

## National Security, Sanctions, and Export Controls

# Taking Stock: Russia-Ukraine Sanctions and Export Controls

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As we enter the fourth month of Russia's illegal war on Ukraine, multilateral sanctions actions continue, but at a slower pace. As discussed in our prior [February 25, 2022](#) and [March 11, 2022](#) alerts, following Russia's invasion of Ukraine, the US, EU, UK, and numerous other jurisdictions swiftly imposed significant, coordinated sanctions on Russia's leadership, elite, financial institutions, and sectors of the economy that support the war effort. As a May 14 G7 foreign ministers' statement [explains](#), these sanctions have sought to decrease Putin's power base and isolate Russia from the global economy, while strangling Russia's ability to perpetrate this war of choice. This alert takes stock of key EU, UK, and US sanctions actions since February 2022.

## I. GEOGRAPHIC SANCTIONS

The US, EU, and UK have expanded territory-wide sanctions on Crimea to the so-called Donetsk People's Republic ("DNR") and Luhansk People's Republic ("LNR") regions of the Donbas in Ukraine via US [Executive Order 14065](#) (February 21, 2022), [EU Regulation 2022/263](#) (February 23, 2022), and March 30, 2022 [UK Russia \(Sanctions\) \(EU Exit\) Regulations 2019/855](#) (as amended) (the "UK Regulations"). These sanctions prohibit investments in, import from, and export to the DNR and LNR regions. Unlike the US export restrictions, which apply to any exportation, reexportation, sale, or supply from the United States to the DNR and LNR, the EU and UK export limitations only apply to infrastructure related goods as identified in the UK Regulations and EU Regulation 2022/263. Finally, the EU and UK have also imposed additional restrictions on the provision of services related to tourism in those regions. The geographic area subject to these prohibitions may change in the future, depending on events on the ground.

## II. BLOCKING SANCTIONS / ASSET FREEZE RESTRICTIONS

There have been numerous [designations](#) of Russian individuals, State Owned Enterprises ("SOEs"), financial institutions, and other companies, which can also lead to the sanctioning of any entities owned, 50% or more, directly or indirectly, in the aggregate,<sup>[1]</sup> by such persons.

### A. Russian Individual Designations

Since February 2022, **OFAC and the State Department** have added approximately 500 Russian individuals to the Treasury Department's Office of Foreign Assets Control's ("OFAC") List of Specially Designated Nationals and Blocked Persons ("SDN List"). Such designations were made in close coordination with the European Union, United Kingdom, Switzerland, Canada, Japan, Korea, and Australia. **The UK government** has designated over 1,200 individuals under the UK Regulations, and **the EU** has designated over 900 individuals under [EU Regulation 269/2014](#).

Designated persons include Russian President Vladimir Putin, Foreign Minister Sergei Lavrov, members of the Duma, leadership of multiple Russian financial institutions, those with connections to the Russian oil, petroleum, energy, defense, technology, and financial services sectors, and associated family members. (See, e.g., US designation announcements of [February 22](#), [February 24](#), [February 25](#)

(OFAC), [February 25](#) (State), [February 28](#), [March 3](#) (OFAC), [March 3](#) (State), [March 11](#) (OFAC), [March 11](#) (State), [March 15](#) (State), [March 24](#), [March 31](#), [April 6](#) (OFAC), [April 7](#) (State), [April 20](#), and [May 8](#), 2022 (OFAC)).

### **B. Russian Financial Institution Designations**

OFAC has issued blocking sanctions on a number of banks including 10 of Russia's largest financial institutions and their 50% or more owned subsidiaries. While the UK and EU have designated many of the same banks as the US, there are differences in designations between all three jurisdictions. In addition to asset freeze restrictions imposed on banks, the EU has prohibited SWIFT services to a number of banks.

Both the US and the UK issued time-limited general licenses authorizing the wind down of transactions involving certain banks. All such general licenses have expired, although certain other general licenses remain to authorize certain transactions involving US and UK sanctioned financial institutions. The EU does not issue general licenses.

