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Locke Lord QuickStudy: Russia-Related Sanctions Update: U.S. and Allies Expand Sanctions

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Further measures have been taken against the Russian Federation by the United States and its allies since our last [Russia-Related Sanctions Update](#). These recent measures include additional sanctions against the Russian financial, energy, industrial and maritime sectors as well as additional time to wind-down certain Russian related activities and relief for humanitarian purposes.

On April 19, 2022, the U.S. Department of the Treasury's Office of Foreign Assets ("OFAC") issued a [Fact Sheet](#) for "Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia's War Against Ukraine" and [General License \("GL"\) 27](#), which authorizes certain transactions of non-governmental organizations in Ukraine and Russia that would otherwise be prohibited. Such permitted activities include activities to support humanitarian projects to meet basic needs (e.g., drought and flood relief, food, nutrition and medicine distribution, and the provision of health services) and activities to support democracy building and education in Ukraine or the Russian Federation. In addition, GL 27 permits certain specially designated nationals and financial institutions that are blocked pursuant to [Executive Order \("E.O."\) 14024](#) to be involved in the processing of funds for non-governmental organizations, however limited to activities identified in GL 27.

On April 20, 2022, OFAC [added](#) parties to the Specially Designated Nationals and Blocked Persons List ("SDN List") who were involved in attempts to evade U.S. sanctions. Specifically, OFAC designated two large banks operating in Russia, Public Joint Stock Company Transkapitalbank ("TKB") and its subsidiary Joint Stock Company Investtradebank ("Investtradebank"), as well as virtual currency mining company Bitriver AG and its subsidiaries, to the SDN List. According to a [statement](#) issued by OFAC, TKB had offered clients the ability to conduct transactions via its own proprietary Internet-based banking system known as TKB Business, an alternative to the SWIFT network, including for the purposes of processing U.S. dollar payments for sanctioned clients. In addition, OFAC targeted Russia's virtual currency mining industry in an effort to constrain Russia's use of virtual currencies to offset the impact of sanctions on traditional financial institutions. Concurrently, OFAC issued the following two Russia-related general licenses:

- [GL 28](#), which, unless otherwise prohibited, authorizes through October 20, 2022 transactions involving TKB or any entity in which TKB, directly or indirectly, holds 50% or greater interest that are ultimately destined for or originating from Afghanistan and prohibited by E.O. 14024.
- [GL 29](#), which, unless otherwise prohibited, authorizes through May 20, 2022 all 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 that are prohibited by E.O. 14024. ?

On April 21, 2022, President Biden issued a **proclamation** prohibiting Russian-affiliated vessels from entering U.S. ports except for (i) vessels used in the transport of “source material, special nuclear material, and nuclear byproduct material” for which and as long as the appropriate U.S. authorities determine that no viable alternative source of supply is available, and (ii) vessels requesting only to enter U.S. ports due to force majeure, solely to allow seafarers of any nationality to disembark or embark for purposes of conducting crew changes, obtaining emergency medical care, or for other humanitarian need. The proclamation defines “Russian-affiliated vessel” as vessels of Russian registry (i.e., the vessel is Russian flagged), Russian owned vessels (i.e., the Russian government or a Russian company, citizen, or permanent resident appears as the legal title owner on the ship’s registration documents), or Russian operated vessels (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). ?

Several days later, on April 25, 2022, OFAC reissued two new Ukraine-/Russia-Related general licenses and updated several “**FAQs**” regarding Russia’s aggression against Ukraine. Under both **GL13R** and **GL 15L**, OFAC extended the wind down period of certain transactions involving the GAZ Group to May 25, 2022. ?

