

# US, UK and EU Impose New Sanctions and Export Controls on Key Elements of Russian Economy

04 / 25 / 22

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Since the publication of our [March 24, 2022](#), and [March 17, 2022](#), client alerts, the U.S., U.K. and European Union, among other allied nations, have imposed additional sanctions and export controls on key elements of the Russian economy with the continued invasion of Ukraine.

These actions have been closely coordinated, including in response to reports of possible war crimes in Ukraine. New sanctions have focused on further isolating the Russian economy by targeting the Russian financial, energy and transportation sectors; prohibiting certain new investments in Russia; further restricting exports to Russia and Belarus; empowering the U.S. Department of the Treasury to restrict the provision of services to Russia by U.S. persons; and targeting certain Russian officials, other individuals and their family members.

Many of these restrictions were accompanied by new or amended general licenses (GLs) allowing for the wind-down of certain prohibited activities and guidance regarding the scope and interpretation of these restrictions. The U.S., U.K. and EU continue to coordinate efforts to enforce the sanctions and export control measures imposed on Russia and Belarus since the beginning of the invasion in February 2022.

This client alert describes key developments related to U.S. sanctions since our [March 17, 2022, client alert](#) and to U.K. and EU sanctions since our [March 24, 2022, client alert](#), in each case through April 21, 2022.<sup>1</sup>

## I. US Sanctions

### New Blocking Sanctions

On April 6, 2022, the Office of Foreign Assets Control (OFAC), a division of the U.S. Department of the Treasury, imposed full blocking sanctions on PJSC Sberbank of Russia (Sberbank), Russia's largest state-owned bank, and JSC Alfa-Bank (Alfa-Bank), Russia's largest private bank. OFAC also designated 42 Sberbank subsidiaries, six Alfa-Bank subsidiaries and five vessels owned by Alfa Lizing OOO, an Alfa-Bank subsidiary.<sup>2</sup>

Since our [March 17, 2022, client alert](#), OFAC has also imposed blocking sanctions on numerous Russian individuals and entities, including under cyber-related sanctions, related to the ongoing conflict in Ukraine. These sanctions targets include:

- members of the Russian Security Council and other Russian officials;
- family members of President Vladimir Putin and Foreign Minister Sergey Lavrov;
- the CEO of Sberbank and certain other Russian bank board members;
- the Russian Duma and its members;
- PJSC Alrosa (Alrosa), a Russian state-owned enterprise (SOE) and the world's largest diamond mining company;

<sup>1</sup> This client alert is for informational purposes only and does not constitute legal advice. Complex assessments often have to be made as to which sanctions regime applies in any given instance, given the multinational touch points of many entities and individuals. In that regard, given the complex and dynamic nature of these sanctions regimes, there may be developments not captured in this summary. Moreover, while the summary was accurate when written, it may become inaccurate over time given developments. For all of these reasons, you should consult with a qualified attorney before making any judgments relating to sanctions, as there are potentially severe consequences of failing to adhere fully to sanctions restrictions.

<sup>2</sup> As discussed in our [February 26, 2022, client alert](#), Sberbank had already been subject to more limited sanctions, including sectoral sanctions prohibiting dealing in certain debt and equity of Sberbank and the maintenance of correspondent or payable-through accounts at U.S. financial institutions. Similarly, Alfa-Bank had been subject to sectoral sanctions prohibiting dealings in certain debt and equity issued by Alfa-Bank.

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- various Russian technology companies;
- various entities and individuals associated with Russia's defense sector, including JSC United Shipbuilding Corporation — an SOE responsible for building Russia's warships — its board of directors and a number of its subsidiaries;
- certain persons and networks identified as attempting to evade sanctions, including PJSC Transkapitalbank (TKB);
- a ransomware-enabling virtual currency exchange;
- the world's largest darknet market; and
- certain companies operating in the Russian bitcoin mining industry.

As a result of these actions, any property or interest in property belonging to these persons, or any entities in which these persons have a 50% or greater, direct or indirect, ownership interest, that is in the United States or comes within the possession or control of a U.S. person must be blocked (*i.e.*, frozen), and U.S. persons are generally prohibited from engaging in any transactions or dealings involving them.

In conjunction with certain of these sanctions, OFAC updated or issued general licenses under 31 C.F.R. part 587, "Russian Harmful Foreign Activities Regulations" (RuHSR) to authorize otherwise prohibited transactions with certain of these entities. These GLs are summarized below and contain certain limitations.<sup>3</sup>

- **GL 8B** updates GL 8A by adding Alfa-Bank to the list of Russian financial institutions<sup>4</sup> for which transactions related to energy<sup>5</sup> are authorized through 12:01 a.m. Eastern Daylight Time on June 24, 2022.<sup>6</sup>
- **GLs 9B and 9C** expand the authorizations of GL 9A to include certain transactions ordinarily incident and necessary to dealings

<sup>3</sup> In addition to the GLs listed below, GL 22 authorized certain transactions ordinarily incident and necessary to the wind-down of transactions involving Sberbank or any entity in which Sberbank owns, directly or indirectly, a 50% or greater interest, through 12:01 a.m. Eastern Daylight Time on April 13, 2022.

<sup>4</sup> The authorization under GL 8B also applies to the State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank, PJSC Bank Financial Corporation Otkritie (Otkritie Bank), OJSC Sovcombank (Sovcombank), Sberbank, VTB Bank PJSC (VTB) and any entity in which these banks own, directly or indirectly, individually or in the aggregate, a 50% or greater interest, and the Central Bank of the Russian Federation.

<sup>5</sup> For purposes of GL 8B, 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.