The financial institutions explicitly blocked and subject to asset freezes by the UK, EU and US, or that are now subject to SWIFT restrictions, since February 2022 are as follows<sup>[2]</sup>:

<b>Entities</b>	<b>US</b>	<b>EU</b>	<b>UK</b>	<b>SWIFT</b>
Sberbank	✓		✓	Expected <sup>[3]</sup>
Alfa-Bank	✓		✓	
VEB	✓	✓	✓	✓
VTB Bank	✓	✓	✓	✓
Otkritie	✓	✓	✓	✓
Sovcombank	✓	✓	✓	✓
Promsvyazbank	✓	✓	✓	✓
Novikombank <sup>[4]</sup>	✓	✓	✓	✓
TKB	✓			
JSC Moscow Industrial Bank	✓			
Blank Sea Bank for Development And Reconstruction	✓		✓	
Black Rossiya	✓	✓	✓	
Genbank	✓		✓	
IS Bank	✓		✓	
Gazprombank	✓		✓	
Russian Agricultural Bank	✓		✓	
Ural Bank for				

Reconstruction and Development	✓		✓	
SMP Bank	✓		✓	
Credit Bank of Moscow	✓		✓	

OFAC has issued bank-specific general licenses related to certain activities,<sup>[5]</sup> such as:

- [GL 2](#): authorizes transactions involving VEB related to the **servicing of bonds** issued before March 1, 2022 by Russia's Central Bank, National Wealth Fund, or Ministry of Finance.
- [GL 8B](#): authorizes **energy-related transactions** involving (1) VEB, (2) Otkritie, (3) Sovcombank, (4) Sberbank, (5) VTB, (6) Alfa-Bank, and (7) the Central Bank of the Russian Federation until June 24, 2022.
- [GL 9C](#): authorizes transactions that are ordinarily incident and necessary to dealings in **debt or equity** involving Alfa-Bank until June 30, 2022.
- [GL 10C](#): authorizes transactions ordinarily incident and necessary to the wind down of **derivative contracts** involving Alfa-Bank until June 30, 2022.
- [GL 28](#): authorizes transactions involving TKB (and TKB's 50% or more owned subsidiaries) that are ultimately destined for or originating from Afghanistan until October 20, 2022.

OFAC has also issued general licenses for the wind down of specific sanctioned bank subsidiaries.

- [GL 21A](#): Sberbank CIB USA, until June 7, 2022.
- [GL 26A](#): Joint Stock Company SB Sberbank Kazakhstan, Sberbank Europe AG, or Sberbank (Switzerland) AG (and their 50% or more owned subsidiaries), until July 12, 2022.
- [GL 32](#): Amsterdam Trade Bank NV (and 50% or more owned subsidiaries), until July 12, 2022.

OFSI has also issued ongoing licenses for specific banks:

- [GL - INT/2022/1678476](#): Amsterdam Trade Bank NV, until May 12, 2023.
- [GL - INT/2022/1630477](#): Gazprombank, until October 31, 2022 (for certain transactions relating to making gas available in the EU).
- [GL - INT/2022/1280876](#): UK subsidiaries of VTB, until April 3, 2023.

### ***C. Russian SOE Blocking Designations***

The US, EU<sup>[6]</sup>, and UK<sup>[7]</sup> have blocked major Russian SOEs, including the following:

- 48 Russian defense sector companies (US - [March 24, 2022](#));
- Public Joint Stock Company **Alosa**, the world's largest diamond mining company ( UK - [March 24, 2022](#); US - [April 7, 2022](#));
- Joint Stock Company **United Shipbuilding Corporation**, which constructs the majority of Russian military warships ( UK - [February 24, 2022](#); EU – March 15, 2022; US - [April 7, 2022](#));
- Weapons manufacturer **Promtekhlogiya** (US - [May 8, 2022](#));
- Television stations, Joint Stock Company **Channel One Russia, Television Station Russia-1, and Joint Stock Company NTV Broadcasting Company** (US - [May 8, 2022](#));
- **United Aircraft Corporation** (EU – March 15, 2022; UK – February 24, 2022);
- JSC Research and Production Uralvagonzavod (EU – March 15, 2022; UK – February 24, 2022; previously sanctioned by US);
- Rostec, Russian Technologies State Corporation (UK – February 24, 2022);
- Sovcomflot (UK – May 24, 2022).

### III. SOVEREIGN DEBT, DEBT, EQUITY, AND CORRESPONDENT BANKING

#### A. Correspondent and Payable-Through Account Sanctions

OFAC's Russia-related [Directive 2](#), imposed tailored sanctions on Sberbank that required US financial institutions to close correspondent or payable-through accounts with Sberbank and reject transactions involving Sberbank or its foreign financial institution subsidiaries. As discussed above, as of [April 6, 2022](#), Sberbank is also subject to full blocking sanctions.

