaging in transactions to sell or redirect shipments outside of the United States of prohibited imports previously destined for the United States and (ii) states that OFAC may issue specific licenses on a case-by-case basis to authorize shipments occurring after the expiry of GL 17A (March 25, 2022 (alcoholic beverages and non-industrial diamonds) and June 23, 2022 (fish, seafood and preparations thereof).
  - FAQ 1025 confirms that GL 6A remains valid and authorizes, among other things, transactions ordinarily incident and necessary to the exportation or reexportation of agricultural commodities (including products such as fish, seafood or preparations thereof) to, from or transiting the Russian Federation, *provided* that such transactions are not for the importation of these Russian origin products into the United States, as prohibited by E.O. 14068.
  - FAQ 1026 explains that non-U.S. persons are not exposed to sanctions under E.O. 14068 for the import of prohibited Russian origin products to jurisdictions outside the United States, *provided* that such import does not involve a sanctioned person or otherwise prohibited transaction.
  - FAQ 1027 clarifies that definitions of “fish, seafood and preparations thereof,” “alcoholic beverages” and “non-industrial diamonds” are derived from Harmonized Tariff Schedule of the United States (“HTSUS”) articles.
  - FAQ 1028 confirms that GL 18 authorizes certain transactions that are ordinarily incident and necessary to the transfer of U.S. dollar-denominated banknotes for noncommercial, personal remittances from: (i) the United States or a U.S. person, to an individual located in the Russian Federation; or (ii) a U.S. person who is an individual located in the Russian Federation. GL 18 also authorizes methods of payment including withdrawals of U.S. dollar-denominated banknotes via automated teller machines and the hand carrying of U.S. dollar-denominated banknotes.
- Address the impact of E.O. 14024, the June 28, 2022 determination issued pursuant to E.O. 14068 and other Russia-related sanctions on gold-related transactions or persons participating in the gold market (FAQ 1029).
- Clarify that U.S. persons, including U.S. operators of credit card systems and U.S. acquirers, are prohibited from processing transactions involving certain sanctioned foreign financial institutions. Non-U.S. operators of credit card systems whose payment cards are issued by sanctioned foreign financial institutions may also be in

violation of sanctions if they allow those cards to be used in the United States (FAQ 1030).

- Clarify that GL 25C explicitly excludes from the authorization any transactions involving JSC Channel One Russia, Television Station Russia-1, JSC NTV Broadcasting Company, New Eastern Outlook and Oriental Review (FAQ 1040).
- Confirm that transactions ordinarily incident and necessary to the exportation or reexportation of agricultural commodities to, from or transiting Russia that involve Agropromyshlennyi Kompleks Voronezhskii OOO, Anninskii Elevator OOO and Azovskaya Zernovaya Kompaniya OOO<sup>115</sup> are authorized under GL 6B (FAQ 1039).
- Address questions relating to the May 8, 2022 actions targeting certain accounting, trust and corporate formation and management consulting services (FAQs 1033, 1034, 1035, 1036, 1037, 1038), including:
  - FAQ 1038 provides definitions, for the purposes of the May 8, 2022 determination made pursuant to E.O. 14024, of “accounting sector,” “trust and corporate formation services sector” and “management consulting sector.”
  - FAQ 1035 provides definitions, for the purposes of GL 35, of “credit rating services” and “auditing services.”
  - FAQ 1034 provides definitions, for the purposes of the May 8, 2022 determination made pursuant to E.O. 14071, of “accounting,” “trust and corporate formation” and “management consulting” services.
- Address questions related to the prohibitions on “new investments” of E.O. 14066, 14068 and 14071 (the “New Investment Prohibitions”) (FAQs 1049-1055), including:
  - FAQ 1049 defines “new investment” as the commitment of capital or other assets for the purpose of generating returns or appreciation, made on or after the effective date of the New Investment Prohibitions.
    - New investments includes: (i) the purchase or acquisition of real estate in Russia (other than for noncommercial, personal use); (ii) entry into an agreement requiring the commitment of capital or other assets for the establishment or expansion of projects or operations in Russia, including the formation of joint ventures or other corporate entities in Russia; (iii) entry

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<sup>115</sup> These entities were designated for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, JSC Moscow Industrial Bank.

into an agreement providing for the participation in royalties or ongoing profits in Russia; (iv) the lending of funds to persons located in Russia for commercial purposes, including when such funds are intended to be used to fund a new or expanded project or operation in Russia; (v) the purchase of an equity interest in an entity located in Russia; and (vi) the purchase or acquisition of rights to natural resources or exploitation thereof in Russia.

- New investment also includes such commitments pursuant to the exercise of rights under an agreement entered into *before* the effective dates of the New Investment Prohibitions, where such commitment is made on or after the effective dates of the New Investment Prohibitions.
- New investment does *not* include: (i) the maintenance of an investment made prior to the applicable effective dates of the New Investment Prohibitions; (ii) entry into, performance of, or financing of a contract, pursuant to ordinary commercial sales terms, to sell or purchase goods, services, or technology to or from an entity in Russia; and (iii) wind down or divestment of a pre-existing investment, such as a pre-existing investment in an entity, project, or operation, including any associated tangible property, located in Russia.
- FAQ 1055 clarifies that the New Investment Prohibitions do not prohibit U.S. persons from lending funds to or purchasing an equity interest in entities located outside of Russia, *provided* that: (i) such funds are not specifically intended for new projects or operations in Russia; and (ii) the revenues of the entity located outside Russia are not predominantly derived from its investments in Russia.
- FAQ 1054 confirms that the New Investment Prohibitions prohibit U.S. persons from purchasing new and existing debt and equity securities issued by an entity in Russia. However, the New Investment Prohibitions do not prohibit U.S. persons from selling or divesting, or facilitating the sale or divestment of, debt or equity securities issued by an entity in Russia to a non-U.S. person. U.S. financial institutions may clear and settle, or otherwise serve as market intermediaries in, divestment transactions on the secondary market (including transactions between non-U.S. persons).

In addition, OFAC clarified that U.S. persons are not required to divest such securities and may continue to hold such previously acquired securities. Furthermore, the purchase of shares in a U.S. fund that contains debt or equity securities issued by entities in Russia generally would not be considered a prohibited “new investment,” so long as these holdings represent less than a

predominant share by value of debt or equity securities issued by entities in Russia. As a result, U.S. persons may continue to invest in the fund, and the fund may continue to operate. Generally, the fund may also divest itself of these prohibited holdings.

OFAC also clarified that the purpose of GL 45 is to authorize the close out of financial contracts entered into on or before June 6, 2022 that might not otherwise be considered a divestment of debt or equity securities issued by entities in the Russian Federation.

- FAQ 1053 clarified that transactions related to the divestment or the facilitation of divestment of a pre-existing investment, including a pre-existing investment in an entity, project, or operation in Russia, are not prohibited by the New Investment Prohibitions. In addition, the prohibition on a U.S. person of approving, financing, facilitating or guaranteeing a transaction by a foreign person that would be prohibited if performed by a U.S. person or within the United States does not prohibit U.S. persons from facilitating the wind down or divestment of an existing investment in a project or operation in Russia.
- FAQ 1053 also clarified that the prohibition on approval, financing, facilitation, or guarantee by a U.S. person of a transaction by a foreign person that would be prohibited if conducted by a U.S. person does not prohibit U.S. persons from facilitating the wind down or divestment of an existing investment in Russia, *provided* that such facilitation is on behalf of the selling party only.
- FAQ 1052 notes that U.S. persons may continue to fund their subsidiaries and affiliates with projects or operations located in Russia prior to the effective dates of the New Investment Prohibitions *provided* the use of funds by the subsidiary or affiliate are related to “maintenance” activities.
  - The expansion of pre-existing projects or operations beyond those in effect prior to the effective dates of the New Investment Prohibitions would not be maintenance activities and thus would be prohibited.
- FAQ 1051 confirmed that the New Investment Prohibitions do not prohibit the export or import of goods, services, or technology, or related sales or purchases, to or from Russia, *provided* that such transaction is made pursuant to ordinary commercial sales terms (*e.g.*, a payment of an invoice for goods made within the contracted time period, where such payment does not involve ongoing participation in royalties or ongoing profits).

- Clarify that for the purposes of section 1(a)(ii) of E.O. 14071, OFAC interprets “person located in the Russian Federation” to include persons in the Russian Federation, individuals ordinarily resident in the Russian Federation, and entities incorporated or organized under the laws of the Russian Federation or any jurisdiction within the Russian Federation (FAQ 1058).
- Address questions related E.O. 14071’s prohibition on certain accounting, trust and corporate formation and management consulting services (FAQs 1059-1068), including:
  - FAQ 1059 clarified that the prohibition does not extend to persons located outside of Russia that are owned or controlled by persons located in Russia, *provided* that the services are not an indirect export to a person located in Russia (*i.e.*, that the benefit of the services is not ultimately received by a person located in Russia).
  - FAQ 1060 notes that the prohibition on trust and corporate formation services does not, in and of itself, prohibit U.S. persons from serving on the board of directors of a company located in Russia. However, U.S. persons are prohibited from providing nominee officer or director services in which a U.S. person is contracted to serve as a nominee officer, director, shareholder or signatory of a legal person on behalf of a person located in Russia.
  - FAQ 1061 clarified that U.S. persons are not generally prohibited from working as employees of entities located in Russia and are only prohibited from providing the enumerated prohibited services to companies located in the Russian Federation in their capacity as employees.
  - FAQ 1062 confirmed that the prohibition does apply to services provided to a parent company in Russia by its U.S. subsidiary.
  - FAQ 1063 clarified that the prohibition on trust and corporate formation applies to both new and existing trusts and companies, regardless of whether the services are performed as part of the formation of a new trust or company or as part of the administration or maintenance of an existing trust or company.
  - OFAC confirmed that executive search and vetting services are covered under the prohibition on “management consulting services” (FAQ 1064) and that “accounting services” include tax preparation and filing (FAQ 1068).
  - FAQ 1065 clarified that U.S. persons are prohibited from serving as voting trustees on behalf of, or for shares of, persons located in Russia.

- OFAC also clarified that U.S. persons are not prohibited from providing: (i) educational services (such as online university courses) on the subjects of accounting, management consulting or trust and corporate formation to persons located in Russia (FAQ 1066); or (ii) software related to accounting, management consulting or trust and corporate formation to persons located in Russia, *provided* that such associated services do not fall within the categories of management consulting, accounting or trust and corporate formation (FAQ 1067).
- Explain that the determination issued on June 28, 2022 pursuant to E.O. 14068 prohibits the importation into the United States of gold of Russian Federation origin, but excludes from such prohibition gold of Russian Federation origin that was located outside of the Russian Federation prior to June 28, 2022 (FAQ 1070).
- Clarify that GL 45 authorizes the purchase or facilitating the purchase by U.S. persons of debt or equity securities issued by an entity in Russia, if that purchase is ordinarily incident and necessary to the wind down of a financial contract or agreement entered into, on or before June 6, 2022 (FAQ 1071).
- Explain that GL 46 authorizes transactions such as the submission and acceptance of bids and offers and physical settlement requests by auction participants and their customers, or the delivery and acceptance of the Russian Federation debt obligations and corresponding settlement amounts. OFAC also explained that although GL 46 authorizes U.S. persons to purchase or receive Russian debt obligations for the period beginning two business days prior to the announced date of the auction and ending eight business days after the conclusion of the auction, the general license does not require the clearance and settlement of such transactions to be completed within eight business days after the conclusion of the auction (FAQ 1072).
- Confirm that PhosAgro PJSC, EuroChem Group AG and Sheremetyevo International Airport are not owned 50% or more by recently designated individuals and are therefore not blocked (FAQs 1073-1075).
- Explain that accounts held by U.S. persons at any blocked Russian financial institutions (checking and savings accounts, credit cards, CDs, loans and mortgages) generally are themselves considered blocked property, unless exempt. U.S. persons must stop utilizing such accounts and treat them as blocked. U.S. persons are also required to file a blocking report with OFAC. Note that GL 50 authorizes all transactions ordinarily incident and necessary to close individual accounts held at a blocked financial institution (FAQ 1080).

- Confirm that individuals do not need to provide official documentation proving they have closed their account at a blocked Russian financial institution when utilizing GL 50 (FAQ 1081).
- Explain that although the NSPK (the operator of Russia’s MIR National Payment System, which clears and settles payments between consumers, merchants and banks for debit and credit card payments, primarily in Russia) is not a blocked entity, it may be used to process transactions involving other sanctioned persons and thus non-U.S. financial institutions that enter into or expand agreements with NSPK risk supporting Russia’s efforts to evade U.S. sanctions through the expanded use of the MIR National Payment System outside of Russia (FAQ 1082).
- Define the term “quantum computing services” as any of the following services when related to quantum computing, quantum computers, electronic assemblies thereof or cryogenic refrigeration systems related to quantum computing: infrastructure, web hosting or data processing services; custom computer programming services; computer systems integration design services; computer systems and data processing facilities management services; computing infrastructure, data processing services, web hosting services and related services; repairing computer, computer peripherals or communication equipment; other computer-related services; as well as services related to the exportation, reexportation, sale or supply, directly or indirectly, of quantum computing, quantum computers, electronic assemblies thereof or cryogenic refrigeration systems related to quantum computing to any person located in Russia (FAQ 1084).
- Define the term “quantum computing sector of the Russian Federation economy” as activities related to products and services in or involving Russia in research, development, manufacturing, assembling, maintenance, repair, sale or supply of quantum computing, quantum computers, electronic assemblies thereof or cryogenic refrigeration systems related to quantum computing (FAQ 1086).
- Address questions related to E.O. 14071’s prohibition on certain quantum computing services (FAQs 1059, 1061-1062), including:
  - FAQ 1059 clarified that the prohibition does not extend to persons located outside of Russia that are owned or controlled by persons located in Russia, *provided* that the services are not an indirect export to a person located in Russia (*i.e.*, that the benefit of the services is not ultimately received by a person located in Russia).
  - FAQ 1061 clarified that U.S. persons are not generally prohibited from working as employees of entities located in Russia and are only prohibited from providing



quantum computing services to companies located in Russia in their capacity as employees.