<sup>6</sup> Sberbank was previously listed in GLs 8, 9 and 10. See our [February 26, 2022, client alert](#) for details.

in debt or equity of Alfa-Bank or Alrosa or any entity in which these entities own, directly or indirectly, a 50% or greater interest. In the case of Alfa-Bank, the authorizations apply to debt or equity issued prior to April 6, 2022, and last through 12:01 a.m. Eastern Daylight Time on June 30, 2022. In the case of Alrosa, the authorizations apply to debt or equity issued prior to April 7, 2022, and last through 12:01 a.m. Eastern Daylight Time on July 1, 2022. Any divestment or transfer of, or facilitation of divestment or transfer of, Alfa-Bank or Alrosa debt or equity must be to a non-U.S. person. The GL also authorizes transactions ordinarily incident and necessary to facilitating, clearing and settling trades involving Alfa-Bank or Alrosa debt or equity during the relevant periods.

- **GL 10B and 10C** expand the authorizations of GL 10A to include certain transactions that are ordinarily incident and necessary to the wind-down of derivative contracts that (i) include as a counterparty Alfa-Bank or Alrosa or any entity in which Alfa-Bank or Alrosa own, directly or indirectly, a 50% or greater interest (the Alfa-Bank or Alrosa entities, respectively), or (ii) are linked to debt or equity of an Alfa-Bank or Alrosa entity, provided that any payments to a blocked person are made into a blocked account. As to Alfa-Bank entities, the authorization applies to derivative contracts entered into prior to 4 p.m. Eastern Daylight Time on April 6, 2022, and last until 12:01 a.m. Eastern Daylight Time on June 30, 2022. As to Alrosa entities, the authorization applies to derivative contracts entered into prior to 4 p.m. Eastern Daylight Time on April 7, 2022, and last until 12:01 a.m. Eastern Daylight Time on July 1, 2022.
- **GL 21 and 21A** authorize certain transactions ordinarily incident and necessary to the wind-down of transactions involving Sberbank CIB USA, Inc. (Sberbank USA) or Alrosa USA, Inc. (Alrosa USA), or any entity in which Sberbank USA or Alrosa USA own, directly or indirectly, a 50% or greater interest, including the processing and payment of salaries, severance and expenses, payments to vendors and landlords, and the closing of accounts, through 12:01 a.m. Eastern Daylight Time on June 7, 2022. Of note, this GL does not authorize transactions previously prohibited by Directive 2 under Executive Order (E.O.) 14024, which prohibits U.S. financial institutions from maintaining correspondent or payable-through accounts or processing transactions involving Sberbank or any entity in which Sberbank owns, directly or indirectly, a 50% or greater interest (the CAPTA Restrictions).
- **GL 23** authorizes certain 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 through 12:01 a.m. Eastern Daylight Time on May 6, 2022.

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- **GL 24** authorizes 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 through 12:01 a.m. Eastern Daylight Time on May 7, 2022.
- **GL 26** authorizes transactions ordinarily incident and necessary to the wind-down of transactions involving Joint Stock Company SB Sberbank Kazakhstan or Sberbank Europe AG, or any entity in which these Sberbank subsidiaries own, directly or indirectly, a 50% or greater interest through 12:01 a.m. Eastern Daylight Time on July 12, 2022. Of note, as with GL 22 above, this GL does not authorize transactions previously prohibited by the CAPTA Restrictions.
- **GL 28** authorizes all transactions involving TKB, or any entity in which TKB owns, directly or indirectly, a 50% or greater interest, that are ultimately destined for or originating from Afghanistan through 12:01 a.m. Eastern Daylight Time on October 20, 2022. This GL authorizes U.S. financial institutions to operate correspondent accounts on behalf of TKB, or any entity in which TKB owns, directly or indirectly, a 50% or greater interest, provided such accounts are used solely to effect transactions authorized above.
- **GL 29** authorizes transactions ordinarily incident and necessary to the wind-down of transactions involving TKB, or any entity in which TKB owns, directly or indirectly, a 50% or greater interest through 12:01 a.m. Eastern Daylight Time on May 20, 2022.

## Prohibition on New Investment and Authority To Restrict the Provision of Certain Services

On April 6, 2022, President Joe Biden issued E.O. 14071, “Prohibiting New Investment in and Certain Services to the Russian Federation in Response to Continued Russian Federation Aggression.” The order prohibits all new investment in Russia by U.S. persons, wherever located, as well as the exportation, re-exportation, sale or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of any category of services as may be determined by the secretary of the treasury, in consultation with the secretary of state, to any person located in Russia. The order also prohibits the approval, financing or guarantee by a U.S. person, wherever located, of a transaction by a foreign person where such transaction would be prohibited by a U.S. person or within the United States. Moreover, the order notes that these prohibitions apply notwithstanding any contract entered into or license or permit granted prior to April 6, 2022.

E.O. 14071 does not define “new investment.” In the context of the March 8, 2022, U.S. ban of new investment in the energy sector of Russia, OFAC explained that new investment in the Russian energy sector is defined 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.”<sup>7</sup> We await clarifying public guidance from OFAC regarding the approach it will take in the context of the investment ban under E.O. 14071. Moreover, while E.O. 14071 empowers the secretary of treasury to restrict the provision of certain services to Russia by U.S. persons, these services are not defined in the order and will require further implementing measures, likely in the form of determinations or directives, similar to those that have been imposed under E.O. 14024.

## Other Recently Issued or Updated OFAC GLs

Since our [March 17, 2022, client alert](#), OFAC has published or updated certain additional GLs, as briefly described below. Each of these GLs includes certain limitations.