**The UK Regulations** similarly prohibit credit or financial institutions from (i) establishing or continuing a correspondent banking relationship with a designated person or (ii) processing a sterling payment to, from or via, a designated person, or a credit or financial institution (domiciled anywhere including the UK) owned or controlled by the designated person. To date the UK government has only applied these restrictions to PJSC Sberbank (which is now in any event subject to an asset freeze).

#### B. Debt and Equity Prohibitions

OFAC's Russia-related [Directive 1A](#) expanded on existing **sovereign debt sanctions** to prohibit participation in the secondary market for ruble and 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, and the Ministry of Finance of the Russian Federation. Directive 1A incorporates existing prohibitions on participation in the primary market for bonds and lending funds to Russia's Central Bank, National Wealth Fund, and Ministry of Finance. As of March 26, 2022, **OFAC's** Russia-related [Directive 3](#) prohibits transactions, dealings in new debts of longer than 14 days in maturity, and dealings in new equity of 13 major Russian firms, including six of Russia's largest financial institutions. Of these six financial institutions, two are now designated as SDNs.

**The EU** prohibits dealings with transferable securities and money market instruments issued on behalf of, and the provision of certain loans or credit to, (i) Russia and its government and the Central Bank (ii) six major institutions identified as having an explicit mandate to promote competitiveness of the Russian economy;<sup>[8]</sup> (iii) four Russian institutions that have been identified as having a significant role supporting the activities of Russia, its government or the Central Bank;<sup>[9]</sup> (iv) nine Russian bodies identified as being publicly owned or controlled with a close economic relationship to the Russian state;<sup>[10]</sup> and (v) persons engaged in certain sectors in Russia (such as the military sector).

**The UK** prohibits dealings with transferable securities and money market instruments issued on behalf of, and the provision of certain loans or credit to, (i) 11 sectorally sanctioned entities listed in the relevant schedule of the UK Regulations; (ii) the Government of Russia; and (iii) "person connected with Russia" (including companies incorporated or constituted under the law of Russia).

#### C. Central Bank, National Wealth Fund, and Ministry of Finance

US [Directive 4](#) prohibits US persons from engaging in "any transaction" involving Russia's Central Bank, National Wealth Fund, and Ministry of Finance. OFAC has issued several general licenses that authorize limited activity with the listed government banks, including:

- [GL 13A](#), authorizing payment of certain taxes, fees, import duties, and receipt of permits or licenses otherwise barred by Directive 4 until September 30, 2022;
- [GL 14](#), permitting transactions in which Directive 4 entities act solely as the operator of a clearing and settlement system; and
- [GL 31](#), authorizing the filing, receipt, renewal or maintenance, and prosecution of patents, trademarks, copyrights, or other forms of intellectual property protection.

**The UK** prohibits the provision of financial services for the purpose of "foreign exchange reserve and asset management"<sup>[11]</sup> to: (i) the Central Bank of the Russian Federation, (ii) the National Wealth Fund of the Russian Federation, (iii) the Ministry of Finance of the Russian Federation, or (iv) a person owned or controlled directly or indirectly by any of the persons above, or a person acting on behalf of

or at the direction of any of the persons mentioned in (i) to (iii).

The EU prohibits transactions related to the management of reserves as well as of assets of the Central Bank of Russia, including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund. The EU prohibits the purchase, sale, provision of investment services for or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments issued by Russia and its government or the Central Bank of Russia. Finally, the EU restricts investment, participation, or other contributions to projects co-financed by the Russian Direct Investment Fund.

#### IV. SECTOR-SPECIFIC SANCTIONS

OFAC has identified the following nine sectors of the Russian economy that create sanctions risk for entities that operate or have operated in those sectors, pursuant to [Executive Order 14024](#) and determinations of [February 24, 2022](#), [March 31, 2022](#), and [May 8, 2022](#):

- Technology;
- Defense and related materiel;
- Financial services;
- Accounting;
- Trust and corporate formation services;
- Management consulting<sup>[12]</sup>;
- Aerospace;
- Electronics; and
- Marine.

Additional sectors of the Russian economy may be added in the future. Of note, on April 20, 2022, OFAC [designated](#) Bitriver AG, a Swiss-based holding company of Russian virtual currency mining company, for operating in the technology sector of Russia's economy.