- FAQ 1062 confirmed that the prohibition does apply to services provided to a parent company in Russia by its U.S. subsidiary.
- Confirm that non-U.S. persons are exposed to sanctions risk for activities that would constitute material assistance, sponsorship, financial, material or technological support for, or goods or services to, or in support of (“material support”) sanctioned persons or sanctionable activity, particularly for providing material support for Russia’s illegal attempts to annex Ukrainian sovereign territory. However, OFAC again reiterated that sanctions will generally not be imposed on non-U.S. persons engaging in activities that would be authorized for U.S. persons (FAQ 1091).
- Explain that sanctions may be imposed against non-U.S. persons that provide goods, services or other support for Russia’s military-industrial complex. OFAC reaffirmed its broad authority to block non-U.S. persons for violating Russia-related and Ukraine-related sanctions, including the authority to block any person determined to:
  - operate in the defense and related materiel sector of the Russian Federation economy;
  - have materially assisted, sponsored or provided financial, material or technological support for, or goods or services to or in support of, sanctionable activities or persons blocked under the Russia-related sanctions; or
  - have knowingly engaged in significant transactions with companies identified on the list issued under Section 231 of Countering America’s Adversaries Through Sanctions Act of companies operating in the Russian defense and intelligence sectors (FAQ 1092).
- Explain that transactions covered by GL 58 related to wind down of transactions involving Rosbank include those ordinarily incident and necessary to exit operations, contracts or other agreements involving Rosbank or Rosbank Entities that were in effect prior to December 15, 2022, provided that such transactions do not involve a debit to a blocked account on the books of a U.S. financial institution. Wind-down activities covered by GL 58 do not include the continued processing of funds transfers, securities trades or other transactions that involve Rosbank or Rosbank Entities that were part of ongoing business activities prior to the imposition of sanctions (FAQ 1103).

- Notify that, based on information available to OFAC as of December 15, 2022, Norilsk Nickel is not owned 50% or more by Vladimir Potanin and is therefore not blocked as a result of the designation of Vladimir Potanin (FAQ 1104).

**Table 1: Summary of U.S. Sanctions on Russian Financial Institutions**

Entity	Blocking Sanctions	Dir.1A (Russia-related Sovereign Debt)	Dir. 2 (Correspondent and Payable-through Account)	Dir. 3 (Debt and Equity Prohibitions)	Dir. 4 (Russia-related Sovereign Transaction)	Who Must Comply?	Secondary Sanctions Risk	Entity-Specific GLs
Rosbank	✓					U.S. persons	Yes	8E, 58, 59
VEB	✓					U.S. persons	Yes	2, 3 (expired), 8E, 9C (expired), 10C (expired)
VTB, Otkritie, Sovcombank	✓					U.S. persons	Yes	8E, 9C (expired), 10C (expired), 11 (expired), 12 (expired)
Novikombank, PSB, SMP Bank, JSC Moscow Industrial Bank	✓					U.S. persons	Yes	
Sberbank	✓		✓	✓		U.S. persons	Yes	8E, 9C (expired), 10C (expired), 21A (Sberbank CIB USA, Inc.) (expired), 22 (expired), 26A (SB Sberbank Kazakhstan, Sberbank Europe AG, Sberbank (Switzerland) AG) (expired)
TKB	✓					U.S. persons	Yes	28, 29 (expired)
Alfa-Bank	✓			✓		U.S. persons	Yes	8E, 9C (expired), 10C (expired), 23 (expired)
Credit Bank of Moscow, Gazprombank, Russian Agricultural Bank (as well as certain entities that are not financial institutions)				✓		U.S. persons	No	
Central Bank of Russia, Russian National Wealth Fund, the Russian Ministry of Finance		✓			✓	Directive 1A-U.S. financial institutions  Directive 4-U.S. persons	No	8E (Central Bank of the Russian Federation only), 9C (expired), 10C (expired), 13C, 14

## Embargo of Breakaway Territories

On 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. President Biden responded by signing [E.O. 14065](#), imposing an embargo, apparently modeled on E.O. 13685’s embargo of Crimea, on the DPR and LPR regions of Ukraine (or such other regions of Ukraine as may be determined by the Secretary of Treasury).

E.O. 14065 effectively prohibits new U.S. investment in and any U.S. trade with the regions.<sup>116</sup> 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.

OFAC clarified that E.O. 14065 does not block the entire Donetsk and Luhansk oblasts. In determining whether a location is within the regions subject to sanctions, one may reasonably rely on vetted information from reliable third parties (*e.g.*, postal codes and maps).<sup>117</sup>

## General Licenses

In connection with these new sanctions related to the breakaway territories, OFAC issued various general licenses:

### [GL 17: Wind-Down Activities in the DPR and LPR Regions \(expired\)](#)

GL 17, which has now expired, had authorized through 12:01 a.m. EDT March 23, 2022 all transactions that are ordinarily incident and necessary to the wind down of transactions involving the DPR or LPR regions, including the divestiture or transfer to a non-U.S. person of a U.S. person’s share of ownership in any pre-February 21, 2022 investment located in the DPR or LPR regions and the winding down of operations, contracts or other agreements in effect prior to February 21, 2022 involving the exportation, reexportation, sale or supply of goods, services or technology to, or importation of any goods, services or technology from, the DPR or LPR regions.

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<sup>116</sup> E.O. 14065 prohibits the following activities DPR and LPR regions (the “Covered Regions”): (i) new investment in the Covered Regions by a U.S. person, wherever located; (ii) the importation into the United States, directly or indirectly, of any goods, services, or technology from the Covered Regions; (iii) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States or by a U.S. person, wherever located, of any goods, services, or technology to the Covered Regions; and (iv) any approval, financing, facilitation, or guarantee by a U.S. person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person, or within the United States.

<sup>117</sup> OFAC FAQ 1009.

**GL 18: Transactions Related to Agricultural and Medical Commodities and the COVID-19 Pandemic in the DPR and LPR Regions**

GL 18 authorizes transactions that are ordinarily incident and necessary to: (1) the exportation or reexportation of agricultural commodities, medicine, medical devices, replacement parts and components for medical devices or software updates for medical devices to the DPR and LPR regions or persons in other countries purchasing specifically for resale to these regions; or (2) the prevention, diagnosis or treatment of COVID-19 (including research or clinical studies relating to COVID-19) in the DPR and LPR regions.

**GL 19: Telecommunications and Mail Transactions in the DPR and LPR Regions**

GL 19 authorizes all transactions that are ordinarily incident and necessary to the receipt or transmission of telecommunications in the DPR and LPR regions. The license does not authorize the provision, sale or lease of telecommunications equipment or technology or capacity on telecommunications transmission facilities.

**GL 20: Official Business of Certain International Organizations in the DPR and LPR Regions**

GL 20 authorizes transactions by employees, grantees or contractors for the conduct of the official business of: (i) the United Nations (including its programs, funds, and other entities and bodies, as well as its specialized agencies and related organizations); (ii) Selected International Organizations (as defined above); and (iii) the Organization for Security and Co-operation in Europe.

**GL 21: Noncommercial, Personal Remittances and Operation of Accounts**

GL 21 authorizes all transactions that are ordinarily incident to the transfer of noncommercial, personal remittances to or from the DPR and LPR regions, or for or on behalf of an individual ordinarily resident in those regions.

Transactions that are ordinarily incident and necessary to maintaining, operating or closing an account of an individual ordinarily resident in those regions, other than an SDN, are authorized, *provided* that the transactions processed through the account: (i) are of a personal nature and are not for the benefit of an entity, including supporting or operating a business; and (ii) do not involve transfers directly or indirectly to the DPR or LPR regions or for the benefit of persons ordinarily resident in the DPR or LPR regions unless the transfers are noncommercial, personal remittances.

U.S. depository institutions, U.S.-registered brokers or dealers in securities and U.S.-registered money transmitters are authorized to process noncommercial, personal remittances regardless of whether the originator or beneficiary is an individual who is a U.S. person. The license is not limited to a specific method of payment.<sup>118</sup>

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<sup>118</sup> FAQ 1007.

**GL 22: Exportation of Certain Services and Software Incident to Internet-Based Communications**

GL 22 authorizes all transactions that are ordinarily incident and necessary to the exportation or reexportation, directly or indirectly, from the United States or by a U.S. person, wherever located, to persons in the DPR and LPR regions of services incident to the exchange of personal communications over the internet or certain software that is necessary to enable such services.

However, this license does not authorize the exportation or reexportation, directly or indirectly, of services or software with knowledge or reason to know that such services or software are intended for any person whose property and interests in property are blocked.<sup>119</sup>

**GL 23: Certain Transactions in Support of Nongovernmental Organizations' Activities**

GL 23 authorizes transactions by nongovernmental organizations that are ordinarily incident and necessary to support certain activities in the DPR or LPR regions. Such activities include humanitarian, democracy-building and educational projects, non-commercial development and activities to support environmental and natural resource protection.

**GL 24: Transactions Related to the Provision of Maritime Services**

GL 24 authorizes transactions related to the provision or receipt of civil maritime services performed by individuals who are ordinarily resident in the DPR or LPR regions, *provided* that such services: (i) are performed outside of the DPR or LPR regions; and (ii) are not performed on behalf of any entity located in, or organized under, the laws of the DPR or LPR regions.

**GL 25: Journalistic Activities and Establishment of News Bureaus in the DPR and LPR Regions**

GL 25 authorizes U.S. news reporting organizations or U.S. individuals employed by a news reporting organization<sup>120</sup> (journalist, photojournalist, supporting broadcast or technical personnel) to engage in a variety of transactions in the DPR or LPR regions to the extent such transactions are ordinarily incident and necessary to journalistic activities.

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<sup>119</sup> *Id.*

<sup>120</sup> “News reporting organization” means an entity whose primary purpose is the gathering and dissemination of news to the general public.

## Belarus

### Full Blocking Sanctions

Because of Belarus's support for and facilitation of the Russian military action in Ukraine, OFAC imposed full blocking sanctions on 24 Belarusian entities and individuals in the finance and defense sectors, including:

- Belarusian President Alyaksandr Ryhorovich Lukashenka (previously sanctioned) and his wife, Halina Radzivonawna Lukashenka (his sons, Dzmitry and Viktar Lukashenka were previously sanctioned)
- Belarusian Bank of Development and Reconstruction Belinvestbank JSC
- LLC Belinvest-Engineering
- CJSC Belbizneslizing
- Bank Dabrabyt JSC
- Minsk Wheeled Tractor Plant ("MZKT")
- Aliaksei Ivanavich Rymasheuski and Aliaksandr Piatrovich Vetsianevich (senior executives of MZKT)
- State Authority for Military Industry of the Republic of Belarus ("SAMI")
- Dmitry Aleksandrovich Pantus and Viachaslau Yevgenyevich Rassalai (the Chairman and a Deputy Chairman of SAMI, respectively)
- State Owned Foreign Trade Unitary Enterprise Belspetsvneshtekhnika
- OJSC KB Radar-Managing Company Holding Radar System
- JSC 558 Aircraft Repair Plant
- PJSC Integral
- Industrial-Commercial Private Unitary Enterprise Minotor-Service
- OOO Oboronnye Initsiativy
- OKB TSP Scientific Production LLC
- LLC Synesis ("Synesis")



- Aliaksandr Yauhenavich Shatrou (owner and CEO of Synesis)
- Belarusian Minister of Defense Viktor Gennadievich Khrenin
- State Secretary of the Security Council of Belarus Aleksandr Grigorievich Volfovich
- OOO Sokhra (“Sokhra”)
- Aliaksandr Mikalaevich Zaitsau (owner of Sokhra)
- Panoptes
- Belarusian Oil Trade House
- OJSC Svetlogorsk Khimvolokno

Additionally, all entities that are owned 50% or more (directly or indirectly) by any of these entities or individuals are subject to blocking, even if not identified by OFAC.

As with the blocking sanctions described above, all property and interests in property of the designated individuals and entities that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. All transactions by U.S. persons or within (or transiting) the United States that involve any property or interests in property of designated or otherwise blocked persons are prohibited unless authorized by OFAC or otherwise exempt. These prohibitions include the making of any contribution or provision of funds, goods or services by, to, or for the benefit of any blocked person and the receipt of any contribution or provision of funds, goods, or services from any such person.

#### **General Licenses**

In connection with these new sanctions on Belarus, OFAC issued general licenses authorizing certain transactions related to:

##### **GL 6: Official Business of the U.S. Government**

GL 6 authorizes all transactions that are for the conduct of the official business of the United States Government by its employees, grantees or contractors.

##### **GL 7: Official Business of the UN and Other Organizations**

GL 7 authorizes all transactions by employees, grantees or contractors for the conduct of the official business of the United Nations (including its programs, funds, and other entities and bodies, as well as its specialized agencies and related organizations) and the Selected International Organizations (as defined above).