- **GL 6A** under the RuHSR expands the authorizations of GL 6 (related to the exportation or re-exportation of certain agricultural commodities, medicine and medical devices) to authorize transactions ordinarily incident and necessary to ongoing clinical trials and other medical research activities that were in effect prior to March 24, 2022.
- **GL 17A** updates GL 17 under E.O. 14068 to authorize until 12:01 a.m. Eastern Daylight Time on June 23, 2022, transactions ordinarily incident and necessary to the importation into the U.S. of Russian fish, seafood and preparations thereof pursuant to written contracts or agreements entered into prior to March 11, 2022.
- **GL 20** under E.O. 14024 and E.O. 14068 authorizes transactions ordinarily incident and necessary to the official business of third-country diplomatic or consular missions located in Russia.
- **GL 24** under E.O. 14065 authorizes the provision or receipt of civil maritime services performed by individuals who are ordinarily resident in the so-called Donetsk People’s Republic (DNR) or Luhansk People’s Republic (LNR) regions of Ukraine provided that such services are performed outside the LNR and DNR and are not performed on behalf of any entity located in, or organized under the laws of, the LNR or DNR.
- **GL 25** under E.O. 13685 and E.O. 14065 authorizes certain journalistic activities and the establishment of news bureaus in Crimea, LNR and DNR.
- **GL 25** under the RuHSR authorizes transactions related to telecommunications and certain internet-based communications otherwise prohibited under the RuHSR.

<sup>7</sup> OFAC’s FAQ interpret “loans or extensions of credit” broadly to include, among other things, overdrafts, currency swaps, purchases of loans made by another person and drawdowns on existing lines of credit. See our [March 11, 2022, client alert](#) for more details on the March 8, 2022, ban on new investments in the Russian energy sector.

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- **GL 27** under the RuHSR authorizes certain transactions in support of nongovernmental organizations provided that the only involvement of blocked persons is the processing of funds by financial institutions blocked pursuant to E.O. 14024.

In addition to these general licenses, OFAC has issued several FAQ providing guidance on the interpretation of certain of the sanctions imposed since the beginning of Russia's invasion of Ukraine.

## Ban of Entry of Russian-Affiliated Vessels Into US Ports

On April 21, 2022, President Biden issued a proclamation prohibiting, effective 12:01 a.m. Eastern Daylight Time on April 28, 2022, the entry of Russian-affiliated vessels to U.S. ports. Russian-affiliated vessels are vessels (i) of Russian registry (*i.e.*, Russian-flagged); (ii) 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 Russia or a Russian company, citizen or permanent resident); or (iii) 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 to (i) Russian-affiliated vessels used in the transport of source material, special nuclear material and nuclear byproduct material for which, and for such time as, the secretary of energy determines that no viable source of supply is available that would not require transport by Russian-affiliated vessels; and (ii) Russian-affiliated vessels requesting to enter U.S. ports due to *force majeure*, to allow seafarers of any nationality to disembark or embark for purposes of conducting crew changes, emergency medical care or for other humanitarian need.

## Legislative Developments

On April 8, 2022, President Biden signed into law two pieces of legislation codifying in statute existing restrictions or imposing new restrictions on Russia and Belarus.

The "Suspending Normal Trade Relations With Russia and Belarus Act" suspends permanent normal trade relations with Russia and Belarus, and seeks to have the Office of the U.S. Trade Representative (USTR) use the influence of the United States in the World Trade Organization (WTO) to encourage other WTO members to suspend trade concessions to Russia and Belarus, consider additional steps with the objective of suspending Russia's participation in the WTO and seek to halt the accession of Belarus to the WTO. The act also makes permanent the Magnitsky Act by removing the statute's sunset provision. This act would result in higher tariffs on potentially all imports of Russian goods to the extent they are not already banned through other measures. Only Cuba and North Korea are currently subject to these higher tariffs. Notably, the act provides the U.S. president with the authority to increase tariffs even beyond those applied to Cuban and North Korean goods.

The "Ending Importation of Russian Oil Act" statutorily prohibits the importation of energy products from Russia, codifying in statute the restrictions imposed by President Biden in E.O. 14066 of March 8, 2022.

Both statutes give the president certain flexibility in lifting the sanctions. The president may restore normal trade relations with Russia and Belarus (either temporarily or permanently) or resume energy imports from Russia subject to certain certification requirements and to the extent that Congress does not pass a joint resolution of disapproval. The required certification must contain a determination that Russia and/or Belarus (i) has reached an agreement that is accepted by Ukraine relating to the respective withdrawal of Russian and/or Belarusian forces and cessation of military hostilities, (ii) poses no immediate military threat of aggression to any North Atlantic Treaty Organization (NATO) member, and (iii) recognizes the Ukrainian people independently and freely choose their own government.

## II. US Export Controls

### Expansion of License Requirements for Russia and Belarus

On April 8, 2022, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) announced a final rule expanding the license requirements recently imposed on items identified under an Export Control Classification Number (ECCN) in Categories 3 through 9 of the Commerce Control List (CCL) and destined for shipment to or within Russia and Belarus to now require a license for items identified under any ECCN in Categories 0 through 2 of the CCL. As a result, the license requirement under Export Administration Regulations (EAR) Part 746.8(a)(1) now applies to **all** items on the CCL (in other words, any items subject to the EAR that are not considered EAR99).

