

Locke Lord QuickStudy: U.S. Announces New Sanctions Against Russia Following Ukraine-Russia War 2-Year Anniversary and the Death of Aleksey Navalny

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In response to the second anniversary of Russia's illegal war against Ukraine and the death of political opposition leader and anti-corruption activist Aleksey Navalny, the United States Department of the Treasury's Office of Foreign Asset Control ("OFAC") on February 23, 2024 issued a flurry of new sanctions on hundreds of individuals and entities, issued six General Licenses ("GLs"), and published three new (FAQs 1164-1166) and amended eight Russia-related FAQs (FAQs 886, 887, 1019, 1022, 1025, 1027, 1092, and 1154).

Designations

OFAC designated more than 300 individuals and entities as Specially Designated Nationals ("SDNs"). This marks the largest number of sanctions since Russia's full-scale invasion of Ukraine. The U.S. Department of State has also targeted individuals with significant actions relating to support of Russia's future energy revenue sources and maintaining Russia's capacity for war. The sanctions focus on (i) key players in Russia's financial infrastructure, (ii) third-country sanctions' evaders, and (iii) entities in Russia's military-industrial base and other crucial sectors. U.S. persons are prohibited from transacting with any individual or entity identified on the SDN list. Concurrently, the U.S. Department of State imposed visa restrictions on Russian Federation-installed authorities involved in the transfer, deportation, and confinement of Ukraine's children, further intensifying measures against those contributing to destabilizing activities in Ukraine. In addition, the U.S. Department of Commerce added more than 90 companies to the BIS Entity List.

GLs

88A authorizes the winding down of transactions with the following recently blocked Russian entities through April 8, 2024, provided that any payment to such blocked entities must be made into a blocked account: (1) PJSC Transcontainer; (2) Publichnoe Aktsionerhoe Obshchestvo Mechel; (3) JSC SUEK; (4) ILLC Geopromining Investment; (5) LLC Holding GPM; (6) Joint Stock Company Samara Metallurgical Plant; (7) Joint Stock Company Rimera; (8) Public Joint Stock Company Pipe Metallurgical Company; (9) Vostochnaya Stevedoring Company LLC; (10) JSC Rosgeologia; (11) National Payment Card System Joint Stock Company; (12) Limited Liability Company BSF Capital; (13) Limited Liability Company Investment Consultant Elbrus Capital; (14) Limited Liability Company Orbita Capital Partners; (15) Nonprofit Organization Investment and Venture Fund of the Republic of Tatarstan; (16) Obshchestvo S Ogranichennoi Otvetstvennostyu Guard Kapital; (17) Limited Liability Company

Shipbuilding Complex Zvezda; (18) Joint Stock Company Sovcomflot; and (19) any entity in which one or more of the above persons own, directly or indirectly, individually or in the aggregate, a 50% or greater interest

89 authorizes U.S. persons to wind down transactions involving the following entities (“Blocked GL 89 Entities”) through April 8, 2024 on the condition that any payment to Blocked GL 89 Entities is made into a blocked account: (1) Avangard Joint Stock Bank; (2) Bank RostFinance; (3) Joint Stock Commercial Bank Chelindbank; (4) Joint Stock Commercial Bank International Financial Club; (5) Joint Stock Commercial Bank Modulbank; (6) Joint Stock Company Databank; (7) Maritime Joint Stock Bank Joint Stock Company; (8) Public Joint Stock Company Bystrobank; and (9) any entity in which one or more of the above persons own, directly or indirectly, individually or in the aggregate, a 50% or greater interest. U.S. persons are authorized to reject, rather than block, transactions involving Blocked GL 89 Entities as an originating, intermediary or beneficiary financial institution through April 8, 2024.