## Export Controls

The BIS of the U.S. Department of Commerce issued two final rules: (i) the “Implementation of Sanctions Against Russia Under the Export Administration Regulations (EAR)” (“Russia Rule”); and (ii) the “Imposition of Sanctions Against Belarus Under the EAR” (“Belarus Rule” and, together with the Russia Rule, the “Rules”). The Russia Rule became effective on February 24, 2022 and the Belarus Rule on March 2, 2022; both implemented new license requirements and licensing policies to further restrict access of Russia and Belarus to controlled U.S. goods, software and technologies, particularly items that Russia and Belarus rely on for their defense, aerospace and maritime industries, including semiconductors, computers, telecommunications, information security equipment, lasers and sensors.<sup>121</sup>

On September 15, 2022, BIS issued a rule imposing further export controls on industrial and commercial items that can support Russian and Belarusian military aggression against Ukraine. The new rule expands the scope of export controls by, among other things, adding Belarus to the industry sector sanctions that previously applied only to Russia and expanding “military end user” and “military-intelligence end user” controls to cover six critical entities currently producing items for the Russian and Belarusian military and industrial sectors. In addition, the rule imposes controls on quantum computing-related hardware, software and technology, complementing the prohibition on quantum computing services to Russia.<sup>122</sup>

On September 30, 2022, BIS issued guidance noting that the expanded U.S. export controls may be applied to third-country companies and government entities outside of Russia or Belarus attempting to provide material support for Russia’s and Belarus’s military and industrial sectors, including to replenish (“backfill”) technologies and other prohibited items.<sup>123</sup>

## New Licensing Requirements

On April 9, 2022, BIS expanded the licensing requirements on Russia and Belarus imposed by the Rules to all controlled items designated on the Commerce Control List being sent to Russia or Belarus, regardless of whether the sender is a U.S. person.<sup>124</sup> On May 9, 2022, BIS expanded the scope of items subject to stringent licensing requirements to include a wide range of commercial and industrial operations (from wood producers to construction machinery) identified under specific Schedule B numbers or HTSUS codes.<sup>125</sup> In addition, any license application will be reviewed under a presumptive policy of denial. However, case-by-case applications will be

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<sup>121</sup> 87 Fed. Reg. 12226 (Mar. 3, 2022). On March 2, 2022, BIS extended the export control policies put in place for Russia to Belarus (87 Fed. Reg. 13048 (Mar. 8, 2022)).

<sup>122</sup> Press release of the U.S. Department of Commerce dated September 15, 2022, [available here](#); 87 Fed. Reg. 57068 (Sept. 16, 2022).

<sup>123</sup> FAQ issued by the U.S. Department of Commerce dated September 30, 2022, [available here](#).

<sup>124</sup> Press release of the U.S. Department of Commerce dated April 9, 2022, [available here](#).

<sup>125</sup> 87 Fed. Reg. 28758 (May 11, 2022).

considered related to safety of flight, maritime safety, civil nuclear safety, humanitarian needs, government space cooperation, civil telecommunications infrastructure, government-to-government activities and support for limited operations of partner country companies in Russia or Belarus. Additionally, certain license exceptions in the EAR are no longer available for controlled exports to Russia or Belarus.

On June 28, 2022, BIS and Treasury's Financial Crimes Enforcement Network ("FinCEN") jointly issued an alert to financial institutions advising them to be vigilant of efforts to evade BIS export controls. The alert includes transactional and behavioral red flags regarding export control evasions and a list of commodities at higher risk of export control evasion due to their potential diversion to and end use by Russia and Belarus to further military and defense capabilities.<sup>126</sup> The list is intended to assist in the risk-based screening of export-related financial transactions and includes the following commodities: (i) aircraft parts/equipment; (ii) antennas; (iii) breathing systems; (iv) cameras; (v) GPS system; (vi) inertial measurement units; (vii) integrated circuits; and (viii) oil field equipment.

#### **"Military End Users" and "Military End Uses"**

Restrictions on Russian "military end users" and "military end uses" now cover all items subject to the EAR with exceptions for items classified as ECCN 5A992.c or 5D992.c (e.g., certain "mass market" computers and similar electronics and "mass market" software), so long as they are not for Russian "government end users" or Russian state-owned enterprises.<sup>127</sup>

#### **New Foreign Direct Product ("FDP") Rules**

The Rules add a new FDP Rule that is applicable to the entire countries of Russia and Belarus and another, broader new rule directed at Russian and Belarusian "military end users." The aim of these rules is to limit these two countries' access to certain items manufactured with U.S. software or technology, even if manufactured by a non-U.S. person outside the United States.

#### **Violations, Entity List and Temporary Denial Orders**

On March 18, 2022, BIS identified commercial and private aircraft that have flown into Russia in apparent violation of the EAR and notified the public that providing any form of service to these aircraft requires authorization. The press release noted that absent such authorization, "any person anywhere including within Russia risks

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<sup>126</sup> Press release of the U.S. Department of Commerce dated June 28, 2022, available [here](#).

<sup>127</sup> On June 2, 2022, BIS issued a final rule revising certain provisions of the EAR, including revising the controls for Russian and Belarussian military end uses and military end users by extending license requirements to include food and medicine designated as EAR99. License applications for such items will be subject to a case-by-case review policy. Press release of the U.S. Department of Commerce dated June 2, 2022, available [here](#).

violating the EAR and would be subject to BIS enforcement actions which could include substantial jail time, fines, loss of export privileges, or other restrictions.”<sup>128</sup>

On March 30, 2022, 73 new aircraft were added to and 12 were removed from the list of aircraft in potential violation of the EAR.<sup>129</sup> On April 14, 2022, BIS identified 10 additional aircraft, including the first seven Belarusian owned/operated commercial aircraft.<sup>130</sup> On May 20, 2022, BIS again identified additional aircraft in likely violation of U.S. export controls, including a 787 Dreamliner owned by Russian oligarch Roman Abramovich.<sup>131</sup> BIS issued an Administrative Charging Letter against Roman Abramovich on June 6, 2022 for violating U.S. exports controls related to flights of his private jets<sup>132</sup> and another against PJSC Lukoil on August 31, 2022 for flying a U.S.-manufactured plane into Russia.<sup>133</sup>

BIS has continued to update the list of aircraft that have flown into Russia or Belarus in apparent violation of the EAR, including:

- On August 2, 2022, BIS added the first 25 foreign-produced aircraft that have violated the *de minimis* threshold for U.S. components.<sup>134</sup>
- On September 19, 2022, BIS identified three Iranian-owned and -operated aircraft transporting cargo to Russia.<sup>135</sup>
- On September 26, 2022, a fourth Iranian-owned and -operated aircraft was identified by BIS for the same violation. Mahan Air, Qeshm Fars Air, Iran Air and Saha Airlines are the first Iranian airlines to be added to the list of foreign airlines for their apparent violation of U.S. export controls on Russia.<sup>136</sup>

There are now a total of 184 aircraft identified on the list for apparent violations of U.S. export controls.

BIS has continued to issue Temporary Denial Orders (“TDOs”) to various airlines for their ongoing export violations of Russia-related export controls, including to:

- three Russian Airlines (Aeroflot, Azur Air and UTair) on April 7, 2022,<sup>137</sup>
- Aviastar on April 21, 2022,<sup>138</sup>

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<sup>128</sup> Press release of the U.S. Department of Commerce dated March 18, 2022, available [here](#).

<sup>129</sup> Press release of the U.S. Department of Commerce dated March 30, 2022, available [here](#).

<sup>130</sup> Press release of the U.S. Department of Commerce dated April 14, 2022, available [here](#).

<sup>131</sup> Press release of the U.S. Department of Commerce dated May 20, 2022, available [here](#).

<sup>132</sup> Press release of the U.S. Department of Commerce dated June 6, 2022, available [here](#).

<sup>133</sup> Press release of the U.S. Department of Commerce dated August 31, 2022, available [here](#).

<sup>134</sup> Press release of the U.S. Department of Commerce dated August 2, 2022, available [here](#).

<sup>135</sup> Press release of the U.S. Department of Commerce dated September 19, 2022, available [here](#).

<sup>136</sup> Press release of the U.S. Department of Commerce dated September 26, 2022, available [here](#).

<sup>137</sup> Press release of the U.S. Department of Commerce dated April 7, 2022, available [here](#).

- Rossiya Airlines on May 20, 2022,<sup>139</sup>
- Belavia Belarusian Airlines on June 16, 2022,<sup>140</sup>
- Nordwind Airlines, Pobeda Airlines and S7 Airlines on June 24, 2022,<sup>141</sup> and
- URAL Airlines JSC on October 13, 2022.<sup>142</sup>

These orders terminate the right of these entities to participate in transactions subject to the EAR, including exports and reexports from the United States. The TDOs are issued for 180 days and may be renewed.

On April 1, 2022, BIS issued a final rule adding 120 entities to the Entity List: (i) 95 entities added as military end users under the destinations of Belarus (24 entities) and Russia (71 entities) for acquiring and attempting to acquire items subject to the EAR in support of Belarus's and Russia's militaries; and (ii) 25 entities added under the destination of Russia for acquiring and attempting to acquire items subject to the EAR in support of Russia's military modernization efforts.<sup>143</sup> On June 2, 2022, BIS added 71 additional parties located in Russia and Belarus to the Entity List.<sup>144</sup> On June 28, 2022, BIS added six new entities to the Entity List for their continued supply to Russian military end users and identified two Chinese parties that were previously on the Entity List as having continued to support Russia's military.<sup>145</sup> This rule applies a highly restrictive policy of denial for the review of license applications for exports, reexports and transfers (in-country) to the listed entities of all items subject to the EAR and prohibits the use of all license exceptions for such transactions.

On September 30, 2022, BIS added 57 new entities located in Russia and the Crimea region of Ukraine to the Entity List for acquiring or attempting to acquire U.S.-origin items in support of Russia's continued military aggression towards Ukraine. Certain entities were added in connection to their activities within the recently designated quantum computing sector.<sup>146</sup>

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<sup>138</sup> Press release of the U.S. Department of Commerce dated April 21, 2022, available [here](#).

<sup>139</sup> Press release of the U.S. Department of Commerce dated May 20, 2022, available [here](#).

<sup>140</sup> Press release of the U.S. Department of Commerce dated June 16, 2022, available [here](#).

<sup>141</sup> Press release of the U.S. Department of Commerce dated June 24, 2022, available [here](#).

<sup>142</sup> Press release of the U.S. Department of Commerce dated October 17, 2022, available [here](#).

<sup>143</sup> 87 Fed. Reg. 20295 (Apr. 7, 2022); Press release of the U.S. Department of Commerce dated April 1, 2022, available [here](#).

<sup>144</sup> Press release of the U.S. Department of Commerce dated June 2, 2022, available [here](#).

<sup>145</sup> Press release of the U.S. Department of Commerce dated June 28, 2022, available [here](#).

<sup>146</sup> Press release of the U.S. Department of Commerce dated September 30, 2022, available [here](#).

On December 8, 2022, BIS added 12 new entities located in Russia, Switzerland and Latvia to the Entity List for their significant contributions to or their involvement in the Russian military and/or the defense industrial base.<sup>147</sup>

### Oil Refining Sector

On March 2, 2022, BIS issued two rules targeting Russia's oil refining sector.

The first rule builds on existing restrictions put in place on the Russian deepwater oil and gas exploration and extraction industries in 2014 by imposing a policy of denial on such items and applying similarly stringent restrictions on a wide variety of items necessary for refining oil. The purpose of this new rule is to limit Russia's ability to raise revenue from the sale of refined products, including gasoline that it can use to support its military efforts.<sup>148</sup>

The second rule adds 91 new parties in 10 countries<sup>149</sup> to the Department of Commerce's Entity List based on their involvement in, contributions to, or other support of the Russian security services, military and defense sectors, and military and/or defense research and development efforts.<sup>150</sup>

### Luxury Products

On March 11, 2022, following E.O. 14068, BIS issued restrictions on the export, reexport and transfer of U.S.-origin luxury goods to persons and organizations within Russia and Belarus. These restrictions also apply to certain Russian and Belarusian oligarchs and malign actors located worldwide who have been placed on the SDN List. The rule provides a list of U.S.-origin luxury goods that are covered, including certain spirits, tobacco products, clothing items, jewelry, vehicles and antique goods.<sup>151</sup>

On September 15, 2022, the rule issued by BIS imposing further restrictions on Russia and Belarus refined existing controls on Russia and Belarus to more closely align with requirements implemented by allies by adding additional dollar value exclusion thresholds for luxury goods.<sup>152</sup>

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<sup>147</sup> Press release of the U.S. Department of Commerce dated December 8, 2022, *available* [here](#).

<sup>148</sup> 87 Fed. Reg. 12856 (Mar. 8, 2022).

<sup>149</sup> These entities are located in: Russia (81), United Kingdom (3), Estonia (3), Spain (2), Malta (2), Kazakhstan (1), Latvia (1), Belize (1), Singapore (1), and Slovakia.

<sup>150</sup> 87 Fed. Reg. 13048 (Mar. 8, 2022).

<sup>151</sup> 87 Fed. Reg. 14785 (Mar. 11, 2022).

<sup>152</sup> Press release of the U.S. Department of Commerce dated September 15, 2022, *available* [here](#); 87 Fed. Reg. 57068 (Sept. 16, 2022).