Likewise, the final rule expands the foreign direct product (FDP) rule specific to Russia and Belarus in EAR Part 734.9(f) (the Russia/Belarus FDP Rule), so that non-EAR99 foreign-produced items that are the direct product of items specified in any ECCN in product groups D or E of the CCL (or of a plant or major component of a plant that is the direct product of an item specified in groups D or E of the CCL) will be subject to the EAR and the license requirement set forth in EAR Part 746.8(a)(2). Previously, only non-EAR99 foreign-produced items that were direct products of items identified in product groups D or E of CCL Categories 3-9 (or of a plant or major component of a plant that is the direct product of an item specified in groups D or E of CCL Categories 3-9) were subject to the Russia/Belarus FDP Rule. The expanded Russia/Belarus FDP Rule retains the requirement that the exporting party have knowledge (or reason to know) that the foreign-produced item is destined for Russia or Belarus, or that it will be incorporated into or used in the production or development of an item not designated EAR99 and produced in or destined for Russia or Belarus.

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In addition, in response to Belarus' continued actions in support of Russia's conduct in Ukraine, the final rule further limits the availability of two paragraphs of License Exception Aircraft, Vessels and Spacecraft (AVS). Paragraph (c) of the new export restrictions on Russia and Belarus found under EAR Part 746.8 specifies certain license exceptions for transactions involving Russia and Belarus. Paragraph (c) previously precluded the availability of paragraphs (a) and (b) of License Exception AVS for any aircraft registered in, owned or controlled by, or under charter or lease by, Russia or a Russian national. The final rule expands this preclusion to also apply to any aircraft registered in, owned or controlled by, or under charter or lease by, Belarus or a national of Belarus.

Finally, the final rule allows shipments of certain items identified under the expanded restrictions to proceed to their destinations. Shipments of items that are subject to the EAR under the Russia/Belarus FDP Rule, but that otherwise would not require a license, may proceed to their final destination without a license if they were en route aboard a carrier to a port of export, re-export or transfer (in-country) on May 9, 2022, pursuant to actual orders for re-export or transfer (in-country) to or within the foreign destination. For all other expanded licensing requirements in the final order, however, the relevant date is April 8, 2022. For example, this means that shipments of items identified in CCL Categories 0-2 now subject to the license requirements under EAR Part 746.8(a)(1) that were en route on April 8 pursuant to actual orders for export, re-export or transfer (in-country) to or within a foreign destination may proceed to such destination without a license or under their previous eligibility for a license exception.

## Addition of Countries Excluded From Certain License Requirements

Through a separate order filed on April 8, 2022, BIS added Iceland, Liechtenstein, Norway and Switzerland to its list of countries excluded from certain U.S. export controls relating to foreign-produced items. These countries, listed in supplement no. 3 to Part 746 of the EAR, have been identified as having committed to implementing substantially similar export controls on Belarus and Russia, and therefore have been partially or fully excluded, as appropriate, from the FDP rules' license requirements set forth under EAR Part 746.8(a)(2) and (3). The four countries identified on April 8, 2022, each received "full" exceptions. For the countries identified as excluded under supplement no. 3, the license requirements in 746.8(a)(1) are also not used to determine controlled U.S. content under the de minimis rules, provided all other necessary criteria are met.

## Additions to the Entity List

On April 1, 2022, BIS added 120 entities to the BIS' Entity List. These entities have been identified by the U.S. government as acting contrary to the national security interests or foreign policy of the United States and are listed under the destinations of Russia and Belarus. Ninety-five of the newly designated entities received a "footnote 3" designation applicable to military end users, which subjects these entities to the FDP rule specific to Russian and Belarusian military end users, as detailed in EAR Part 734.9(g).

## Denial of Export Privileges for Three Russian Airlines

On April 12, 2022, BIS announced decisions denying export privileges to three Russian airlines. Under EAR Part Section 766.24, BIS may issue an order temporarily denying a party's export privileges upon a showing that such order is necessary in the public interest to prevent an imminent violation of the EAR or any order, license or authorization thereunder. BIS issued orders temporarily denying, for a period of 180 days, export privileges for Russia-based PJSC Aeroflot, Azur Air and Utair Aviation. As a result of the final rule effective February 24, 2022, expansive controls were imposed on aviation-related items subject to the EAR destined for Russia, and there is now a license requirement for the export, re-export or transfer (in-country) to Russia of most aircraft and aircraft parts. In the orders, BIS' Office of Export Enforcement (OEE) found that the Russian airline companies breached export restrictions by operating multiple aircraft subject to the EAR and classified under ECCN 9A991.b without obtaining prior authorization from BIS.

## III. UK Sanctions and Export Controls

The U.K. continues to expand the list of people and entities subject to asset freezes, and to refine and broaden its sanctions against Russia in various ways, including new restrictions related to public procurement, research and transport.

### Asset Freezes

Since our [last update on March 24, 2022](#), the U.K. has imposed asset freezes on hundreds of individuals and entities.

- On March 24, 2022, the U.K. imposed asset freezes on 33 individuals and 26 entities operating in a variety of sectors including financial services, shipping, mining and transport under The Russia (Sanctions) (EU Exit) Regulations. Those included Alfa-Bank, Gazprombank, Russian Agricultural Bank, SMP Bank, Ural Bank for Reconstruction and Development, Sovcomflot, Russian Railways and Alrosa. It also imposed asset freezes on six entities including financial institutions under The Belarus (Sanctions) (EU Exit) Regulations.