90 authorizes U.S. persons to divest or transfer or facilitate the divestment or transfer of debt or equity issued or guaranteed by the following blocked entities to a non-U.S.-person through April 8, 2024 (“Covered Debt or Equity”): (1) LLC Holding GPM; (2) Limited Liability Company Geopromaining Verkhne Menkeche; (3) Joint Stock Company Sarylakh Surma; (4) Joint Stock Company Zvezda; (5) ILLC Geopromining Investment; (6) Public Joint Stock Company PIK Specialized Homebuilder; and (7) any entity in which one or more of the above persons own, directly or indirectly, individually or in the aggregate, a 50% or greater interest (collectively, “Blocked GL 90 Entities”).

91A authorizes, through May 23, 2024, transactions that are ordinarily incident and necessary to the following limited activities involving “Blocked GL 91A Persons”: (1) ensuring the secure docking and anchoring of, or any part of any vessels in which any Blocked Person has a property interest (“Blocked Vessels”); (2) safeguarding the health or safety of the crew of any of the Blocked Vessels; or (3) conducting emergency repairs of any of the Blocked Vessels, or carrying out environmental mitigation or protection activities linked to any of the Blocked Vessels. However, any payments to the Blocked Vessels or Blocked GL 91A Persons must be made into a blocked account. “Blocked GL 91A Persons” include: (i) Ladoga Shipping Company Limited Liability Company; (ii) JSC Polar Marine Geosurvey Expedition; (iii) Yuzhmorgeologiya AO; (iv) Sevmorneftegeofizika AO; (v) Amige AO; (vi) Joint Stock Company Sovcomflot; and (vii) any entity in which one or more of the above persons own, directly or indirectly, individually or in the aggregate, a 50% or greater interest.

92 authorizes through April 8, 2024 transactions that are ordinarily incident and necessary to the delivery and offloading of cargo from any vessel identified on OFAC’s SDN List that is blocked due to a property interest of Joint Stock Company Sovcomflot (“Sovcomflot”), or any entity in which Sovcomflot owns, directly, or indirectly, a 50% or greater interest, provided that the cargo was loaded prior to February 23, 2024.

93 authorizes transactions involving any vessel that is blocked solely due to a property interest in Joint Stock Company Sovcomflot (“Sovcomflot”) or any entity in which Sovcomflot owns, directly or indirectly, a 50% or greater interest, provided that such vessel is not on the SDN List.

FAQs

FAQ 1164 – OFAC explains the prohibitions OFAC has implemented with respect to diamonds and diamond

jewelry under the Russian Harmful Foreign Activities Sanctions program (i.e., the Diamonds Determination and Diamond Jewelry Determination), along with the relevant U.S. Harmonized Tariff Schedule references and a list of illustrative examples of products subject to the prohibitions.

FAQ 1165 – Effective March 1, 2024, the Diamonds Determination issued on February 8, 2024 prohibits the importation of non-industrial diamonds that were mined, extracted, produced, or manufactured wholly or in part in the Russian Federation with a weight of 1.0 carat or greater, even if such diamonds have been substantially transformed into other products outside of Russia. Effective September 1, 2024, the Diamonds Determination prohibits the importation of Russian non-industrial diamonds with a weight of 0.5 carats or greater, even if such diamonds have been substantially transformed into other products outside of Russia.

FAQ 1166 – OFAC reiterates the prohibitions under the Diamond Jewelry Determination issued on February 8, 2024, which prohibits the importation into the U.S. of diamond jewelry and unsorted diamonds of Russian Federation origin, as well as diamond jewelry and unsorted diamonds that were exported from the Russian Federation.

The future of U.S. sanctions against Russia remains uncertain as geopolitical dynamics continue to evolve. Despite the presence of sanctions, Russia's economy is expected to grow, signaling that the imposed measures against Russia may not be achieving their intended outcomes. The U.S. and its allies are likely to reassess their approach and consider potential adjustments to its sanctions program against Russia. This may include increasing enforcement against sanctions evaders or imposing stricter secondary sanctions against third countries engaged in business with Russia.

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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