#### V. IMPORT, NEW INVESTMENT, AND EXPORT PROHIBITIONS

Although Russia is not subject to a comprehensive embargo, the United States has issued a series of executive orders ([14066](#), [14068](#), and [14071](#)) and associated determinations increasing prohibitions on imports, exports, and new investments involving Russia. The EU and UK have also prohibited specified imports, exports, and investments.

##### *A. Imports*

The United States has [banned](#) the import of Russian origin "crude oil; petroleum; petroleum fuels, oils, and products of their distillation; liquefied natural gas; coal; and coal products"; [as well as](#) "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 the Treasury, in consultation with the Secretary of State and the Secretary of Commerce."

The UK has imposed restrictions on the import, acquisition, and supply of iron and steel products from Russia. In addition, the UK announced that it will end all imports of Russian coal and oil by the end of 2022. There are also prohibitions on the import of military goods from Russia

The EU has imposed a variety of import restrictions, including on the purchase, import or transfer (and ancillary services) of coal and other solid fossil fuel; certain iron and steel products originating from or exported from Russia; and the purchase, import, or transfer (and ancillary services) of goods which generate significant revenues for Russia (e.g., Caviar, certain types of fertilizers, aluminum plates, silver). The EU has also [announced](#) that it will ban Russian oil imports, with the supply of crude oil to be phased out within six months, and refined products by the end of 2022.

## ***B. New Investment***

**The United States** has prohibited new investment by US persons in the Russian Federation (under EO [14071](#)), as well as new investment in the energy sector (EO [14066](#)) or any other sectors as OFAC may determine ([14068](#)).

**The UK** [announced](#) plans for “an outright ban on all new outward investment to Russia” on April 6, 2022 but has yet to implement the prohibition.

**The EU** [now prohibits](#) investment in Russia’s energy sector.

## ***C. Exports***

Under EO 14071, **The United States** prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person to Russia, of any category of services as OFAC may determine. Under a May 8, 2022 [determination](#), effective June 7, 2022, the provision of **accounting, trust and corporate formation, and management consulting services** will be subject to this prohibition.<sup>[13]</sup> [EO 14068](#) also prohibits the exportation, re-exportation, sale, or supply, directly or indirectly, from the United States, or by a United States person to Russia, of “luxury goods” (discussed below) and “**US dollar-denominated banknotes.**” As discussed in the next section, the US, EU, and UK have also imposed significant export controls on Russia.

## **VI. EXPORT CONTROLS**

Numerous countries have cooperated to impose coordinated export controls on exports to Russia (and Belarus), as exemplified by the US, UK, and EU export controls below.

**US export controls** administered by the US Department of Commerce’s Bureau of Industry and Security (“BIS”) apply to US regulated items, which include commodities, software, or technology that is of US origin, that is of non-US origin but includes *de minimis levels* of US-regulated content, or, in some cases, that is derived from US software or technology. With increasingly limited exemptions and authorizations, US export controls now generally prohibit:

- Exports, reexports, and transfers (in-country) of any item identified via export control classification number (“ECCN”) on the [Commerce Control List](#);
- Transactions involving Russian military end users or end uses; and
- The export of a range of products, from specified luxury goods ([supplement no. 5](#) to part 746 of the EAR), to numerous items related to Russian industry (identified by HTS and Schedule B Code [supplement no. 4](#) to part 746 of EAR).
- Expansive foreign-produced direct product rules also extend the reach of US export controls to items that do not originate in the United States or contain US-origin content if such items are derived from US-origin software or technology and are destined for Russia.

**The UK Regulations** extend to the (i) export of restricted goods to or for use in Russia; (ii) the supply or delivery of restricted goods from a third country to a place in Russia; (iii) the making available of restricted goods and technology to a person connected with Russia or for use in Russia; (iv) the transfer of restricted technology to a place in Russia or to a person connected with Russia; (v) the provision of technical assistance, financial services and brokering services linked to the foregoing. Restricted goods and technology include the following categories of dual-use products:

- “Critical industry goods”;
- Military goods;
- Aviation and space;
- Oil refining; and
- “Computing and advanced material” (together referred to as “restricted goods and technology”).