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- On March 31, 2022, asset freezes were placed on 12 more individuals and five entities. These primarily targeted Russian propagandists and state media.
- On April 6, 2022, eight additional individuals and two financial institutions (PJSC Sberbank and the Credit Bank of Moscow) were added, and on April 8, 2022, the U.K. imposed asset freezes on President Putin's and Mr. Lavrov's daughters.
- On April 13, 2022, another 206 individuals were made subject to asset freezes, followed by two additional individuals on April 14, 2022.
- On April 21, 2022, asset freezes were placed on 16 individuals and 10 entities. These primarily targeted key leaders in the Russian military, those actively supporting the invasion of Ukraine, and individuals and entities linked to Russia's military and defense capabilities.

## General Licences

The U.K.'s sanctions regulator, the Office of Financial Sanctions Implementation (OFSI), released the following new general licences, and partial and temporary exemptions while parties come into compliance with the freezes:

- **GL INT/2022/1424277** permits, from March 24, 2022, to April 23, 2022, the winding down of transactions involving Bank Dabrabyt and its subsidiaries.
- **GL INT/2022/1424276** permits, from March 24, 2022, to April 23, 2022, the winding down of transactions involving Alfa-Bank JSC, Gazprombank, Rosselkhozbank, SMP Bank, Ural Bank for Reconstruction and Development and their subsidiaries. This licence was amended on April 21, 2022, (i) confirming that the license did not contain a requirement that funds payable to the designated banks as a necessary part of winding down transactions be paid into a frozen account and (ii) stating that, if funds became payable to any subsidiary of the designated banks as a necessary part of winding down transactions with those subsidiaries, consideration should be given to how the ownership and control provisions in The Russia (Sanctions) (EU Exit) Regulations 2019 could apply to such payments.
- **GL INT/2022/1438977**, now revoked, permitted persons to continue business operations involving GEFCO (a Russian Railways and Stellantis joint venture) or its subsidiaries from March 25, 2022, to May 23, 2022. The GL set out permissions for subsidiaries in relation to basic needs and reasonable fees, and was amended to allow persons to process payments or transactions related to the sale and transfer of GEFCO's shares by Russian Railways. On April 12, 2022, the GL was revoked following the sale of Russian Railways' stake in GEFCO to non-designated persons, which meant that GEFCO was no longer subject to U.K. sanctions.

- **GL INT/2022/1469378** permits, from March 29, 2022, to May 15, 2022, the winding down of transactions involving Sovcomflot or its subsidiaries.
- **GL INT/2022/1495176** permits, from April 1, 2022, to June 30, 2022, the provision of financial services for the purposes of the receipt and onward transfer of nonruble-denominated interest/coupon or maturity/principal payments from the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation or the Ministry of Finance of the Russian Federation in connection with debt issued by them before March 1, 2022.
- **GL INT/2022/1544176** permits, from April 6, 2022, to May 6, 2022, the winding down of transactions involving the Credit Bank of Moscow.
- **GL INT/2022/1630477** permits, from April 21, 2022, to May 31, 2022, payments to Gazprombank or its subsidiaries, under a contract entered into prior to the date of the license, for the purpose of making gas available for use in the EU. It also permits a person, relevant institution, Gazprombank or its subsidiaries to carry out any activity reasonably necessary to effect this permission, including the opening and closing of bank accounts.

In addition, OFSI published amendments to the following existing GLs:

- **GL INT/2022/1277877** was updated to permit, from March 1, 2022, to June 24, 2022, U.K. credit or financial institutions to make payments to PJSC Sberbank for the purpose of making relevant energy payments.
- **GL INT/2022/1280876** permits, from March 1, 2022, to April 3, 2023, VTB Capital Plc and its subsidiaries to make payments for basic needs and reasonable fees. On April 1, 2022, it was amended to allow any payments in connection with insolvency proceedings relating to VTB Capital Plc.
- **GL INT/2022/1381276** permits, from March 22, 2022, to May 2, 2022, the provision of financial services for the purposes of winding down derivatives as well as repurchase and reverse-repurchase transactions entered into prior to March 1, 2022, with (i) the Russian Central Bank, (ii) the Russian National Wealth Fund, and (iii) the Russian Ministry of Finance. It was amended on March 24, 2022, to confirm that it also applied to persons owned or controlled by, or acting on behalf of, those entities.

## Designation by Description

The U.K.'s Sanctions and Anti-Money Laundering Act 2018 granted ministers the ability to designate persons by description rather than by name where they were not able to identify by name all persons falling within a description. On March 30, 2022, the U.K. published

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its Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations legislation, which introduced the designation-by-description procedure specifically to the Russia sanctions framework.

## Extension of Existing Crimea Sanctions to the Donetsk and Luhansk Regions

The Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations legislation also extends the U.K.'s existing comprehensive financial, trade and shipping sanctions relating to Crimea to the regions of Donetsk and Luhansk, in addition to extending the exceptions.<sup>8</sup>

## Transport Sanctions

As part of the U.K.'s new Russia (Sanctions) (EU Exit) (Amendment) (No. 7) Regulations, technical assistance (which includes maintenance) relating to aircraft and ships belonging to, or for the benefit of, sanctioned individuals is now prohibited. These restrictions allow for a defense in which a person has no reasonable cause to suspect that the technical assistance was provided to, or for the benefit of, a sanctioned person. There is also an exception wherein a failure to provide the technical assistance would endanger the lives of persons on board or the safety of the aircraft or ship.

## Research and Innovation Sanctions

On March 27, 2022, the U.K. announced that it had suspended publicly funded research and innovation collaborations with Russian universities and companies of strategic benefit to Russia.

## Public Procurement

On March 28, 2022, the U.K. published a Procurement Policy Note that sets out how central government departments, their executive agencies and nondepartmental public bodies can cut ties with Russian- and Belarusian-backed companies by reviewing contracts and switching suppliers.