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## EU SANCTIONS

Since February 23, 2022, the EU has introduced multiple tranches of sanctions in response to events in Ukraine, which will have a profound and wide-ranging impact on trade between Russia and the EU. These sanctions can be broadly categorized as follows:

- **Financial sanctions** – including expanded capital market restrictions, restrictions preventing Russian persons from accessing certain financial services within the EU, restrictions cutting off certain banks from SWIFT and restrictions on physically taking euros into Russia.
- **Asset freezes and travel bans** – targeting prominent Russian businessmen, Russian banks and Russian state owned institutions. The asset freeze regime has also targeted individuals in Belarus considered to be assisting Russia in its military actions in Ukraine.
- **Trade restrictions** – for aircraft, oil refinery-related products and technology products (broadly covering advanced technology, including for micro-processors and other advanced systems), more comprehensive restrictions on dual-use goods and gold.
- **Investment restrictions** – including restrictions on public (*i.e.*, EU government) financing for trade or investment in Russia, and a restriction on investing, participating or contributing to projects that are co-financed by the Russian Direct Investment Fund.
- **Media restrictions** – prohibiting the broadcast of or contribution to the broadcast of a number of key Russian stations.
- **Transport restrictions** – Russian air carriers are cut off from operating with the EU.
- **Accounting and public relation restrictions** – prohibiting providing these services.

### Financial Sanctions

The most significant new restrictions imposed by the EU consist of measures targeting Russian entities' and individuals' access to EU financial services.<sup>153</sup> These include the expansion of the previously existing EU capital market restrictions and the introduction of a range of novel restrictions that work to cut Russia off from the

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<sup>153</sup> Council Regulation (EU) 2022/328 of 25 February 2022 amending Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, [available here](#).



European financial markets, and business with Europe more generally. On March 18, the EU clarified that EU nationals working for a non-EU subsidiary of an EU company are personally bound by the sanctions and can therefore be held personally liable for participating in transactions which breach EU sanctions. Furthermore, decisions taken by foreign subsidiaries that need to be cleared by their EU parent companies may also fall within the scope of EU sanctions.

### **Expansion of Capital Market Restrictions**

EU capital market restrictions have been in force since 2014, when they were first imposed on a number of Russian banks, military manufacturers and oil and gas companies (e.g., Sberbank, VTB, VEB, GazpromNeft and Transneft). Very broadly, these restrictions prevent persons subject to EU jurisdiction from dealing with transferable securities (including crypto assets), money market instruments issued by and offering new loans or credit to targeted entities.

The EU's expansion of these restrictions applies in three main ways:

- The EU added a number of targets to its capital market restriction list, with restrictions applying to transferable securities and money market instruments issued after April 12, 2022. These now additionally target:
- Banks deemed to be supporting the Russian government (Alfa Bank, Otkritie, Bank Rossiya and Promsvyazbank);
- State owned manufacturers (Almaz-Antey, Kamaz, Novorossiysk Commercial Sea Port, Rostec, Russian Railways, JSC PO Sevmash, Sovcomflot and United Shipbuilding Corporation; and
- The Russian Government and the Central Bank of the Russian Federation.
- The EU tightened the restrictions on entities previously targeted by EU capital market restrictions (e.g., by removing the minimum maturity period for affected transferable securities, money market instruments and loans).
- The EU also restricted the listing and provision of services of shares of a legal person, entity or body established in Russia and with over 50 % public ownership on EU trading venues from April 12, 2022.

### **Restrictions Targeting Russian Persons**

The EU has implemented unprecedented restrictions targeting all Russian nationals and residents, and Russian companies, entities and bodies ("Russian Persons").

- There is a prohibition on the acceptance of deposits exceeding EUR 100,000 from Russian Persons, except for: (i) nationals of a Member State, the EEA or Switzerland, or natural persons having a temporary or permanent residence

permit in a Member State, the EEA or Switzerland; and (ii) deposits which are necessary for non-prohibited cross-border trade in goods and services between the EU and Russia. On June 3, 2022, the EU amended this restriction to allow deposits intended exclusively for the payment of fees or service charges for the routine holding or maintenance of frozen funds or economic resources.

- The holding of accounts of or provision of services for Russian Persons by the EU Central Securities Depositories is prohibited in relation to any transferable securities issued after April 12, 2022.
- The prohibition on selling Euro-denominated securities or units in collective investment undertakings providing exposure to such investments issued after April 12, 2022 to Russian Persons. On April 8, 2022, this prohibition was extended to securities or units in collective investment undertakings providing exposure to such investments denominated in all official currencies of the EU member states.
- From February 28, 2022, diplomats, other Russian officials and business people are no longer able to benefit from visa facilitation provisions.<sup>154</sup>

As part of these changes, the EU has also expanded the anti-circumvention provisions to prevent non-Russian Persons acting as a substitute for a Russian Person for this purpose.

On October 6, 2022, the EU adopted an additional package of sanctions in response to Russia's annexation of the Donetsk, Luhansk, Zaporizhzhia and Kherson regions, that includes further sanctions on people and entities involved in the organization of the recent "referenda" and defense sector representatives, including high-ranking and military officials, companies supporting the Russian armed forces and individuals spreading disinformation about the war. The EU also expanded the listing criteria for specific designations to include those who facilitate circumvention of sanctions.

### **Euro Cash Restrictions**

The sale, supply, transfer or export of Euro-denominated banknotes to Russian persons, including the government and the Central Bank of the Russian Federation, or for use in Russia, is prohibited. A small number of exemptions are included, such as for diplomatic services.

On April 8, 2022, this prohibition was extended to apply to all banknotes denominated in all official currencies of EU member states.

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<sup>154</sup> Council Decision (EU) 2022/333 of February 25, 2022 on the partial suspension of the application of the Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas to the citizens of the European Union and the Russian Federation, *available* [here](#).

On June 3, 2022, this prohibition was amended to exempt nationals and residents of the EEA or Switzerland from the ban on sale of transferable securities denominated in an EU currency.

On October 6, 2022, the EU also banned the provision of crypto-asset wallet, account or custody services to Russians, regardless of the total value of those crypto-assets.

### **SWIFT Restrictions**

On March 2, the EU cut off the following seven Russian banks from the international SWIFT messaging system:

- Otkritie
- Novikombank
- PSB
- Bank Rossiya
- Sovcombank
- VEB
- VTB

On June 3, 2022, the EU cut off a further three banks from SWIFT with effect from June 14, 2022:

- Sberbank
- Credit Bank of Moscow
- Joint Stock Company Russian Agricultural Bank, JSC Rosselkhozbank

### **Restrictions on Dealing with the Central Bank of Russia for Currency Services**

The EU has imposed a ban on transactions that relate to the management of reserves and assets of the Russian Central Bank, including transactions with any legal person, entity or body acting on its behalf such as the Russian National Wealth Fund.<sup>155</sup>

### **Restrictions on Credit Rating Services**

On March 15, 2022, the EU prohibited the provision of credit ratings and access to any subscription services related to credit rating activities to Russian nationals, residents and entities.

### **Asset Freezes and Travel Bans**

The EU has imposed a number of asset freezes and travel bans, targeting prominent Russian businessmen, Russian banks, Russian state owned institutes, and Russian

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<sup>155</sup> Council Decision (CFSP) 2022/335 of February 28, 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, *available [here](#)*.

political figures. The asset freezes have also targeted individuals in Belarus considered to be assisting in Russia’s actions in Ukraine.

In total, asset freezes and travel bans have been imposed on **over 1,300 individuals and 110 entities** since February 21, 2022. The most prominent individuals and entities sanctioned by the EU include:

Financial institutions	State-owned enterprises	Prominent business figures	Political figures
VEB	SOGAZ	Alisher Usmanov	Vladimir Putin
Bank Rossiya	United Shipbuilding Corporation	German Khan	Sergei Lavrov
PSB	United Aircraft Corporation	Igor Sechin	All members of the State Duma
Otkritie		Roman Abramovich	146 members of the Russian Federation Council
Sovcombank	Sovcomflot	Andrei Kostin	
Novikombank		Mikhail Fridman	
VTB Bank		Gennadiy Timchenko	
National Settlement Depository (NSD)		Dmitry Mazepin	Members of the Russian National Security Council
Sberbank		Andrey Melnichenko	Senior military leaders
Credit Bank of Moscow		Oleg Deripaska	
Dalnevostochniy Bank		Petr Aven	
		Herman Gref	
		Said Kerimov	
		Alexander Shulgin	
		Alexey Mordashov	
		Victor Rashnikov	
		Alexei Kuzmichev	
		Andrei Skoch	
		Viatcheslav Kantor	
		Pyotr Aven	
		Igor Kesaev	

On April 13, 2022, the EU amended its asset freeze regime. Asset freezes do not apply to funds or economic resources made available by organizations and agencies that are pillar-assessed by the Union and with which the Union has signed a financial framework partnership agreement for humanitarian purposes, *provided* that the provision of such funds or economic resources is necessary for exclusively humanitarian purposes in Ukraine. Furthermore, the relevant government bodies of member states can now grant specific or general authorizations to release or make available funds or economic resources that are necessary for exclusively humanitarian purposes in Ukraine. An authorization will automatically be granted if a relevant government body does not respond to a request for such an authorization within five days of receipt by giving a negative decision, making a request for information or making a notification for additional time.

On July 21, 2022, the EU imposed an obligation for EU asset frozen persons to report their assets located in any member state to the competent authority of that member state within six weeks of the asset freeze being imposed. Where an asset freeze has already been imposed, the asset frozen person must report their assets before September 1, 2022. Failure to do so will be considered a circumvention of EU sanctions (which may, in turn, mean that the assets are confiscated if later identified by EU authorities).

Furthermore, persons and entities must now report information they hold about asset frozen persons or entities, such as account information and amount of frozen assets, to the member state in which they are located or resident.

On September 15, 2022, the EU renewed its Russia targeted sanctions regime for 6 months until March 15, 2023.

On November 30, 2022, the Commission presented different options to put frozen Russian assets towards compensation for Ukraine.<sup>156</sup> In light of the €19 billion of assets belonging to Russian oligarchs frozen by EU Member States and around €300 billion of Russian Central Bank reserves blocked in the EU and other G7 partners, the main proposal in the short term is to create a new structure to manage these frozen and immobilized public Russian assets, invest them and use the proceeds to rebuild Ukraine. In the long term, it is proposed that the focus shift towards returning Central Bank assets once sanctions are lifted and offsetting any returns against war reparations.

On December 16, 2022, the EU introduced a new derogation to combat food insecurity. This allows Member States to unfreeze the assets of and to make funds and economic resources available to individuals playing a significant role in the international trade of agricultural and food products, including fertilizers and wheat.

#### **The “Any Transaction” Prohibition on State-Owned Entities**

All transactions with certain state-owned entities are now prohibited, unless they are strictly necessary for the purchase, import or transport of fossil fuels and certain metals and minerals. On April 8, 2022, this exemption was amended to apply to natural gas and oil, including refined petroleum products. This includes transactions with legal persons, entities or bodies established outside the EU that are 50% or more owned by these state-owned entities. The relevant state-owned entities are:

- OPK Oboronprom
- Almaz-Antey
- United Aircraft Corporation
- Kamaz

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<sup>156</sup> See Press Release of the European Commission “Ukraine: Commission presents options to make sure that Russia pays for its crimes” (November 30 2022), available [here](#).

- Uralvagonzavod
- Rosneft
- Transneft
- Gazprom Neft
- Rostec (Russian Technologies State Corporation)
- JSC PO Sevmash
- Sovcomflot
- United Shipbuilding Corporation

Note that for the above, a wind-down period is in effect until May 15, 2022 for execution of contracts concluded before March 16, 2022.

These restrictions form a novel form of EU sanctions which go beyond a typical EU asset freeze, and in some ways are closer to the U.S. blocking sanctions concept.

On October 6, 2022, the EU introduced a ban on its nationals holding any posts at the governing bodies of certain Russian state-owned or controlled entities. It also banned all transactions with the Russian Maritime Shipping Register, a 100% state-owned entity involved in the classification and inspection of Russian and non-Russian ships and crafts.

On December 16, 2022, the EU adopted a 9th package of Russia sanctions, which includes the prohibition for an EU national to hold any posts on the governing bodies of all Russian State-owned or controlled legal persons, entities or bodies. As part of the same package, the Russian Regional Development Bank was added to the “any transaction” prohibition list.<sup>157</sup>

## Trade Sanctions

### Russia

A number of sanctions restricting Russian access to trade have been implemented. These can be broadly categorized into nine groups of restrictions:

- Oil refinery-related products and the energy sector
- An expansion of the restrictions on dual-use goods and technology
- Advanced technology
- Aircraft
- State-owned entities
- Import of iron and steel products

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<sup>157</sup> See the Official Journal of the European Union (December 16 2022), available [here](#)

- Luxury products
- Goods that generate significant revenues for Russia or contribute to the enhancement of Russian industrial capacities
- Trusts-related services
- Gold

### **Oil Refinery-Related Products and the Energy Sector**

The EU has imposed a prohibition on the sale, supply, transfer or export to Russia of certain goods and technology for use in oil refining, including the provision of technical services, brokering services, financing or financial assistance in relation to the above. In addition, restrictions on the provision of services related to the above have been enacted. A wind-down period is in effect until May 27, 2022 for contracts concluded before February 26, 2022. It is expected that this restriction will largely impact the energy sector. On April 8, 2022, the EU extended this prohibition to also apply to goods and technology suited for the liquefaction of natural gas.