**EU restrictions** found in EU Regulation 833/2014 are similar to the restrictions in the US and UK. They include restrictions on export of dual-use products and advanced technology products including (i) comprehensive export ban on dual-use goods and certain advanced technology to any person, entity or body in Russia or for use in Russia; (ii) ban on sale of dual-use products to specified legal persons in Russia; and (iii) prohibition on brokering, technical assistance and other related services and financing related to dual-use products and technology products. In addition, the EU restrictions include restrictions on the sale, transfer, or export (and ancillary services) to Russia of:

- Goods that could contribute to the enhancement of Russian industrial capacities;
- Specific goods and technologies for use in oil refining;
- Energy related goods and technology;
- Goods and technology suited for use in the aviation and space industry;
- Specific maritime navigation goods and technologies;
- Certain luxury goods; and
- The insurance and reinsurance of aviation and space goods and technology.

## VII. CONCLUSION

The sanctions and export controls on Russia continue to evolve. For example, on May 31, 2022, the EU Member States [agreed](#) to a sixth package of measures targeting Russia which, as noted above, will cover crude oil, as well as petroleum products delivered from Russia into Member States, with a temporary exception for crude oil delivered by pipeline. While the legislation is not yet fully public, we understand that the package will also [include](#) the de-swifiting of Sberbank and a ban on providing Russian companies with a whole range of business services. The US, UK, EU, and others are cooperating in an unprecedented way to enforce these sanctions globally, so continued compliance is critical.

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[1] In contrast to the US and the EU, the UK has issued [guidance](#) stating that such ownership will not be aggregated unless “the shares or rights are subject to a joint arrangement between the designated parties or one party controls the rights of another.”

[2] Each bank in this chart was specifically designated by the US, EU, or UK since February 2022. In certain cases, the bank was already designated by one of the other jurisdictions prior to that point. They are still marked as designated on the chart. Other Russian banks may be designated under other sanctions authorities.

[3] On May 4, 2022, the EU [announced](#) that it plans to “de-SWIFT Sberbank”. However, it is unclear when this will be implemented.

[4] Not explicitly designated but sanctioned as a subsidiary of Rostec which is sanctioned in the UK.

[5] OFAC has also issued general licenses that authorize certain transactions more broadly, such as [GL 6A](#), which authorizes transactions ordinarily incident and necessary to the exportation or reexportation of agricultural commodities, medicine, medical devices, replacement parts and components for medical devices, software updates, and COVID prevention, diagnosis, or treatment, and [GL 27](#), which authorizes certain transactions ordinarily and incident to NGO activities intended to support humanitarian projects, democracy building, education, non-commercial development, and environmental and natural resource protection in Ukraine or the Russian Federation.

[6] In addition to the designations listed above, [EU Regulation 833/2014](#) prohibits any direct or indirect transactions with (i) an entity which is publicly controlled or with over 50 % public ownership or in which Russia, its Government or Central Bank has the right to participate in profits or with which Russia, its Government or Central Bank has other substantial economic relationship, as listed in the Annex XIX to EU Regulation 833/2014 (ii) entities whose proprietary rights are directly or indirectly owned for more than 50 % by an entity listed in (i) and; (iii) entities acting on behalf or at the direction of an entity in (i) or (ii).

[7] The UK Regulations also allow for the designations of “Government of Russia-affiliated entities” for being “involved in obtaining a benefit from or supporting the Government of Russia.” This includes entities (a) which are owned or

controlled directly or indirectly by the Government of Russia (b) in which the Government of Russia holds directly or indirectly a minority interest and (c) which receive, or have received, financing, directly or indirectly, from the Russian Direct Investment Fund or the National Wealth Fund, or (d) which otherwise obtain a financial benefit or other material benefit from the Government of Russia.

[8] As listed in Annex III of EU Regulation 833/2014

[9] As listed in Annex XII of EU Regulation 833/2014

[10] As listed in Annex XIII of EU Regulation 833/2014

[11] Activities relating to the reserves or assets of the persons listed above. Such reserves or assets include money market instruments (including cheques, bills and certificates of deposit); foreign exchange; derivative products (including futures and options); exchange rate and interest rate instruments (including products such as swaps and forward rate agreements); transferable securities; other negotiable instruments and financial assets (including bullion); and special drawing rights.

[12] OFAC [FAQ 1038](#) defines “accounting sector”, “trust and corporate formation services section”, and “management consulting sector” as used in the determination.

[13] [General License 34](#) authorizes transactions necessary to wind down accounting, trust and corporate formation, or management consulting services until July 7, 2022, and [General License 35](#) authorizes transactions necessary to wind down credit rating or auditing services until August 20, 2022.

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