## Export Controls

As noted in our [March 24, 2022, client alert](#), the U.K. announced an additional 35% increase in import tariffs on some Russian and Belarusian products. On March 25, 2022, The Customs (Additional Duty) (Russia and Belarus) Regulations 2022 came into force, which brought this increase into force legally.

<sup>8</sup> The U.K. has said "non-government controlled areas of the Donetsk and Luhansk oblasts" means the parts of the Donetsk oblast and the Luhansk oblast of Ukraine as determined in Decree Number 32/2019 issued by the president of Ukraine on February 7, 2019, under Article 1 of the Law of Ukraine of January 18, 2018, Nr. 2268-VIII, "On the Peculiarities of State Policy on Ensuring the State Sovereignty of Ukraine Over Temporarily Occupied Territories in Donetsk and Luhansk Oblasts."

On April 14, 2022, the U.K. introduced The Russia (Sanctions) (EU Exit) (Amendment) (No. 8) Regulations legislation, which sets out prohibitions (as well as limited exceptions) on the:

- export, supply and delivery of luxury goods to Russia, to a person connected with Russia or for use in Russia;
- import and acquisition of iron and steel products originating in, consigned from or located in Russia;
- supply of iron and steel products from Russia to a third country; and
- export, supply and delivery of oil refining, and quantum computing and advanced materials goods and technology to Russia, to a person connected with Russia or for use in Russia.

## Guidance

On March 25, 2022, OFSI updated its guidance on Russian sanctions to clarify that the prohibition on providing financial services for the purposes of foreign exchange reserve and asset management also applies to transactions involving gold.

## Future Sanctions

On April 6, 2022, the U.K. announced the following measures. However, as these are not yet in force, it is not clear how extensive they will be:

- banning all new outward investment to Russia;
- ending all dependency on Russian coal and oil by the end of 2022, and ending imports of gas as soon as possible thereafter; and
- taking action against key Russian strategic industries and state-owned enterprises.

On April 19, 2022, the U.K.'s tax authority, HM Revenue and Customs, announced that it intended to revoke the Moscow Stock Exchange's status as a recognized stock exchange. This would mean that investors would not be able to access specific U.K. tax benefits when trading securities on the Moscow Stock Exchange, although existing investments would be protected. There is a two-week consultation in place.

On April 21, 2022 the U.K. announced that it was expanding the list of products facing import bans (to cover silver, wood products and other high-end products, including caviar, from Russia) and increasing tariffs by 35% on additional products from Russia and Belarus, including diamonds and rubber. While these measures are not yet in force, a [list of the additional products is available](#).

# US, UK and EU Impose New Sanctions and Export Controls on Key Elements of Russian Economy

## IV. EU Sanctions and Export Controls

Since our [most recent publication on March 24, 2022](#), the EU issued a fifth package of sanctions intending to increase pressure on Russia's government and economy.<sup>9</sup> There are six pillars of the new rules, which were enacted as amendments to the sanctions the EU imposed against Russia in 2014 over its actions in Ukraine (primarily, Council Regulation No. 833/2014, referred to here as Regulation 833, and Council Regulation No. 269/2014):<sup>10</sup>

1. an import ban on coal from Russia;
2. an asset freeze imposed on additional individuals and entities, including four key Russian banks, among them VTB, the second-largest;
3. a ban on Russian-registered and Russian-operated vessels accessing EU ports;
4. further targeted export bans;
5. new targeted import bans to cut the money stream to Russia and other individuals; and
6. a number of other specific targeted measures, such as a general EU ban on Russian companies participating in public procurement in EU member states, a prohibition of all public financial support — European and national — to Russian public bodies, and restrictions on services for trusts that have a Russian trustee, trustor or beneficiary.

These measures are discussed below.

### Import Ban on Russian Coal

As of April 9, 2022, amended Regulation 833<sup>11</sup> prohibits the purchase, import or transfer, directly or indirectly, of coal and other solid fossil fuels (as listed in Annex XXII to Regulation 833) into the EU if they originate in Russia or are exported from Russia. It is also prohibited to provide technical or financial assistance related to the purchase, import or transfer of such goods. Contracts concluded before April 9, 2022, may be executed until

<sup>9</sup> See EU Council press release, "[EU Adopts Fifth Round of Sanctions Against Russia Over Its Military Aggression Against Ukraine](#)," April 8, 2022.

<sup>10</sup> The legal instruments consist of four Council Decisions and five Council Regulations: Council Decision (CFSP) 2022/578 amending Decision 2014/512/CFSP; Council Decision 2022/579 amending Decision 2012/642/CFSP; Council Decision (CFSP) 2022/582 amending Decision 2014/145/CFSP; Council Decision (CFSP) 2022/660 amending Decision 2014/145/CFSP; Council Regulation (EU) 2022/576 amending Regulation (EU) 833/2014 (sectorial sanctions against Russia); Council Regulation (EU) 2022/577 amending Regulation (EC) No 765/2006 (Belarus sanctions regimes); Council Regulation (EU) 2022/580 amending Regulation (EU) 269/2014 (financial sanctions – asset freeze); Council Implementation Regulation (EU) 2022/581 implementing Regulation (EU) 269/2014; Council Implementing Regulation (EU) 2022/658 implementing Regulation (EU) 269/2014 (financial sanctions – asset freeze).

<sup>11</sup> Council Regulation (EU) No 833/2014 of July 31, 2014, concerning restrictive measures in response to Russia's actions destabilizing the situation in Ukraine, as amended: *See Official Journal of the European Union* 229, Vol. 57, p.1.

August 10, 2022. Ancillary contracts that are necessary for the execution of such contracts may also be fulfilled.