On March 15, 2022, the EU significantly strengthened restrictions on the provision of certain goods and technology that are suited to certain categories of exploration and production projects to any person or entity in Russia or for use in Russia, in both cases including its Exclusive Economic Zone and Continental Shelf. Since August 1, 2014, the EU has required exporters to have licenses before exporting these goods and technologies to Russian entities. The new requirements make it a prohibition to sell, supply, transfer and export these goods and technology except for narrow exemptions. This includes a ban on providing related services; the provision, manufacture, maintenance and use of these goods and technology; and the provision of related financing or financial assistance. This ban does not apply where the sale, supply, transfer or export is necessary for the transport of fossil fuels, in particular coal, oil and natural gas, from or through Russia into the EU. There is a wind-down period in effect until September 17, 2022 for contracts concluded before March 16, 2022. On April 8, 2022, this prohibition was amended to apply to “natural gas and oil, including refined petroleum products” rather than fossil fuels more broadly.

On April 8, 2022, the EU imposed a prohibition on the purchase, import or transfer, directly or indirectly, of coal and certain other solid fossil fuels into the EU if they originate in Russia or are exported from Russia. There is a wind-down period in effect until August 10, 2022 for contracts concluded before April 9, 2022.

### **Oil Price Cap**

On June 3, 2022, the EU imposed a prohibition on the import or transfer, directly or indirectly, of crude oil or petroleum products if they originate in Russia or are exported from Russia. This includes a prohibition on an EU member state selling crude oil delivered by pipeline from Russia to member states or third parties.



Importantly, EU Commission guidance has clarified that this general prohibition only applies when the relevant crude oil or petroleum is being imported into, or is destined for, the EU.

The ban applies from December 5, 2022 for one-off transactions for near-term delivery, concluded and executed before that date, or to the execution of contracts for the purchase, import or transfer of crude oil-related goods concluded before June 4, 2022, providing the relevant national competent authority has been notified. The ban applies from February 5, 2023 for similar transactions for non-crude petroleum oils-related products on the same terms.

The ban does not apply to seaborne crude oil and petroleum products, *provided* that they originate from outside Russia, are not owned by a Russian person and are only loaded in or transported through Russia. Further, the ban does not apply to crude oil which is delivered by pipeline from Russia to member states.

The ban contains provisions to allow seaborne crude oil from Russia to be imported if the supply of crude oil by pipeline from Russia to a landlocked member state is interrupted for reasons outside the control of that state, until the supply is resumed or crude oil delivered by pipeline is sanctioned. The oil exploration ban, ban on energy sector investments, ban on port access, ban on road transport and the public concession contract ban were also all amended to specify that they do not apply to crude oil or petroleum products already prohibited by this new ban.

On August 3, 2022, the EU issued an additional Notice confirming that the ban covers Russian oil mixed with oil of another origin, unless the exact share of the product which does not originate in Russia can be clearly demonstrated – in which case that exact portion can be allowed into the Union.<sup>158</sup>

On October 6, 2022, the EU further adopted the following:

- A prohibition on maritime transport and technical assistance, brokering services or financial assistance to third countries of Russian crude oil (as of December 5, 2022) or Russian petroleum products (as of February 5, 2023) (the “EU Third Country Shipment Restriction”); and
- An introduction of a “price cap derogation” allowing the provision of Russian crude oil or petroleum products otherwise restricted under the EU Third Country Shipment Restriction if these are purchased at or below the G7 pre-established price cap.

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<sup>158</sup> Notice to operators, Imports of Russian crude oil or petroleum products into the Union (2022/C 296/05) – available [here](#).

On December 3, 2022, the European Council agreed to set a price cap for crude oil, petroleum oils and oils obtained from bituminous minerals that originate in or are exported from Russia at USD\$60 per barrel.<sup>159</sup> The price cap came into force on December 5, 2022. As described above, crude oil or petroleum products that originate in or are exported from Russia and are purchased at or below the agreed price cap are exempted from prohibitions in place. The price cap is subject to a transition period of 45 days for vessels carrying crude oil originating in Russia, purchased and loaded onto the vessel prior to December 5, 2022 and unloaded at the final port of destination prior to January 19, 2023. The functioning of the price cap mechanism will be reviewed every two months to respond to developments in the market, and the price cap will be set at least 5% below the average market price for Russian oil and petroleum products, calculated on the basis of data provided by the International Energy Agency.

The Council also introduced an emergency clause allowing the transport of oil beyond the price cap or the provision of technical assistance, brokering services or financing or financial assistance related to the transport, when these are necessary for the urgent prevention or mitigation of an event likely to have a serious and significant impact on human health and safety or the environment, or as a response to natural disasters.

#### **Dual-Use Goods**

The sale, supply, transfer or export to Russia of dual-use goods and technology, including the provision of related technical services, brokering services, financing or financial assistance is now prohibited (with some exemptions).

On December 16, 2022, the EU adopted a 9th package of Russia sanctions, which includes new export controls and restrictions on dual-use goods and technology that can contribute to the technological advancement of Russia's defense and security sector.

#### **Advanced Technology and Maritime Technology**

In addition, the sale, supply, transfer or export to Russia of goods and technology that might contribute to Russia's military and technological enhancement, or the development of the defense and security sector (including semiconductors), including the provision of related technical services, brokering services, financing or financial assistance is also prohibited (with some exemptions).

There is also a ban on the sale and supply of maritime navigation goods and technology whether or not originating in the EU to any natural or legal person in Russia, for use in Russia, or for use on Russian-flagged vessels subject to a

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<sup>159</sup> See Council Decision 2022/2369; Council Regulation 2022/2367; Commission Implementing Regulation 2022/2368; Press Release of the Council of the EU "Russian oil: EU agrees on level of price cap" (December 3 2022), available [here](#); and Q&As of the European Commission "G7 agrees oil price cap to reduce Russia's revenues, while keeping global energy markets stable" (December 3 2022), available [here](#).

humanitarian exemption. This ban also applies to the provision of technical assistance, brokering services, provision, manufacture, maintenance of these goods, as well as the financing the sale and supply of these goods or related services.

On October 6, 2022, the EU imposed additional export restrictions on items contributing to Russia's military, industrial and technological enhancement or defense and security sector development. This includes coal and cooking coal, electronic components found in Russian weapons, and chemicals and goods that can be used for capital punishment, torture or other inhumane treatment.

The sale, supply, transfer or export of civilian firearms and their components and ammunition, military vehicles and equipment, paramilitary equipment and spare parts are also prohibited.

### **Aircraft**

There are three restrictive measures currently in place in relation to aircraft and the aviation sector.

- Prohibition on the sale, supply, transfer or export of goods and technology suited for use in the aviation and space industry, including the sale of all aircrafts, spare parts and equipment to Russian airlines.
- Prohibition on the provision of related technical and financial assistance, including the overhaul, repair, inspection, replacement, modification or defect rectification of an aircraft or component, with the exception of pre-flight inspection.
- Prohibition on the provision of insurance and reinsurance, and maintenance services, related to those goods and technology.

Note that for the above, a wind-down period is in effect until March 28, 2022 for execution of contracts concluded before February 26, 2022.

On October 6, 2022, the EU further restricted the sale, supply, transfer or export of goods used in the aviation sector.

**On December 16, 2022, the EU adopted a 9th package of Russia sanctions, which includes:**

- an export ban on aviation and space industry goods and technology, including aircraft engines and their parts; and
- a ban on the direct exports of drone engines to Russia and any third country that can supply drones to Russia.

### **Import of Iron and Steel Products**

On March 15, 2022, the EU prohibited the import and transport of iron and steel products that originate in Russia or have been exported from Russia, as well as the purchase of iron and steel products that are located or originate in Russia. This includes a ban on providing related technical assistance, brokering services, financing or financial assistance (including financial derivatives), insurance and reinsurance.

A wind-down period is in effect until June 17, 2022 for execution of contracts concluded before March 16, 2022.

Further, on October 6, 2022, the EU imposed import restrictions on finished and semi-finished steel products that either originate in Russia or are exported from Russia, in addition to machinery and appliances, wood pulp and paper, cigarettes, plastics, vehicles, textiles, footwear, leather, ceramics, certain chemical products, cosmetics and jewelry industry elements such as stones and precious metals.

### **Luxury Products**

The sale, supply, transport or export of luxury products of a value greater than EUR 300 to any person or entity in Russia or for use in Russia is now prohibited, subject to certain diplomatic and consular exemptions.

### **Regional Trade Restrictions on Donetsk and Luhansk**

The EU has imposed trade restrictions on the DPR and LPR regions of Ukraine. These restrictions broadly mirror the wide-ranging trade sanctions that affect the Crimea and Sevastopol region of Ukraine and consist of:

- import bans on goods from these territories, including a prohibition on ancillary services such as insurance for such imports;
- investment restrictions relating to this region;
- restrictions on the provision of certain listed transport, telecommunications, energy and oil and gas related goods, and any associated technical or financial services;
- a ban on certain services for the construction and engineering services industries in the region; and
- a prohibition on providing service directly related to tourism in this region.

On October 6, 2022, the EU extended the geographical scope of these restrictions to cover Zaporizhzhia and Kherson.

### **Goods That Generate Significant Revenues for Russia or Contribute to the Enhancement of Russian Industrial Capacities**

On April 8, 2022, the EU banned the purchase, import and transfer, directly or indirectly, of goods that generate significant revenues for Russia and originate in Russia or are exported from Russia. A wind-down period is in effect until July 10, 2022 for contracts concluded before April 9, 2022 and ancillary contracts necessary for their execution.

On April 8, 2022, the EU separately banned the sale, supply, transfer or export, directly or indirectly, of goods that could contribute in particular to the enhancement of Russian industrial capacities (such as hydrogen, sulphates, nitrites, paints, film, etc.) to any person or entity in Russia or for use in Russia. A wind-down period is in effect until July 10, 2022 for contracts concluded before April 9, 2022 and ancillary contracts necessary for their execution.

### **Trusts-Related Services**

On April 8, 2022, the EU prohibited the registering, providing a registered office, business or administrative address and providing management services to a trust or similar legal arrangement: where the trustor or beneficiary is a Russian national, resident or entity or is more than 50% owned by a Russian national, resident or entity; or where the entity or person is acting under the control or at the direction of a Russian national, resident or entity. From May 10, 2022, this prohibition will include a prohibition to act as, or arrange for another person to act as, a trustee, nominee shareholder, director, secretary or a similar position, for a trust or similar legal arrangement.

A wind-down period is in effect until May 10, 2022 for contracts concluded before April 9, 2022.

On June 3, 2022, the EU amended the relevant period for the trusts-related services prohibition, prohibiting from July 5, 2022 to act or arrange for another person to act as a trust nominee, shareholder, director or secretary for a trust or similar legal arrangement unless the operations are strictly necessary for the termination by July 5, 2022 of contracts concluded before April 9, 2022. National competent authorities may authorize a person to act as a trustee nominee, shareholder, director or secretary for a trust or similar legal arrangement beyond July 5, 2022 for strictly necessary operations to terminate contracts, *provided* that the operations were initiated before May 11, 2022, or for other reasons, *provided* that the service provide does not accept or make available any funds or economic resources, or otherwise provide benefits from assets placed in a trust, to those the ban applies to. If member states grant such an authorization they must notify the EU Commission of it.

### **Gold**

On July 21, 2022, the EU imposed a ban on imports of gold if it originates in Russia and it has been exported from Russia into the EU or to any third country after

July 22, 2022. This includes a prohibition on importing certain gold products processed in third countries if the gold used was exported from Russia after July 22, 2022. There are exemptions for gold necessary for official diplomatic missions or personal use.

### Transport Restrictions

On February 28, 2022, the EU imposed a ban on Russian air carriers and non-Russian aircrafts owned, chartered or otherwise controlled by any Russian entity or individual from landing, taking off or flying over EU territory.<sup>160</sup>

On April 8, 2022, the EU imposed a ban on Russian vessels accessing EU ports after April 16, 2022, subject to certain exemptions. This includes a ban on vessels that changed their flag or registration from Russia to another nation after February 24, 2022. On July 21, 2022, this prohibition was extended to also apply to locks.

On April 8, 2022, the EU also banned road transport undertakings established in Russia transporting goods by road within the EU, except for mail transport, transport between Kaliningrad and Russia and certain other exemptions. This ban applies from April 16, 2022 to the transport of goods that started before April 9, 2022, so long as the transport undertaking was already in the EU on April 9 and needs to transit through the EU to return to Russia.

On June 3, 2022, the EU banned the direct or indirect provision of technical assistance, brokering services or financing or financial assistance related to the transport (including through ship-to-ship transfers) to third countries of crude oil or petroleum products which originate in Russia or which have been exported from Russia. This ban applies from December 5, 2022 for contracts concluded before June 4, 2022. The prohibition does not apply to the transport of crude oil or petroleum products which originate from a third country and are only being loaded in, departing from or transiting through Russia, *provided* that both the origin and the owner of those goods are non-Russian.

### Media Restrictions

On March 2, 2022, the EU added additional restrictions related to broadcasting. Specifically, it is prohibited for operators to broadcast or to enable, facilitate or otherwise contribute to broadcast, any content by the listed legal persons, entities or bodies, including through transmission or distribution by any means such as cable, satellite, IP-TV, internet service providers, internet video-sharing platforms or applications, whether new or pre-installed. In addition, any broadcasting license or authorization, transmission and distribution arrangement with the following entities must be suspended:

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<sup>160</sup> Council Regulation (EU) 2022/334 of February 28, 2022 amending Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, [available here](#).

- RT- Russia Today English
- RT - Russia Today France
- RT- Russia Today UK
- RT - Russia Today Spanish
- RT - Russia Today Germany
- Sputnik

On June 3, 2022, the restrictions on broadcasting were expanded to include a prohibition on advertising products or services in any content produced or broadcast by the media outlets listed above.

