

CLIENT ALERT

# State of Play: U.S. Sanctions Against Russia for the Crisis in Ukraine

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**UPDATE:** This client alert was updated on March 14, 2022 to include a description of additional actions announced by the Biden administration in response to Russia’s ongoing invasion of Ukraine. Since our prior update, the United States announced a prohibition on the importation of Russian energy and new investment in the Russian energy sector, discussed at Section X, below, and prohibitions on the importation of Russian-origin fish, seafood and preparations thereof, alcoholic beverages, and non-industrial diamonds, the exportation of certain luxury goods, and the exportation of U.S.-dollar denominated banknotes, discussed at Section XI, below.

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The Biden administration has imposed sweeping new sanctions on Russia in response to Russia’s invasion of Ukraine. The sanctions against Russian targets build on the imposition of comprehensive sanctions on the Donetsk and Luhansk regions of Ukraine on February 21, 2022, as detailed in our prior [client alert](#).

This alert summarizes the full package of sanctions announced to date by the Biden administration in response to Russia’s invasion of Ukraine:

- the designation of major Russian financial institutions, including VTB Bank PJSC (“**VTB**”), Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (“**VEB**”), and others;
- expanded prohibitions on dealing in Russian sovereign debt;

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- correspondent and payable-through account sanctions on PJSC Sberbank (“**Sberbank**”) and others;
- certain debt and equity prohibitions against identified entities;
- prohibition on engaging in any transaction involving the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance;
- designation of Nord Stream 2 AG and its chief executive officer;
- the designation of individuals with close ties to President Putin;
- prohibitions on the importation of Russian energy and new investment in the Russian energy sector;
- prohibitions on the importation of Russian-origin fish, seafood and preparations thereof, alcoholic beverages, and non-industrial diamonds;
- prohibitions on the exportation of certain luxury goods; and
- prohibitions on the exportation of U.S.-dollar denominated banknotes.

President Biden also announced new export control requirements under the Export Administration Regulations, which impose license requirements on certain exports to Russia.

At the same time as imposing sanctions on Russia, President Biden announced on February 24, 2022, a new tranche of sanctions targeting the Lukashenka regime in Belarus, with the designation of 24 Belarusian persons, including state-owned banks and the defense and security industries, in response to Belarus’s facilitation of Russia’s invasion of Ukraine. OFAC’s announcement listing the Belarusian designations is available [here](#).

### **I. Designation of Significant Russian Banks**

On February 24, 2022, the U.S. Department of Treasury’s Office of Foreign Assets Control (“**OFAC**”) designated several major Russian financial institutions pursuant to [E.O. 14024](#), including VTB, VEB, Promsvyazbank PJSC, PJSC Bank Financial Corporation Otkritie (“**Otkritie**”), OJSC Sovcombank (“**Sovcombank**”), JSC Bank Novikom, and a number of subsidiaries including subsidiaries outside of Russia, and some which operate in various other sectors. Designated persons are added to OFAC’s List of Specially Designated Nationals and Blocked Persons (the “**SDN List**”) and each designated person as well as any entity owned 50 percent or more by one or more designated persons, is now blocked and any property or interests in property that are in the United States or in the possession or control of U.S. persons are also blocked. U.S. persons are generally prohibited from engaging in any activity in which a blocked person has an interest, absent authorization from OFAC.

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### II. Correspondent and Payable-Through Account Sanctions on Sberbank

On February 24, 2022, OFAC issued [Directive 2](#) to E.O. 14024, the so-called “**CAPTA Directive**” that prohibits U.S. financial institutions from (1) opening or maintaining any correspondent or payable-through accounts for or on behalf of Sberbank and (2) the processing of any transaction involving Sberbank, effective **March 26, 2022**. The restrictions also apply to any entity in which Sberbank owns a 50 percent or greater interest, and OFAC has identified Sberbank and 25 of its subsidiaries subject to the CAPTA Directive on the “**CAPTA List**,” available at Annex 1 to Directive 2.<sup>1</sup> The prohibitions on any additional entities added to the CAPTA List will become effective 30 days from the identification of the entity.

Directive 2 also prohibits U.S. financial institutions from processing any transactions involving entities subject to the CAPTA Directive. OFAC guidance makes clear that U.S. financial institutions must reject transactions involving a foreign financial institution on the CAPTA List.<sup>2</sup>

### III. New Debt and Equity Prohibitions Against Identified Entities

On February 24, 2022, OFAC also issued [Directive 3](#) to E.O. 14024, which expands restrictions on new debt and equity transactions related to certain identified Russian entities. Specifically, Directive 3 prohibits U.S. persons from all transactions in, provision of financing for, and dealings in new debt longer than 14 days maturity and new equity of listed Russian entities, including: Credit Bank Of Moscow Public Joint Stock Company, Gazprombank Joint Stock Company, and Joint Stock Company Alfa-Bank. The prohibitions apply where such new debt and equity is issued on or after **March 26, 2022** for entities identified in Annex 1 to Directive 3, or 30 days after the date of identification, for entities later determined to be subject to the Directive. These restrictions expand the restrictions on new debt and equity set forth in the directives issued under [E.O. 13662](#). OFAC emphasized in its guidance that the prohibitions may be overlapping and U.S. persons remain obligated to comply with all relevant directives.