### Asset Freeze on Four Russian Banks and Other Entities and Individuals

The EU added 219 individuals and 18 entities to its asset freeze list. The listed individuals are also subject to a travel ban.<sup>12</sup>

The newly added entities include four major Russian banks: Novikombank, Sovcombank, Otkritie Bank and VTB. According to the EU, these four banks together represent 23% of the market share in the Russian banking sector. The four banks were already subject to the so-called SWIFT ban previously imposed by the EU on some Russian and Belarusian credit institutions.<sup>13</sup> The new asset freeze, combined with the SWIFT ban, aim to cut off these credit institutions completely from the EU financial markets and financial infrastructure. Unlike the U.S. and U.K., the EU did not impose an asset freeze on Sberbank.

Newly added individuals include, among others, high-ranking Kremlin officials and other individuals, proponents of disinformation and information manipulation, and family members of individuals who have already been listed.

### Ban on Russian Vessels in EU Ports

As of April 16, 2022, it is prohibited to provide access to ports within the EU to any vessel registered under the flag of Russia.<sup>14</sup> The prohibition also extends to former Russian vessels that have changed their registration or flag to any other state after February 24, 2022.<sup>15</sup>

Some exceptions are provided for. Competent authorities may authorize a vessel to access a port after having determined that the access is necessary for the purchase, import or transport into the EU of:

- natural gas, oil or certain chemical products (as listed in Annex XXIV to Regulation 833);

<sup>12</sup> See Annex of Regulation (EU) 269/2014 as amended by Regulation (EU) 2022/581 as well as Regulation (EU) 2022/658 for the asset freeze and Council Decision (CFSP) 2022/582 as well as Council Decision (CFSP) 2022/660 for the travel ban; see also, EU Council press release, "[Fifth Package of Sanctions in View of Russia's Military Aggression Against Ukraine: EU Adopts Restrictive Measures Against an Additional 217 Individuals and 18 Entities](#)," April 8, 2022; and EU Council press release, "[Ukraine: EU Sanctions Two Additional Businesspeople in Relation to the Illegal Annexation of Crimea](#)," April 21, 2022.

<sup>13</sup> See Art. 5h and Annex XIV Regulation 833 (for Russian banks) and Art. 12b and Annex XV Regulation 765/2006 (for Belarusian banks).

<sup>14</sup> See Art. 3ea Regulation 833, as amended by Regulation (EU) 2022/576.

<sup>15</sup> The prohibition does not apply to a vessel in need of assistance seeking a place of refuge, an emergency port call for reasons of maritime safety or for saving life at sea.



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- pharmaceutical, medical, agricultural and food products whose import, purchase and transport is allowed under Regulation 833;
- coal and other solid fossil fuels (as listed in Annex XXII to Regulation 833) until August 10, 2022; and
- goods strictly necessary for the functioning of civil nuclear capabilities.

On April 11, 2022, the EU Commission issued [FAQ regarding access to EU ports](#) providing further (nonbinding) guidance on interpretation of the provision.

## Targeted Import and Export Bans

In order to weaken Russia's industrial capacity, Regulation 833 prohibits the sale, supply, transfer or export, directly or indirectly, of a broad range of listed goods and technologies to any natural or legal person in Russia or for use in Russia.<sup>16</sup> The goods, which the EU considers to be capable of contributing to the enhancement of Russia's industrial capabilities, are listed in Annex XXIII to Regulation 833.

The prohibition also applies to the provision of technical or financial assistance related to the sale, transfer or export, or the provision, manufacture, maintenance and use, of such goods. Contracts concluded before April 9, 2022, may be executed until July 10, 2022, and ancillary contracts necessary for the execution of such contracts may also be executed.

Regulation 833 provides a narrowly drafted exception regarding the export of goods that are necessary for the official purposes of diplomatic or consular missions of EU member states or so-called partner countries in Russia, or for international organizations enjoying immunities in accordance with international law, or to the personal effects of their staff. The list of partner countries now also includes Japan as well as the U.S.

Additionally, national competent authorities may grant an authorization after determining that goods or technology, or the provision of related technical or financial assistance, are necessary for humanitarian purposes.

Regulation 833 now also prohibits the purchase, import or transfer revenue for Russia if they originate in Russia or are exported from Russia.<sup>17</sup> These goods are listed in Annex XXI to Regulation 833. The prohibition also applies to the provision of technical or financial assistance related to the purchase, import or transfer of such goods. Again, contracts concluded before April 9, 2022, may be executed until July 10, 2022, and ancillary contracts necessary for

<sup>16</sup> See Art. 3k Regulation 833, as amended by Regulation (EU) 2022/576.

<sup>17</sup> See Art. 3i Regulation 833, as amended by Regulation (EU) 2022/576.

the execution of such contracts may also be executed. As of July 10, 2022, the prohibition does not apply to the import, purchase or transport, or the related technical or financial assistance, necessary for certain imports of fertilizers into the EU as listed in Art. 3i(4) Regulation 833.<sup>18</sup>

## Further Targeted Measures

The fifth EU sanctions package also includes several provisions targeting Russia's transportation and financial sector.

### Road Transport Ban

Regulation 833 prohibits any "road transport undertaking"<sup>19</sup> established in Russia transporting goods by road within the territory of the EU, including in transit.<sup>20</sup> A similar prohibition applies to road transport undertakings established in Belarus.<sup>21</sup> The prohibitions do not apply to persons or businesses transporting mail or goods through the EU between the Kaliningrad Oblast and Russia, provided that the transport of such goods is not otherwise prohibited under Regulation 833. The competent national authorities may also authorize the transport of goods by a road transport undertaking established in Russia if they determine that such transport is necessary for certain purposes, including the purchase, import or transport into the EU of natural gas, oil, pharmaceutical, medical, agricultural or food products, or for humanitarian purposes.