On December 16, 2022, the EU adopted a 9th package of Russia sanctions, which includes the suspension of broadcasting licences of 4 Russian media outlets: NTV/NTV Mir, Rossiya 1, REN TV and Pervyi Kanal.

### Investment Restrictions

A number of sanctions relating to investments have also been imposed, as follows:

- It is prohibited to invest, participate or otherwise contribute to projects co-financed by the Russian Direct Investment Fund (an unexpected restriction).
- An authority may authorize, under certain conditions, an investment participation in or contribution to projects co-financed by the RDIF if it determines that it is due under contracts concluded before March 2, 2022.
- It is prohibited to provide public (i.e., EU governmental) financing or financial assistance for investment in or trade with Russia, with some limited exemptions (for example, for EU subsidiaries of Russian entities, or for agricultural trade).
- It is prohibited to invest in entities operating in the energy sector in Russia.
- An authority may authorize, under certain conditions, such an investment participation where it is deemed necessary for ensuring critical energy supply within the EU or transporting fossil fuels from or through Russia into the EU.
- It is prohibited to award or continue the execution of public contracts within the scope of the public procurement directive to or with a Russian person or entity; an entity more than 50% owned by a Russian person or entity; or to a person or entity acting on the behalf or at the direction of a Russian person or entity. An authority may authorize such an investment or participation for contracts related to nuclear power, space programs, strictly necessary goods and services, diplomacy, natural gas and oil and certain other metals and minerals. Contracts relating to coal and other solid fossil fuels can be authorized until August 10, 2022. For all other contracts, this ban applies from October 10, 2022 for contracts concluded before April 9, 2022.



It is prohibited to provide direct or indirect support (including financing) under an EU, European Atomic Energy Community (“Euratom”) or member state national program to any Russian entity that is over 50% publicly owned or controlled, subject to certain exemptions.

On December 16, 2022, the EU adopted a 9th package of Russia sanctions, which includes a prohibition of new investments in the Russian mining sector, with the exception of mining and quarrying activities involving certain critical raw materials.

### Services Restrictions

On June 3, 2022, the EU imposed a prohibition on directly or indirectly providing accounting, auditing, book-keeping or tax consulting services, or business and management consulting or public relations services to the Government of Russia or to legal persons, entities or bodies established in Russia. The ban does not apply to the provision of services which are (i) strictly necessary for the exercise of the right of defense in judicial proceedings and the right to an effective legal remedy, or (ii) intended for the exclusive use of legal persons, entities or bodies established in Russia that are owned by, or solely or jointly controlled by, an EU person or EU entity. National competent authorities may make exceptions where these services are necessary for humanitarian purposes or for civil society activities that directly promote democracy, human rights or the rule of law in Russia.

On October 6, 2022, the EU also extended its services restrictions to ban the provision of architectural and engineering services, IT consultancy services and legal advisory services to the Government of Russia or legal persons in Russia.

On December 16, 2022, the EU adopted a 9th package of Russia sanctions, which includes a ban on the provision of EU advertising, market research and public opinion polling services, as well as product testing and technical inspection services to Russia.

### Extension of Belarusian Sanctions

The EU has also imposed further sanctions on Belarus in connection with Belarus’ apparent collaboration with Russia in relation to Russia’s actions in Ukraine:

- 34 Belarusian individuals (related to the Belarus government, propaganda and military) have been added to the asset freeze list.
- Further restrictions related to the trade of goods used for the production or manufacturing of tobacco products, mineral fuels, bituminous substances and gaseous hydrocarbon products, potassium chloride products, wood products, cement products, iron and steel products and rubber products have been introduced.

- Restrictions on the export of dual-use goods and technology and on the provision of related services, as well as restrictions on exports of certain goods and technology that might contribute to Belarus's military, technological, defense and security development, together with restrictions on the provision of related services, have also been introduced.
- Restrictions on transactions related to the management of reserves as well as of assets of the Central Bank of Belarus, including transactions with legal persons or entities acting on behalf of or at the direction of the Central Bank
- Restrictions on the listing and provision of services on EU trading venues for the transferable securities of any legal person, entity or body established in Belarus and with over 50% public ownership. This ban applies from April 12, 2022.
- Restrictions on the provision of public financing or financial assistance for trade with, or investment in, Belarus, unless:
  - It is a result of a binding financing commitment established prior to March 10, 2022;
  - It is of a value not exceeding €10,000,000 and benefiting SMEs established in the EU; or
  - It is for trade in food, and for agricultural, medical or humanitarian purposes.
- Restrictions on accepting deposits over €100,000 from Belarusian nationals or residents, or legal persons or entities established in Belarus. This ban does not apply to:
  - EU, EEA or Swiss nationals, or to any person with a temporary or permanent residence permit in the EU, EEA or Switzerland;
  - Deposits which are necessary for non-prohibited cross-border trade between the EU and Belarus;
  - Deposits that have been authorized by the competent authorities where it is:
    - Necessary to satisfy basic needs of dependent family members, e.g., payments for food, rent or mortgage, medicines and medical treatment, taxes, insurance premiums, and public utility charges;
    - Intended exclusively for the payment of reasonable professional fees or the reimbursement of incurred expenses associated with the provision of legal services;

- Necessary for extraordinary expenses, provided that notice requirements have been met;
  - Necessary for official purposes of a diplomatic mission or consular post or international organization;
  - Necessary for humanitarian purposes, such as delivering or facilitating the delivery of assistance, including medical supplies, food, or the transfer of humanitarian workers and related assistance or for evacuations; or
  - Necessary for civil society activities that directly promote democracy, human rights or the rule of law in Belarus.
- Restrictions on EU central securities depositories to provide certain core and ancillary services for transferable securities issued after April 12, 2022 to Belarusian nationals or residents, or any legal person or entity established in Belarus. This ban does not apply to EU nationals or any person with a temporary or permanent residence permit in the EU.
  - A requirement for credit institutions to supply national competent authorities or the Commission with a list of deposits exceeding €100,000 held by a Belarusian national or resident, or a legal person or entity established in Belarus. Updates to this list must be provided every 12 months.
  - A requirement for credit institutions to supply national competent authorities or the Commission with a list of deposits exceeding €100,000 held by a Belarusian national or resident who has acquired EU citizenship or residence rights through an investor citizenship scheme or an investor residence scheme.
  - Restrictions on the sale, supply, transfer or export of Euro-denominated banknotes to Belarus or to any natural or legal person, entity or body in Belarus, including the Government and the Central Bank of Belarus, or for use in Belarus. On April 8, 2022, this restriction was extended to apply to banknotes denominated in any official currencies of the EU member states. This ban does not apply where such a sale, supply, transfer or export of Euro-denominated banknotes is necessary for:
    - personal use of individuals travelling to Belarus or members of their immediate families travelling with them; or
    - the official purposes of diplomatic missions, consular posts or international organizations in Belarus enjoying immunities in accordance with international law.

- Restrictions on the provision of specialized financial messaging services used to exchange financial data (SWIFT) to Belagroprombank, Bank Dabrabyt, and Development Bank of the Republic of Belarus or to entities established in Belarus whose proprietary rights are more than 50% owned by these entities. This ban applies from March 20, 2022. On June 3, 2022, the EU imposed SWIFT restrictions on Belinvestbank (Belarusian Bank for Development and Reconstruction) to apply from June 14, 2022.
- Prohibition on road transport undertakings established in Belarus transporting goods by road within the EU, except for mail transport, and certain other exemptions. This prohibition applies from April 16, 2022 to the transport of goods that started before April 9, 2022, so long as the transport undertaking was already in the EU on April 9, 2022 and needs to transit through the EU to return to Russia.

### EU Guidance

The Commission has published responses to frequently asked questions, clarifying its view on matters relating to:

- Asset freezes and the prohibition to provide funds or economic resources;
- Circumvention of restrictions and due diligence;
- Euro-denominated banknotes;
- Euro-denominated securities;
- Intellectual property rights (as they relate to sanctions);
- Aviation;
- Customs-related matters;
- Insurance and reinsurance-related sanctions;
- Luxury goods;
- Russian state-owned media; and
- Donetsk and Luhansk related matters.

## The EU Capital Market Restrictions

The EU Commission has continued publishing and updating its sanctions guidance in the form of answers to frequently asked questions. These FAQs have now been consolidated into one document, of which the latest version is accessible [here](#).

### Enforcement

On June 3, 2022, the enforcement provision of the Russia and Belarus sanctions were strengthened to require member states to impose criminal penalties where appropriate and provide measures for confiscation of the proceeds of a sanctions infringement.

Notably, on May 25, 2022, the European Commission proposed a Council Decision which would add the violation of EU sanctions to the areas of crime laid out in Article 83(1) of the Treaty on the Functioning of the European Union (“TFEU”). This would allow the EU to set out rules concerning the definition of a criminal breach of sanctions and the minimum penalties imposed for such a breach. The European Commission has also issued a Communication to the Parliament and Council setting out the main elements that a future Directive on criminal penalties for sanctions breaches could contain.<sup>161</sup> The Council is expected to formally adopt the Decision in October 2022 and this will be the first time that the list of EU crimes is extended.

On November 28, 2022, the EU Council unanimously adopted a decision to add the violation of restrictive measures to the list of EU crimes included in the TFEU.<sup>162</sup> Following on from this, on December 2, 2022, the European Commission proposed a Directive<sup>163</sup> on the criminalization of sanctions violations. As drafted, the Directive:

- defines the criminal offenses related to the violation of EU sanctions;
- standardizes the penalties for those found guilty of a defined criminal offense;
- safeguards lawyers through professional secrecy by removing any obligation to report information obtained in connection with judicial, administrative or arbitral proceedings; and

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<sup>161</sup> See Communication from the Commission to the European Parliament and the Council towards a Directive on criminal penalties for the violation on Union restrictive measures (May 25 2022), available [here](#).

<sup>162</sup> See Press Release from the Council of the EU “Sanctions: Council adds the violation of restrictive measures to the list of EU crimes” (November 28 2022), available [here](#).

<sup>163</sup> See Proposal for a Directive on the definition of criminal offences and penalties for the violation of Union restrictive measures (December 2 2022), available [here](#); Press Release from the European Commission “Ukraine: Commission proposes to criminalise the violation of EU sanctions” (December 2 2022), available [here](#); and Q&As from the European Commission “Commission proposes to criminalise evasion of EU sanctions” (December 2 2022), available [here](#).

- designates concealed funds or economic resources obtained through circumvention as proceeds of crime.

The proposed Directive will now undergo a review by the European Parliament and Council per the ordinary co-legislative procedure.

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## UK SANCTIONS

The UK has introduced a number of Russian sanctions that broadly fall into the following categories. While these restrictions are, in some ways, similar to the EU restrictions, there are a number of significant differences.

- **Financial restrictions** – including expanded capital market restrictions to all Russian persons, limits on dealing with or providing exchange-related services to the Russian government and restrictions on dealing with Russian sovereign debt. The UK has also imposed correspondent banking restrictions, restrictions on transactions with the Central Bank of the Russian Federation and the Russian Government and a number of general licenses.
- **Investment and capital market restrictions** – including a prohibition on directly acquiring any ownership or control in an entity connected with Russia.
- **Asset freezes** – an expansion of the previous asset freeze list to include a number of prominent Russian businessmen, Russian politicians and Russian banks.
- **Trade and services restrictions** – for aircraft, technology products (broadly covering advanced technology, including for micro-processors and other advanced systems), more comprehensive restrictions on dual-use goods, as well as coal, oil and gold, goods that can generate significant revenue for Russia, and accounting, business management and PR services.<sup>164</sup>
- **Transport restrictions** – including aviation restrictions and restrictions on Russian vessels entering UK ports.<sup>165</sup>
- **Internet services restrictions** – including new obligations for social media, internet access and application store providers.

### Financial Restrictions

On March 1, 2022, the UK published amendments to its financial sanctions, which include:

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<sup>164</sup> For further information on trade sanctions, see the Government's guidance [here](#), [here](#) and [here](#).

<sup>165</sup> For further information on transport restrictions, see the Department for Transport's [guidance](#).

- restrictions on correspondent banking relationships on all designated persons, a credit or financial institution that is owned or controlled directly or indirectly by a designated person, asset frozen individuals and Sberbank; and
- restrictions prohibiting provision of financial services for the purpose of foreign exchange reserve and asset management to the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation and the Ministry of Finance of the Russian Federation.

On June 23, 2022, the UK prohibited exporting banknotes denominated in sterling or any official currencies of the EU member states to or for use in Russia.

On September 30, 2022, in response to the Russian annexation of Donetsk, Luhansk, Kherson and Zaporizhzhia, the UK announced the suspension of the process by which actions taken to manage the orderly failure of Russian banks are recognized under the laws of the UK, in cases where the bank is a sanctioned entity.

On December 15, 2022, new Regulations were introduced to:

- amend existing restrictions on dealing with securities, money market instruments, loans and credit arrangements to a person connected with Russia.
- suspend the Bank of England's legislative duty to make a decision in respect of a notification of third-country resolution action in respect of a designated person or entities owned or controlled by a designated person.<sup>166</sup>

### Investment Restrictions and Capital Market Restrictions

The sanctions regime expands the UK capital market restrictions to all “persons connected with Russia,” but only in relation to shares and transferable securities issued on or after March 1, 2022. Secondary trading of Russian transferable securities and money market instruments issued before this date is thus still permitted.

The restrictions also cover the provision of new loans to Russian connected persons after March 1, 2022 (other than individuals).