### IV. Expanded Restrictions on Russian Sovereign Debt

On February 22, 2022, the Biden administration, pursuant to [Directive 1A](#) under E.O. 14024, expanded existing restrictions in place on dealing in Russian sovereign debt on the primary market to also restrict participation in the secondary market. Directive 1A prohibits U.S. financial institutions from participating in the secondary market for ruble or non-ruble denominated bonds **issued after March 1, 2022** by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. The text of Directive 1A

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<sup>1</sup> See OFAC FAQ 969, available [here](#).

<sup>2</sup> See OFAC FAQ 967, available [here](#).

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makes clear that the identified institutions were not designated and so do not appear on the SDN List, meaning activity not specified in Directive 1A with such institutions is not currently prohibited.<sup>3</sup>

### V. Sanctions on the Central Bank of Russia

On February 28, 2022, OFAC issued [Directive 4](#) to E.O. 14024, the so-called “Sovereign Transactions Directive,” which prohibits U.S. persons from any transaction 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, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities, absent a license or authorization from OFAC. In addition, OFAC amended several of the previously published general licenses to include certain wind down authorizations otherwise prohibited by Directive 4, as described below.

### VI. General License Applicable to E.O. 14204

OFAC issued a number of general licenses authorizing certain transactions otherwise prohibited by E.O. 14204 specifically related to certain Russian banks described in each respective license:

- [General License 2](#) authorizes transactions involving VEB ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022 by the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance (not including any transaction prohibited by Directive 1A, which prohibits certain dealings in Russian sovereign debt).
- [General License 3](#) authorizes certain transactions related to the wind down of transactions involving VEB through **March 24, 2022**.
- [General License 5](#) authorizes certain transactions related to official business of certain international organizations.
- [General License 6](#) authorizes certain transactions related to the exportation or reexportation of agricultural commodities, medicine, and medical devices and related parts and services, and COVID-19.
- [General License 7](#) authorizes certain transactions related to overflight payments, emergency landings, and air ambulance services.

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<sup>3</sup> See Directive 1A to E.O. 14204 (“All other activities with entities determined to be subject to the prohibitions of this Directive, or involving their property or interests in property, are permitted, provided that such activities are not otherwise prohibited by law, the Order, or any other sanctions program implemented by the Office of Foreign Assets Control.”).

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- [General License 8A](#) authorizes certain transactions with VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest, or the Russian Central Bank, related to transactions “**related to energy**”<sup>4</sup> through **June 24, 2022**.
- [General License 9A](#) authorizes, through **May 25, 2022**:
  - a) certain transactions related to dealings in debt or equity of VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest, issued prior to February 24, 2022, where any divestment or transfer of covered debt or equity must be to a non-U.S. person;
  - b) certain transactions related to facilitating, clearing, and settling trades of covered debt or equity, provided such trades were placed prior to 4:00 p.m. Eastern Standard Time, February 24, 2022; and
  - c) certain transactions otherwise prohibited by Directive 4 of E.O. 14024, for the receipt of interest, dividend, or maturity payments in connection with debt or equity of the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance, issued before March 1, 2022.
- [General License 10A](#) authorizes, through **May 25, 2022**:
  - a) certain transactions related to the wind down of derivative contracts entered into prior to 4:00 p.m. EST on February 24, 2022 that include one of VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest as a counterparty or are linked to debt or equity of one of the above-described entities; including debits to accounts on the books of a U.S. financial institution; and
  - b) certain transactions otherwise prohibited by Directive 4 of E.O. 14024, related to the wind down of derivative contracts, repurchase agreements, or reverse repurchase agreements entered into prior to March 1, 2022, that include the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance.

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<sup>4</sup> The term “**related to energy**” means 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.

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- [General License 11](#) authorizes certain transactions related to the wind down of transactions involving Otkritie, Sovcombank, VTB, or any entity in which an above-listed entity owns a 50 percent or greater interest, through **March 26, 2022**.
- [General License 12](#) authorizes U.S. persons to reject, rather than block, transactions involving Otkritie, Sovcombank, VTB, or any entity in which an above-listed entity owns a 50 percent or greater interest, through **March 26, 2022**.
- [General License 13](#) authorizes certain transactions related to the payment of taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications, to the extent such transactions are prohibited by Directive 4 of E.O. 14024 and provided such transactions are ordinarily incident and necessary to such persons' day-to-day operations in Russia, through **June 24, 2022**.
- [General License 14](#) authorizes certain transactions otherwise prohibited by Directive 4 of E.O. 14024, involving the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance, 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.