While the European Union (“EU”) has already placed a ban on coal and prohibited a number of Russian banks from using the SWIFT international payments system, the EU is expected to issue additional sanctions against Russia. The new sanctions package is set to potentially include some type of ban on Russian oil imports based on the grade and delivery method of the oil. The EU is also expected to further target Russia’s financial sector by sanctioning and blocking additional Russian banks from using the SWIFT international payments system, including Sberbank. While some EU member states oppose a blanket ban on Russian oil and gas imports, it is highly likely that new EU sanctions against Russia will include some type of restriction related to Russian oil as several EU member states, such as Italy, Germany and Hungary, soften their position. Rather than a full embargo on Russian oil similar to what the EU imposed on Russian coal, the EU could gradually phase out Russian oil, a measure supported by Germany. ?

On April 27, 2022, Switzerland implemented **additional sanctions** against Russia and Belarus. To further weaken the Russian Federation’s economy, Switzerland banned exports of Swiss goods such as industrial robots and certain chemicals to Russia, and implemented an import ban on Russian lignite, coal and other items such as timber, caviar and seafood. In addition, Switzerland will no longer permit trusts to be registered in Switzerland for resident Russian nationals. While Switzerland already banned the export of securities and bank notes in Swiss francs and euros, Switzerland announced it will now also ban the export of banknotes and sales of securities in all EU currencies to Belarusian nationals or residents.?

The U.S. House of Representatives on April 27, 2022, bilaterally passed a symbolic and nonbinding bill, the **Asset Seizure for Ukraine Reconstruction Act**, urging President Biden to sell certain frozen Russian assets and use the proceeds to fund additional military and humanitarian aid to Ukraine. The bill applies to assets valued over \$2 million that belong to sanctioned Russian energy companies or “foreign persons whose wealth is derived in part through corruption linked to or political support for” the Russian Federation. A similar **bill** with the

same name has been introduced in the U.S. Senate.?

On April 27, Russia's Gazprom halted gas exports to Poland and Bulgaria assumedly in response to their assistance to Ukraine. In a statement, Gazprom attributed the stoppage to Poland's and Bulgaria's refusal to pay in rubles for their energy products. Despite preexisting contract terms that permitted payment in Euros, on March 23, 2022, Russia's President Putin issued a new directive that purchasers of Russian gas from "unfriendly countries" must pay for Russian natural gas in rubles.?

On April 29, 2022, OFAC amended and reissued in its entirety the Ukraine-Related Sanctions Regulations 31 C.F.R. part 589, and renamed the regulations the **Ukraine-/Russia-Related Sanctions Regulations** (the "A&R 2014 Ukraine Russia Sanctions"). The original Ukraine-Related Sanctions Regulations were issued on May 8, 2014, pursuant to **E.O. 13685** of December 19, 2014 ("Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine") (79 FR 77357, December 24, 2014), and certain other related Executive orders and legislative acts. The A&R 2014 Ukraine Russia Sanctions incorporate four directives regarding sectoral sanctions issued pursuant to the Ukraine-/Russia-related Executive order of March 20, 2014, and six general licenses that had appeared only on OFAC's website. The new regulations also provide seven new general licenses that clarify existing practices. In summary, Subpart A of the A&R 2014 Ukraine Russia Sanctions clarifies the relation of this part to other laws and regulations. Subpart B implements the prohibitions contained in section 1 of **E.O. 13660**, **E.O. 13661**, **E.O. 13662**, and sections 1 and 2 of E.O. 13685, as well as the prohibitions contained in any further Executive orders issued pursuant to the national emergency declared in E.O. 13660. OFAC advises that it is preparing new FAQs regarding A&R 2014 Ukraine Russia Sanctions which are expected in the coming days.?

On May 2, 2022, OFAC issued **GL 30** which extends the time under **Directive 3** to wind-down transactions with Gazprom Germania GmbH and its controlled subsidiaries through 12:01 a.m. eastern daylight time, September 30, 2022. ?

Conclusion

This paper is intended as a guide only and is not a substitute for specific legal or tax advice. Please reach out to the authors for any specific questions. We expect to continue to monitor the topics addressed in this paper and provide future client updates when useful. ?

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