“Persons connected with Russia” means persons ordinarily resident in Russia, persons who are physically located in Russia and Russian entities. These capital market restrictions also apply to entities more than 50% owned by a person connected to Russia, though there is a general exemption for persons who were not, as of March 1, 2022, domiciled in Russia or owned by entities or persons based outside of Russia. In practice, this means that any entities owned by an individual in Russia will also be subject to these UK capital market restrictions.

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<sup>166</sup> See Russia (Sanctions) (EU Exit) (Amendment) (No. 17) Regulations 2022, available [here](#).



The exemption for UK-incorporated subsidiaries of entities targeted by the original UK capital market restrictions (*e.g.*, Sberbank and VTB) has been removed. The UK has also removed the “non-restricted trade” exemption for loans made to any persons subject to UK capital market restrictions.

On July 19, 2022, the UK imposed a prohibition on all new UK outward investment into Russia. This prohibition was first announced by Foreign Secretary Liz Truss on April 6, 2022.

The restriction on Russian investments prohibits the following activities:

- Directly acquiring any ownership interest in land located in Russia.
- Indirectly acquiring any ownership interest in land located in Russia for the purpose of making funds or economic resources available directly or indirectly to a person connected with Russia.
- Directly acquiring any ownership or control in an entity connected with Russia. An entity connected with Russia means one which is established or constituted under the laws of, or domiciled in, Russia.
- Indirectly acquiring any ownership or control in an entity connected with Russia for the purpose of making funds or economic resources available directly or indirectly to a person connected with Russia, or for the benefit of a person connected with Russia.
- Directly or indirectly acquiring any ownership or control in a non-Russian entity with a place of business in Russia for the purpose of making funds or economic resources available directly or indirectly to a person connected with Russia, or for the benefit of a person connected with Russia.
- Directly or indirectly establishing any joint venture with a person connected with Russia.
- Opening a representative office or establishing a branch or subsidiary in Russia.
- Providing investment services related to any of the above activities.

There are three key exemptions to the Russian investment prohibition. These are:

- A grandfathering provision allowing contractual obligations to be concluded if those obligations arose before July 19, 2022. This exemption includes a reporting obligation to notify HM Treasury no later than five working days before the activity is carried out.

- Secondary trading of transferable securities issued by Russian companies is permitted where the relevant shares are already listed on a recognized regulated market.
- The third exemption applies to most non-Russian entities as long as they issue freely tradeable shares. This means that the Russian Investment Prohibition applies to most non-Russian entities with places of business in Russia.

On October 28, 2022, the Russia (Sanctions) (EU Exit) (Amendment) (No. 15) Regulations 2022 were introduced with provisions entering into force on October 29, 2022. This amendment expanded the loan restrictions in the UK capital market restrictions to cover a broader range of non-Russian entities ultimately owned by persons connected with Russia.

### Asset Freezes

The UK has imposed asset freezes on various entities and individuals under the newly expanded asset freeze designation criteria, which were introduced on February 10, 2022, as discussed in our [previous Client Update](#). On March 30, 2022, these criteria were expanded to allow designations on the basis of descriptions, rather than just by name.

Asset freezes and travel bans have been imposed on **over 1,200 individuals and over 120 entities** since February 22, 2022. On March 22, 2022, OFSI clarified that it will not aggregate different designated persons' holdings in a company when assessing ownership or control, unless the holdings are subject to a joint arrangement between the designated parties or one party controls the rights of the other. Please note that asset freezes can extend to entities owned or controlled by a sanctioned individual. The most prominent individuals and entities sanctioned by the UK include:

Banks	State-owned Enterprises	Prominent Business Figures	Political Figures
Alfa-Bank JSC	Rostec	Alisher Usmanov	Vladimir Putin
Gazprombank	United Aircraft Corporation	German Khan	Sergei Lavrov
VTB Bank	Tactical Missiles Corporation JSC	Igor Sechin	400 members of the State Duma
VEB	UralVagonZavod	Roman Abramovich	Members of the Russian Federation Council
Otkritie	United Shipbuilding Corporation	Andrei Kostin	Senior military leaders
Sovcombank	SOGAZ	Mikhail Fridman	Members of the Russian Security Council
Sberbank <sup>167</sup>		Gennadiy Timchenko	Elvira Nabiullina
		Herman Gref	
		Dmitry Mazepin	
		Andrey Melnichenko	
		Petr Aven	
		Leonid Mikhelson	
		Vladimir Potanin	
		Didier Casimiro	
		Zeljko Runje	

On September 26, 2022, the UK added a further 89 people and 3 entities to its Russia sanctions list in response to the “sham referendums” that have taken place in four non-government-controlled regions of Ukraine.

On September 30, 2022, in response to the Russian annexation of Donetsk, Luhansk, Kherson and Zaporizhzhia, the UK announced the designation of Elvira Nabiullina, the Governor of the Central Bank of the Russian Federation.

On November 30, 2022, Russian officials who have promoted and enforced the conscription and mobilization of citizens and criminal mercenaries to fight in Russia’s war in Ukraine were added to the list.<sup>168</sup> On December 13, 2022, senior Russian commanders and a few Iranian officials and entities alleged to be involved in the production or supply of drones to the Russian government were added to the list.<sup>169</sup>

<sup>167</sup> On April 6, a full asset freeze was imposed on Sberbank.

<sup>168</sup> See Press Release from The Foreign, Commonwealth & Development Office and The Rt Hon James Cleverly MP “UK sanctions Russian officials behind conscription, mobilisation and criminal mercenaries” (November 30 2022), available [here](#).

<sup>169</sup> See Financial Sanctions Notice from OFSI (December 13, 2022), available [here](#).

## Trade Sanctions

The new regime expands restricted goods and technology to include critical industry goods, critical industry technology, dual-use goods, military goods and military technology. These include electronics, micro-processors, microcircuits and similar products. On April 19, 2022, the definition of restricted goods was extended to also encompass quantum computing, advanced materials goods technology.

Aircraft are now covered by UK trade sanctions, including providing associated technical assistance, financial services and broking services. However, there is an exemption for aircraft flying out of the UK on regular scheduled services, which appears to be intended for future use for civilian passenger aircraft to be able to fly out of the UK to Russia and not be restricted as an export. The UK has also restricted Russian aircraft from entering UK airspace. On March 30, 2022, the UK also prohibited providing technical assistance relating to aircrafts and ships to a designated person, subject to certain safety exemptions. On June 23, 2022, the UK prohibited the export of jet fuel and fuel additives to, or for use in, Russia. The UK also prohibited the export of maritime goods and technology for the placing on board of Russian-flagged vessels.

As compared to EU sanctions, the UK trade sanctions mostly mirror the EU's trade restrictions on dual-use goods and technology industry goods, such as manufacturing equipment for micro processors and aircraft advance technology. However, these restrictions do not include the broad EU-equivalent of ancillary overhaul inspection or parts replacement, which were sanctioned by the EU on February 25, 2022. On June 23, 2022, the UK prohibited the export of certain restricted military goods and technology to or for use in non-government controlled Ukrainian territory with a few exceptions, including for non-military use for a non-military end user and humanitarian assistance; this includes making these goods available to a person connected with or for use in non-government controlled Ukrainian territory.

These restrictions originally did not include restrictions on oil refinery equipment, which the EU sanctioned on February 25, 2022. However, on April 19, 2022, the prohibition on restricted goods was extended to include a prohibition on the export of oil refining goods, software and technology.

On March 30, 2022, existing trade embargos on Crimea were expanded to also apply to Donetsk and Luhansk, subject to an exemption for the performance of contractual obligations which arose before February 23, 2022, where the UK government has been notified of such performance.

On April 21, 2022, the UK prohibited the import of iron and steel products that originate or are consigned from Russia. This includes a prohibition on directly or indirectly supplying or delivering iron and steel products from a place in Russia to a

third country. On June 23, 2022, the UK prohibited the provision of technical assistance, financial services and funds in relation to iron and steel products.

The UK has also prohibited export of luxury goods to Russia or for use in Russia. This includes a prohibition on supplying luxury goods from a third country to Russia and making luxury goods available to a person connected with Russia.

On June 23, 2022, the UK prohibited the import of revenue generating goods which originate in, or are consigned from, or located in, Russia. The supply and delivery of revenue generating goods from Russia into the UK is also prohibited. The ban also prohibits the provision of technical assistance, financial services and funds, and brokering services relating to revenue generating goods. This prohibition broadly aligns with the equivalent EU restrictions already in place.

On July 20, 2022, the UK imposed additional duties of 35 percentage points on a range of goods including platinum, palladium, nickel, silicon, antibiotics and more.

On July 21, 2022, the UK prohibited the export of “G7 dependency and further goods” to or for use in Russia, in addition to prohibiting the supply or delivery of such items from a third country to a place in Russia. These goods include a wide range of items and are listed in Schedule 3E of the Russia (Sanctions) (EU Exit) Regulations 2019. The prohibition also applies to the provision of related technical assistance, financial services, funds and brokering services related to these goods.

Also on July 21, 2022, the UK prohibited the import of Russian oil and oil products after December 31, 2022 (as first announced on March 8, 2022), and the import of Russian coal or coal products after August 10, 2022. Both prohibitions include a prohibition on acquiring these goods, directly or indirectly, where they originate in or are located in Russia with the intention of having the goods enter the UK. The prohibition also applies to the provision of related technical assistance, financial services, funds and brokering services related to these goods.

The UK also prohibited the import of gold where that gold has been exported from Russia. It is also prohibited to acquire gold, directly or indirectly, where it originates in or is located in Russia with the intention of having it enter the UK. The prohibition also applies to the provision of related technical assistance, financial services, funds and brokering services related to these goods.

On September 30, 2022, in response to the Russian annexation of Donetsk, Luhansk, Kherson and Zaporizhzhia, the UK announced export bans on nearly 700 goods crucial to Russia’s manufacturing sector further sanctions.

On October 28, 2022, the Russia (Sanctions) (EU Exit) (Amendment) (No. 15) Regulations 2022 were introduced with all but the provisions relating to a ban on the

import of liquified natural gas (LNG) entering into force on October 29, 2022. This amendment:

- extends the gold import restrictions to cover gold jewelry;
- updates and extends the list of export restricted goods; and
- imposes new restrictions on importing Russian LNG and exporting LNG to Russia (in force on January 1, 2023).

On December 15, 2022, new Regulations providing for further trade sanctions were laid before introduced to:

- add critical industry goods and technology, including camouflage and oil production and mining equipment, to the export ban list; and
- add five chemicals to the defense and security goods and technology subject to the export ban list.

### Services Restrictions

On 18 July, 2022 the UK prohibited the provision of accounting services, business and management consulting services, or public relations services to a person connected with Russia.

On September 30, 2022 the UK extended the services restrictions to ban the provision of IT consultancy, architectural services, engineering service, advertising services, auditing services and transactional legal advisory services.<sup>170</sup>

On December 15, 2022 the new Regulations providing for further services restrictions were introduced. They cover direct and indirect provision of auditing; advertising; architectural; engineering; and information technology consultancy and design services to a person connected with Russia.<sup>171</sup> This services ban applies starting from 15 March 2023 for contracts concluded before December 16, 2022, but any action before 15 March requires a notification to the Secretary of State. The ban will also not apply to internet access services or services that are incidental to the exchange of communications over the Internet.

Unlike the EU restrictions that extend only to Russian entities, the UK services ban applies to the provision of services to persons connected with Russia, which can cover individuals receiving the benefit of the prohibited services. UK services ban also does not provide an exemption for Russian entities owned or controlled by UK persons or entities.

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<sup>170</sup> For further information, see the Solicitors Regulation Authority [guidance](#).

<sup>171</sup> See Russia (Sanctions) (EU Exit) (Amendment) (No. 17) Regulations 2022, available [here](#).

## Trust Related Services

On December 15, 2022 the new Regulations introduced to prohibit the provision of ongoing or new trust services to or for the benefit of a designated person or a person connected with Russia. The trust services ban exempts provision of trust services to or for the benefit of a person connected with Russia pursuant to an ongoing arrangement under which the services were provided immediately before December 16, 2022.

The trust services restrictions extends not only to beneficiaries of trusts, but also to potential beneficiaries under trust documents and persons who are not beneficiaries on paper, but are reasonably expected to obtain or be able to obtain a significant financial benefit from such trust or similar arrangement.

## Oil Price Cap

The Russia (Sanctions) (EU Exit) (Amendment) (No. 16) Regulations 2022 came into force on December 5, 2022. The new regulations:

- advanced the implementation date for import bans on Russian oil and oil products from December 31, 2022 to December 5, 2022;
- with regard to oil and oil products falling within commodity code 2709 and 2710 that originate in or are consigned from Russia:
  - prohibit their supply or delivery by ship (from February 5, 2023);
  - prohibit the provision of financial services to facilitate their supply or delivery; and
  - provide for exceptions where their origination is from a country that is not Russia, there is no ownership by a person connected with Russia and only loading in, departing from or transiting through Russia is concerned, or otherwise where justified as an emergency.
- confer the Office of Financial Sanctions Implementation (“OFSI”) with the power to impose civil monetary penalties on a person who fails to comply.

From December 5, 2022:

- the import of Russian oil and Russian oil products into the UK is banned; and
- the maritime transportation of Russian oil from Russia to a third country or between third countries, and the provision of financial services or other ancillary services relating to such transportation is banned (similarly for refined oil products from February 5, 2023) (the “UK Third Country Shipment Restriction”).