### VII. Nord Stream 2

In line with German Chancellor Scholz's move to suspend certification of Nord Stream 2, the Biden administration added Nord Stream 2 AG and its CEO, Matthias Warnig, to the SDN List on February 23, 2022. OFAC also issued a wind-down general license, [General License 4](#), authorizing transactions ordinarily incident to the wind down of transactions involving Nord Stream 2 AG, or any entity in which Nord Stream 2 AG owns, directly or indirectly, a 50 percent or greater interest, through **March 2, 2022**.

### VIII. Russian Direct Investment Fund

On February 28, 2022, OFAC announced new designations targeting Russia's sovereign wealth fund, the Russian Direct Investment Fund. OFAC also designated its managing company, Joint Stock Company Management Company of the Russian Direct Investment Fund, and the managing company's subsidiary, Limited Liability Company RVC Management Company, as well as its Chief Executive Officer, Kirill Dmitriev.

### IX. Designation of President Putin and Individuals in President Putin's Circle

In addition to the sanctions described above, the Biden administration [announced sanctions on President Putin](#) on February 25, 2022 and individuals, along with their family members, identified as having close personal ties with

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President Putin. These individuals include senior government officials, such as Minister of Foreign Affairs, Sergei Lavrov, and senior executives at significant state-owned and influential enterprises.

On March 3, 2022, OFAC issued another significant series of designations targeting Russian billionaire affiliates of President Putin, details of which are available [here](#). Notably, OFAC designated Alisher Usmanov, who owns significant interests in the metals and mining and technology sectors in Russia. Alongside the designation of Usmanov, OFAC issued [General License 15](#), which authorizes transactions with any entity in which Usmanov owns a 50 percent or greater interest that is not itself listed on the SDN List. In other words, OFAC has essentially eliminated the application of the so-called “50 percent rule” for transactions involving entities owned by Usmanov, unless such entity is itself a designated entity.

Companies should consult the SDN List, available [here](#), to search for the full list of designated individuals and entities.

### **X. Ban on Russian Energy Imports**

On March 8, 2022, President Biden signed [E.O. 14066](#) prohibiting 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 origin, as well as new investment in the energy sector in the Russian Federation by a U.S. person, wherever located. OFAC guidance states that the term “new investment in the energy sector in the Russian Federation” means 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.<sup>5</sup>

OFAC issued [General License 16](#), which authorizes certain transactions related the importation of energy products prohibited by E.O. 14066 pursuant to written contracts or written agreements entered prior to March 8, 2022, through **April 22, 2022**.

### **XI. Ban on Specified Imports and Exports Targeting Luxury Goods**

On March 11, 2022, President Biden signed an [Executive Order](#) prohibiting the following activities: (1) the importation into the United States of Russian-origin fish, seafood and preparations thereof, alcoholic beverages, and non-industrial diamonds; (2) the exportation of luxury goods to Russia, as to be described by the U.S. Department of Commerce and currently including certain spirits, tobacco products, clothing items, jewelry, vehicles, and antique goods<sup>6</sup>; and (3) the exportation of U.S. dollar-denominated banknotes to Russia. The E.O. also prohibits the facilitation of such transactions by a U.S. person of transactions by a non-U.S. person that would be prohibited if performed by a U.S. person.

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<sup>5</sup> See OFAC FAQ 1019, available [here](#).

<sup>6</sup> Restrictions on exports of luxury goods will be implemented through a rule in the Export Administration Regulations, available at <https://public-inspection.federalregister.gov/2022-05604.pdf>.

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Furthermore, the E.O. authorizes additional prohibitions as determined by OFAC, including the prohibition of new investments in additional sectors in Russia. OFAC simultaneously issued a number of general licenses authorizing certain transactions otherwise prohibited under the new E.O., as follows:

- [General License 17](#) authorizes certain transactions related to the to the importation into the United States of Russian-origin fish, seafood and preparations thereof, alcoholic beverages, or non-industrial diamonds pursuant to written contracts or written agreements entered into prior to March 11, 2022, through **March 25, 2022**.
- [General License 18](#) authorizes transactions related to the transfer of U.S. dollar-denominated banknote noncommercial, personal remittances from: (i) the United States or a U.S. person, wherever located, to an individual located in Russia; or (ii) a U.S. person who is an individual located in Russia.
- [General License 19](#) authorizes U.S. individuals located in Russia to engage in certain transactions related to personal maintenance within Russia, including payment of housing expenses, acquisition of goods or services for personal use, payment of taxes or fees, and purchase or receipt of permits, licenses, or public utility services.

The situation in Ukraine is rapidly evolving, and we will continue to issue updates as more information becomes available. In addition, as noted previously, the Biden administration has issued these sanctions in close coordination with its European counterparts. For more information on the latest UK sanctions, please see [our write-up](#). For a comprehensive look at the U.S., UK, and EU sanctions, see our Client Alert, "[In a Parallel Rollout, the US, EU, and UK Sanction Major Russian Financial Institutions and Russian Sovereign Debt and Take Additional Measures.](#)"

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We will continue to monitor developments, and provide commentary and analysis regarding the implications of these sanctions and any additional sanctions issued by the United States and its allies against Russia.

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