

War in Ukraine Prompts Further Trade Sanctions by the United States

Russia's invasion into Ukraine in February 2022 has prompted the United States and its allies, including the United Kingdom, the European Union, and others, to issue substantial international trade restrictions such as economic sanctions and export controls. The sanctions targeting Russia are broad and significantly affect nearly every Western business relationship linked to Russia or Russian interests. This recent round of sanctions—particularly the ban on new investment in Russia—promises to create even greater hurdles to continued U.S. and allied business involving Russia.

In addition to earlier U.S. actions (discussed in our previous updates on [March 2, 2022](#), and [March 21, 2022](#)), the United States has continued to issue trade restrictions in recent weeks. Summarized below are the sanctions and export controls that have been issued since late March and their implications for the United States and other Western countries.

OFAC Sanctions

In late March 2022, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) took the following actions:

- Added numerous Russian entities and individuals associated with the defense industry to the Specially Designated Nationals (SDN) list.
- Issued a determination that the aerospace, electronics, and marine sectors of Russia's economy are subject to sanctions and that the United States may designate any individual or entity determined to operate or have operated in these sectors.
- Added 21 entities and 13 individuals, including sanctions-evasion networks, malicious cyber actors, and Mikron (Russia's largest chipmaker) to the SDN list.

On April 5, 2022, OFAC sanctioned Russia-based Hydra Market, a prominent darknet organization, and associated virtual currency addresses based on its support of cybercrime.

On April 6, 2022, the United States took the following actions:

- Prohibited (1) new investment in Russia and (2) the export, directly or indirectly, of any category of services "as may be determined" by the United States to any person located in Russia.
- Imposed secondary sanctions on any foreign person engaging in these types of transactions.

The term "new investment" has been broadly defined in the context of a prior ban relating only to the Russian energy sector to include "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." OFAC may issue further guidance regarding the new investment ban, but has not yet done so.

On that same day, the United States placed on the SDN list the following:

- Two of Russia's largest banks, Sberbank (and its 42 subsidiaries) and Alfa-Bank (and its six subsidiaries), five Alfa-Bank-owned maritime vessels, and any entities that are 50% or more owned by those companies. Both banks were originally subject to [Directives 2](#) and [3](#), respectively, but are now sanctioned as SDNs.
- Certain members of the Security Council of Russia.
- Family members supporting Vladimir Putin and Foreign Minister Sergey Lavrov, former President/Prime Minister Dmitry Medvedev, and Prime Minister Mikhail Mishustin.
- OFAC has issued several additional general licenses (GLs), including authorizing transactions ordinarily incident and necessary to wind down activities with Sberbank and Alfa-Bank.

On April 7, 2022, in addition to targeting the oil, luxury goods, and airline industries, the United States:

- Designated Alrosa, a Russian state-owned enterprise (SOE) and the world's largest diamond-mining company, as an SDN.
- Redesignated United Shipbuilding Corporation (USC), including its subsidiaries and board members as an SDN. USC is a Russian SOE that develops and constructs the majority of the Russian military vessel.

Export Controls

Since our March 21 client update, the U.S. Bureau of Industry and Security (BIS) has published a list of numerous aircraft violating a prohibition on the export, reexport, or in-country transfer of aircraft under the jurisdiction of the Export Administration Regulations (EAR) to or within Russia.

As of April 1, 2022, BIS added 120 Russian entities to its Entity List, including research institutions and significant transportation, electronics, and aerospace companies.

On April 7, 2022, BIS issued orders denying the export privileges of Russian airlines Aeroflot, Azur Air, and UTair for continuing export violations with regard to the new expanded export controls on Russia.

Effective April 8, 2022, BIS expanded Russia and Belarus license restrictions to cover all items on the EAR Commerce Control List (CCL). Prior to that, the license restrictions were limited only to those items in Categories 3 to 9 of the CCL. BIS also amended its recently created Russia/Belarus foreign direct product rule to apply to all items on the CCL. The agency also revised its License Exception Aircraft, Vessels and Spacecraft (AVS) to limit its availability for certain Belarus-related aircraft.

Payments To and From Russian Banks

Anyone who is involved in making payments to, or receiving payments from, a Russian counterparty is well aware that completion of these payment activities is extremely challenging.

The United States, the U.K., and the EU have sanctioned numerous Russian banks, largely prohibiting them from participation in payment transactions involving Western counterparties. Further, many Western financial institutions are unwilling to handle wire transfers to Russia, even where the transaction is fully authorized, given the risks involved in such transactions. Moreover, this risk perspective is growing beyond financial services, as more and more Western businesses determine that transactions (including mergers and acquisitions) in any way involving Russia are not worth the commercial and legal risks that they may raise.

Recommendations

Any entity transacting or contemplating transactions with Russian or Belarussian entities, or the Ukraine regions subject to OFAC sanctions, should carefully evaluate these transactions to comply with existing and new U.S. trade restrictions including the following:

- Continuously screen customers, suppliers, and other counterparties against all applicable prohibited party lists which are subject to change on a daily basis.
- Evaluate the risk of sanctioned-person involvement where services are being provided remotely.
- Inform all foreign subsidiaries and affiliates of their compliance obligations.
- Determine whether any U.S.-origin products or technology are being exported to Russia or Belarus.

We continue to monitor the ongoing developments in sanctions and export controls concerning Russia and Belarus and will provide additional updates as warranted.

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