The UK Third Country Shipment Restriction is subject to an OFSI General License, which allows otherwise prohibited activities if the Russian oil is under the relevant agreed price cap (subject to the party relying on the license complying with the relevant administrative steps required by this license). Please note that use of the UK oil price cap exemption is more administratively burdensome than the equivalent EU mechanism, as described further below.

These new restrictions were accompanied by new guidance, first published on November 14, 2022. This guidance provides detailed coverage of the purpose, scope, implementation and enforcement of the ban in addition to related exceptions, licensing, attestation and reporting.<sup>172</sup>

As a result of these new restrictions, except where the price cap license applies, persons in the UK and UK persons globally are prevented from:

- supplying or delivering oil or oil products from Russia to or via a third countries by ship; and
- providing financial services, funds and brokering services to anyone globally who is supplying or delivering the same by ship.

Note that “ship” includes every description of vessel used in navigation, and that the prohibitions cover:

- transfers of goods between ships; and
- persons who own, control, charter or operate a ship.

The price cap regime establishes different price attestation requirements for three “tiers” of actors in the oil supply chain depending on whether they routinely know the price paid in their ordinary course of business and how often they transact.<sup>173</sup> This is further explained in the accompanying guidance.<sup>174</sup>

- **Tier 1 actors**, such as oil traders and brokers, are those who regularly have direct access to price information and are required to hold and share the price with or provide attestation to Tier 2 or Tier 3 counterparties of compliance with the cap.
- **Tier 2 actors**, such as charters or trade financiers, are those who directly interact with Tier 1 parties but do not have direct access to price information themselves and are required to request price information or an attestation from Tier 1 counterparties and conduct appropriate due diligence.

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<sup>172</sup> For more information on the UK Oil Price Cap, see the Treasury’s [guidance](#); OFSI’s [blog post](#); the Department for Business, Energy & Industrial Strategy’s [guidance](#).

<sup>173</sup> See GL INT/2022/2469656 [here](#).

<sup>174</sup> For more information on the UK Oil Price Cap, see the Treasury’s [guidance](#).

- **Tier 3 actors**, such as insurers and ship owners, are those with no access to price information and are required to seek and receive attestation from relevant Tier 1 or Tier 2 counterparties of their compliance with the cap and conduct appropriate due diligence. This will likely have a significant impact as the UK is remains one of the leading sources of insurance for global transportation of oil and financial services involving oil products.

The price cap regime also creates reporting and record keeping requirements. Tier 1 entities are required to report to OFSI each time they undertake an activity purporting to be permitted, including where several activities or occurrence of activities are covered under a single contract. Notification must occur within 40 days of each transaction. Where 10 or more reports are required from the same entity within a 30-day period, the entity may combine these into one consolidated report.

Tier 2 or Tier 3 entities seeking attestation directly from a Tier 1 entity are required to ask and receive confirmation that the Tier 1 entity has reported to OFSI. This must occur quarterly for Tier 2 entities and periodically for Tier 3 entities. Where confirmation is not received, the Tier 2 or Tier 3 entity is required to inform OFSI of this and withdraw its services as soon as reasonably practicable. Where the Tier 2 or Tier 3 entity requests this confirmation but finds that the Tier 1 entity is not a UK person and therefore not required to report, the Tier 2 or Tier 3 entity does not need to receive confirmation although it does need to inform OFSI of this situation. This should occur quarterly for Tier 2 entities and at the same time as an annual insurance policy review or any other periodic review of service agreements with a Tier 1 entity for Tier 3 entities.

All entities involved must keep accurate, complete and English-readable electronic or paper records of their activities undertaken under the relevant license.

There is a wind-down period in place for oil already loaded on ships before December 5 via a General License.<sup>175</sup> This authorizes contracts to ship Russian oil traded at a price above the cap loaded before 05h01 GMT on December 5, 2022, and delivered and clear of customs in a third country before 05h01 GMT on January 19, 2023.

Further General Licenses have been issued to:

- permit correspondent banking and payment processing transactions indefinitely;<sup>176</sup>

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<sup>175</sup> See GL INT/2022/2470256 [here](#).

<sup>176</sup> See GL INT/2022/2470056 [here](#).

- exempt the supply or delivery of Russian oil originating in or consigned from the Sakhalin-2 Project from a place in Russia to a place in Japan by ship until September 29, 2023;
- exempt the execution of contracts concluded before June 4, 2022 for the purchase, import or transfer of Russian oil into Bulgaria until December 31, 2024;
- exempt the purchase, import or transfer of vacuum gas oil consigned from or originating in Russia into Croatia where no alternative supplies are available until December 31, 2023; and
- exempt the supply or delivery by ship of crude oil originating in or consigned from Russia for a landlocked European Member State if the supply of crude oil by pipeline from Russia is interrupted for reasons outside the control of that Member State.<sup>177</sup>

### General Licenses for Financial Sanctions

Since implementing its autonomous sanctions regime, the UK has been able to issue U.S.-style general licenses for conduct that would otherwise be prohibited by sanctions (this differs from EU sanctions, which usually require a person to apply for an individual license). The following licenses related to financial sanctions have been issued and remain unexpired:

- A license relating to asset recovery by “Non-Crown Relevant Organisations”; it is of indefinite duration.
- A license allowing winding down, payments for basic needs and payments related to insolvency proceedings involving Amsterdam Trade Bank N.V, a majority owned subsidiary of Alfa-Bank JSC, until May 12, 2023.
- A license allowing UK persons to make payments to PJSC Aeroflot, JSC Rossiya Airlines, JSC Ural Airlines, Russian Railways and their subsidiaries for the purchase of flight or train tickets originating in or within Russia until May 23, 2023.
- A license allowing Interim Managers and trustees to act as receivers and managers in respect of the property and affairs of a charity until May 30, 2023.
- A license allowing non-asset frozen persons to continue business operations involving civil telecommunications services (other than ZAO TransTeleCom Company), until May 30, 2024.

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<sup>177</sup> See GL INT/2022/2470156 [here](#).

- A license allowing non-asset frozen persons to continue business operations involving the provision of news media services, until May 30, 2024.
- A license allowing non-asset frozen persons to use the retail banking services of asset frozen banks *provided* that the payments made or received are intended for personal use and that the total value of payments made does not exceed £50,000, until September 10, 2022.
- A license of an indefinite duration allowing certain humanitarian organizations to provide humanitarian assistance to Ukraine and its non-government controlled areas.
- A license of indefinite duration allowing asset frozen individuals or entities to make payments to UK insurers for insurance premiums and broker commissions relating to the provision of building and engineering insurance cover provided to UK properties, and to receive payment following successful claims against their insurance policies.
- A license authorizing payments until August 14, 2023 to Credit Bank of Moscow, Gazprombank, Sberbank or Rosbank PJSC, or a subsidiary of any of these, for the purpose of making energy available for use in Mongolia.
- A license allowing Crown servants, contractors and their family members to carry out activities in their personal capacity which would otherwise be prohibited.
- A license allowing banks to take payment of bank fees from frozen accounts.
- A license indefinitely authorizing the payment of funds to the London Court of International Arbitration to cover arbitration costs.
- A license authorizing the granting of category 5 loans and other financing arrangements to Gazprom Germania GmbH until October 29, 2023.
- A license authorizing the payment of legal fees to law firms and counsel until April 28, 2023, subject to certain caps.
- A license authorizing Truphone Limited – and its subsidiary companies with the exception of Cellnetrix Technology LLC – to continue to provide telecommunication services, as well as make and receive payments related to such services, until April 28, 2023.
- A license authorizing a non-designated person to make use of the retail banking services of a designated credit or financial institution provided that payments

made or received are intended for personal use provided that the total value of payments does not exceed £50,000, until November 10, 2023.

- A license authorizing designated persons to make utility payments for gas and electricity supplies to owned or rented UK properties from a frozen UK bank account, until April 16, 2023.
- A license authorizing a person to:
  - directly or indirectly deal with a transferable security or money-market instrument;
  - make funds or economic resources available to an entity which is not a person connected with Russia, where the purposes of making those funds or economic resources available is to enable the entity to grant a relevant loan;
  - directly or indirectly grant or enter into an arrangement to grant a Category 6 loan;
  - directly or indirectly acquire an ownership interest in or control over an entity which is not a person connected with Russia

until December 22, 2022.

The issuance of general licenses by OFSI licensing a broad class of activity under the Regulations has also led to specific license applications being withdrawn. Overall, in 2021, OFSI received 11 specific license applications to allow an activity or transaction that would otherwise be prohibited by the Russia Regulations. In the same period, OFSI approved 9 new or amended licenses under the Russia Regulations. In 2022 to date, OFSI has received 1031 specific license applications and as of December 6, 2022, records show that OFSI has issued 82 new or amended specific licenses under the Russia Regulations.<sup>178</sup>

## Transport Restrictions

The UK now prohibits Russian ships from entering or accessing UK ports. This prohibition applies to ships that are owned, controlled or chartered or operated by a designated person or a person connected with Russia, a ship flying the Russian flag, a ship registered in Russia or a specified ship.

The UK has also imposed a ban on Russian airlines accessing UK airspace and landing at UK airports. This ban also extends to providing insurance and reinsurance services relating to aviation, space goods or space technology to a person connected with Russia or for use in Russia.

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<sup>178</sup> See Question for Treasury of the UK Parliament “Sanctions: Russia” (December 6, 2022), available [here](#).

Furthermore, the UK has imposed a ban on the registration of aircrafts and potential termination of registration of aircrafts owned, operated or chartered by a sanctioned person.

### **Internet Services Restrictions**

On April 29, 2022, the UK imposed new obligations on social media providers, internet access service providers and application store providers. Social media providers must take reasonable steps to ensure that content on their platform that has been posted or shared by a designated person is not ‘encountered’ by a UK user. A person who provides an internet access service must take reasonable steps to prevent a UK user from accessing, by means of that service, an internet service provided by a designated person. Application store providers must now take reasonable steps to prevent UK users from downloading or otherwise accessing an internet service provided by a designated person.

Furthermore, new powers have been granted to OFCOM to monitor compliance with the two restrictions above and to impose fines; it is an offense for someone to refuse to comply with an OFCOM request related to this monitoring, or to otherwise obstruct or provide false information.

On June 23, 2022, the UK prohibited providing interception and monitoring services to, or for the benefit of, the Russian government.

### **The Economic Crime (Transparency and Enforcement) Act 2022**

The Economic Crime (Transparency and Enforcement) Act 2022 received royal assent and thus came into force on March 15, 2022.<sup>179</sup> The Act grants the UK government the power to implement asset freezes or travel bans on an urgent basis to mirror U.S., EU, Australian and Canadian sanctions, or to mirror the sanctions of any other country as specified by the UK government. Furthermore, the Act grants OFSI the power to impose civil monetary penalties on a strict liability basis for sanctions avoidance; please note, however, that this provision is not yet in force.

On June 8, 2022, OFSI announced that its new strict liability enforcement standard and updated accompanying guidance would take effect on June 15, 2022. On June 9, 2022, the corresponding legislation was enacted, confirming that the new strict liability enforcement standard would come into force, and clarifying that it would not apply to breaches of sanctions that occurred before June 15, 2022.<sup>180</sup>

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<sup>179</sup> See our update: UK Economic Crime Act Strengthens Anti-Money Laundering and Sanctions Framework available [here](#).

<sup>180</sup> See our update: OFSI Publishes Updated Enforcement and Penalty Guidance available [here](#).

## Expansion of Belarus Sanctions Regime

On July 5, 2022, the UK extended its Belarus sanctions regime to mirror that imposed on Russia, and include the following sanctions:

- Designation by description.
- Financial restrictions, including: dealing with transferable securities or money-market instruments; loans and credit arrangements; and foreign exchange reserve and asset management.
- Trade sanctions, including: exports of critical-industry goods, dual-use goods, interception and monitoring goods, internal repression goods, luxury goods, military goods, oil refining goods, quantum computing and advanced materials goods, and tobacco industry goods; and imports of arms and related materiel, iron and steel products, mineral products, and potash.
- Restrictions related to aircrafts and ships, including a prohibition on Belarussian aircraft overflying or landing in the UK and a prohibition on Belarussian ships entering UK ports.

## Future Plans

Notably, while the majority of the sanctions announced by Foreign Secretary Liz Truss on February 28, 2022 have now been implemented, two still remain outstanding:

- Full asset freeze on all Russian banks; and
- Limits on Russian deposits in UK banks.<sup>181</sup>

On April 19, 2022, the UK government announced plans to introduce certain capital market restrictions, including the revocation of the Moscow Stock Exchange's recognized status.

Further information regarding these sanctions has not yet been published.

Notably, the UK financial sanctions published do not include deposit restrictions relating to Russian persons in the UK or the EU-style restrictions on Russian persons buying GBR denominated shares. It is not clear if the UK government plans to publish these at a later date, or if it is of the view that it will need more significant amendments to its sanctions-related legislation in order to impose such restrictions.

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<sup>181</sup> Liz Truss Oral Statement to Parliament "UK Support for Ukraine following Russia's invasion" (Feb. 28, 2022), available [here](#).

Note that as of November 10, 2022, all amendments to the Russia sanctions regime as described above have been given effect in all British Overseas Territories except Bermuda and Gibraltar.<sup>182</sup>

\* \* \*

We are closely monitoring the situation and expect to continue to provide updates of any relevant developments. Please do not hesitate to contact us with any questions.

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<sup>182</sup> See Explanatory Note to The Russia (Sanctions) (Overseas Territories) (Amendment) (No. 3) Order 2022, available [here](#).