### Ban From Procurement Contracts in the EU

Regulation 833 imposes a general ban on the participation by Russian companies in public procurement in the EU.<sup>22</sup> In particular, Regulation 833 prohibits the award to or continued execution of any public or concession contract falling within the scope of the applicable public procurement directives<sup>23</sup> to or with a Russian national or any person established in Russia (or owned more than 50% by or acting on behalf of them). However, contracts concluded before April 9, 2022, may be executed through October 10, 2022.

<sup>18</sup> The prohibitions of Art. 3i(1) and (2) Regulation do not apply for imports in the EU of: (i) 833,837,570 metric tons of potassium chloride of CN 3104 20 between July 10 of a given year and July 9 of the following year; (ii) 1,577,807 metric tons combined of the other products listed in Annex XXI to Regulation 833 under CN 3105 20, 3105 60 and 3105 90 between July 10 of a given year and July 9 of the following year.

<sup>19</sup> "Road transport undertaking" means any natural or legal person engaged with a commercial purpose in the transport of freight by means of motor vehicles or a combination of vehicles.

<sup>20</sup> See Art. 3l Regulation 833, as amended by Regulation (EU) 2022/576.

<sup>21</sup> See Art. 1zc of Regulation 765/2006, as amended by Regulation (EU) 2022/577.

<sup>22</sup> See Art. 5k Regulation 833, as amended by Regulation (EU) 2022/576.

<sup>23</sup> "Public Procurement Directives" means Directives 2014/23/EU, 2014/24/EU, 2014/25/EU and 2009/81/EC.

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The national competent authorities can authorize the award and continued execution of contracts intended for some specified objectives, including intergovernmental cooperation in space programs, or contracts intended for the purchase, import or transport of natural gas, oil, titanium, aluminum, copper, nickel, palladium and iron ore from or through Russia into the EU. In addition, until August 10, 2022, national competent authorities may authorize the award and continued execution of contracts for the purchase, import or transport of coal and other solid fossil fuels as listed in Annex XXII of Regulation 833.

## Restrictions on Cryptoasset Services

In addition to the prohibition on accepting deposits exceeding €100,000 from Russian nationals, persons residing in Russia or entities established in Russia, Regulation 833 now also prohibits the provision of cryptoasset wallet, account or custody services to such persons if the total value of their cryptoassets exceeds €10,000.<sup>24</sup> On April 11, 2022, the European Commission issued [FAQ on the cryptoasset restrictions](#) providing (nonbinding) guidance on certain aspects of the provision.

## Sale of Banknotes and Transferable Securities

Previous EU sanctions that prohibited the sale or transfer of euro-denominated transferable securities and banknotes to Russia and Belarus, or to any natural or legal person in Russia or Belarus, have been extended to transferable securities and banknotes denominated in any official currency of an EU member state.<sup>25</sup> On April 11, 2022, the European Commission also issued [FAQs regarding the sale of securities](#) with certain (nonbinding) guidance on the interpretation of the provisions.

## Ban of Russian Publicly Owned or Controlled Entities From EU Public Programs

Regulation 833 prohibits the provision of direct or indirect support, including financing and financial assistance or any other

<sup>24</sup> See Art. 5b, 5c and 5d Regulation 833, as amended by Regulation (EU) 2022/576.

<sup>25</sup> Now including the Bulgarian lev, Croatian kuna, Czech koruna, Danish krone, Hungarian forint, Polish zloty, Romanian leu and Swedish krona.

benefit under an EU, Euratom or member state national program, and contracts within the meaning of Regulation (EU, Euratom) 2018/1046, to any legal entity established in Russia with over 50% public ownership or public control. Limited exceptions include intergovernmental cooperation in space programs and under the International Thermonuclear Experimental Reactor Agreement, climate and environmental programs (with the exception of support in the context of research and innovation) and the functioning of diplomatic and consular representations of the EU and member states in Russia.<sup>26</sup>

## Restrictions on Services Related to Trusts

Finally, Art. 5m of Regulation 833 prohibits the registration or provision of a registered office, business or administrative address, or management services, to a trust or any similar legal arrangement having as a trustor or a beneficiary a Russian national, a natural person residing in Russia or a legal person established in Russia. As of May 10, 2022, it is further prohibited to act as a trustee, nominee shareholder, director, secretary or a similar position, for a Russian trust or similar legal arrangement. Art. 5m also provides certain narrowly drafted derogations, including a provision allowing operations that are strictly necessary for the termination by May 10, 2022, of contracts that are not compliant with this provision and that were concluded before April 9, 2022, or ancillary contracts that are necessary for the execution of such contracts.

## Next Steps

In the press release announcing the fifth sanctions package, the European Commission stated that further sanctions could be expected.<sup>27</sup> As of April 11, 2022, there were media reports that the European Commission was working on potential sanctions targeting oil and gas imports from Russia.<sup>28</sup> While additional sanctions packages seem likely, the exact timeline for their imposition remains to be seen.

<sup>26</sup> See Art. 5l Regulation 833, as amended by Regulation (EU) 2022/576.

<sup>27</sup> "Press Statement by President von der Leyen on the Fifth Round of Sanctions Against Russia," April 5, 2022.

<sup>28</sup> Reuters, "Russian Oil Embargo Could Be Part of Next EU Sanctions Package, Ministers Say," April 11, 2022.

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