

## National Security, Sanctions, and Export Controls

# Escalating Multilateral Sanctions Increase Pressure on Putin's Support Base

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In the nearly three weeks since Russia's invasion of Ukraine, over 30 countries continue to increase their sanctions targeting Russian individuals, financial institutions, exports of technology, and key sectors of the Russian economy. This alert provides an update on the developments in the United States, United Kingdom, and European Union since our February 24, 2022 [publication](#).

### Additional Designations and Blocked Property

#### *United States*

OFAC has continued to target Russian elites with ties to the Russian government and key sectors of the economy. Between February 22 and March 9, OFAC has added 62 Russian elites and family members to the Treasury Department's Office of Foreign Assets Control's (OFAC) List of Specially Designated Nationals and Blocked Persons (SDN List), including Russian President Vladimir Putin and Foreign Minister Sergei Lavrov on February 25. On March 3, OFAC began to specifically identify blocked property of designated individuals, including the superyacht and aircraft of one of Russia's wealthiest citizens, Alisher Usmanov. Concurrent with this designation, OFAC sought to minimize wider business impacts of Usmanov's listing by [authorizing](#) transactions involving entities in which Usmanov owns a 50 percent or greater interest.

#### *United Kingdom*

Since the designations of Putin, Lavrov, and those made immediately following the UK Prime Minister's February 24 announcement of impending "asset freezes on over [100 more] new entities and individuals," the UK has only designated six entities (VEB, Bank Otkritie, Sovcombank, JSC 558 Aircraft Repair Plant, JSC Integral, and Russian Direct Investment Fund) and 14 individuals (including several Belarusian nationals for their involvement in destabilizing Ukraine, individuals linked to designated banks, and Russian Oligarchs such as Roman Abramovich). Sberbank was also "designated" for new correspondent banking restrictions described below but is not subject to an asset freeze.

#### *European Union*

Since our prior alert, The EU has designated approximately 280 additional individuals under restrictive measures that relate to Russia. EU restrictive measures in response to Russia's actions [now apply](#) to a total of 862 individuals and 53 entities. These designations include Russian government members, such as Putin, Lavrov, and members of Russia's National Security Council who supported the Russian recognition of the independence of Donetsk and Luhansk; Oligarchs such as Igor Sechin and Usmanov; and Belarusian individuals who are said to have helped facilitate Russia's military operations in Ukraine from Belarus.

### Financial Institutions

#### *United States*

Building on earlier significant sanctions on Russia's financial sector, on February 28, OFAC issued Russia-related [Directive 4](#), which prohibits US persons from engaging in activities involving Russia's

Central Bank, National Wealth Fund, and Ministry of Finance. OFAC simultaneously issued various general licenses, including [8A](#), authorizing transactions related to energy until June 24; [13](#), authorizing payment of certain taxes, fees, import duties, and receipt of permits or licenses otherwise barred by Directive 4 until June 24; and [14](#), permitting transactions in which Directive 4 entities act solely as the operator of a clearing and settlement system. OFAC continues to publish new [FAQs](#) that explain the scope of these additional blocking sanctions and general licenses.

### *United Kingdom*

On March 1, the UK [introduced](#) several additional financial restrictions:

- **Capital markets and loan restrictions:** in addition to existing restrictions, the UK prohibited dealings with transferable securities and money market instruments issued on behalf of, and the provision of certain loans or credit to, (i) UK-incorporated subsidiaries of sectorally sanctioned entities (previously listed); (ii) the Government of Russia; or (iii) “person connected with Russia” (including companies incorporated or constituted under the law of Russia).
- **Correspondent banking restrictions:** the UK prohibited 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.
- **Financial services for the purpose of foreign exchange reserve and asset management:** the UK prohibited the provision of financial services for the purpose of “foreign exchange reserve and asset management”<sup>[1]</sup> to the (i) 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).

### *European Union*

On February 25, the EU significantly expanded its package of restrictive measures related to Russia. This expansion made the following changes:

- **Prohibiting the following:**

1. Providing any public financing or financial assistance for trade with or investment in Russia (including technical and financial assistance);
2. Purchasing, selling or providing investment services in respect to certain transferable securities;
3. Making or being part of an arrangement to make certain loans to specific entities; and
4. Accepting any deposits from Russian nationals or natural persons residing in Russia of over €100,000, with certain exceptions.

- **Expanding the list of entities to which restrictions apply** to include certain credit institutions, Russian state-owned entities, and sectorally sanctioned entities.

- **Widening the potential bases for designation** to include:

1. Individuals or entities supporting, “or benefitting from the Government of the Russian Federation, which is responsible for the annexation of Crimea and the destabilisation of Ukraine;” and
2. Leading business persons or entities “involved in economic sectors providing a substantial source of revenue to the Government of the Russian Federation, which is responsible for the

annexation of Crimea and the destabilisation of Ukraine.”

On February 28, the EU restricted transactions related to the management of reserves and assets of Russia’s Central Bank. In addition, on March 1, the EU also blocked participation in Russia’s Direct Investment Fund, banned the sale or supply of Euro bank notes to Russia, and blocked 7 (already sanctioned) Russian financial institutions from receiving messages over the SWIFT financial messaging network.

On March 9, the EU also extended a number of its restrictive measures imposed against Russia to Belarus.

## **Trade and Industry Restrictions**

### *United States*

Although the United States has made efforts to allow payments for energy-related transactions to continue, during the week of March 7, it began to impose export controls and sanctions relevant to the Russian energy sector.

- On March 8, President Biden issued an **executive order banning the import of Russian oil, liquified natural gas, and coal to the United States and prohibiting US person involvement in new investment in the Russian energy sector**. In [FAQ 1,019](#), OFAC defines “energy sector” to include activities related to the production, transportation, and transmission of petroleum, natural gas, LNG, biofuels, nuclear, electrical, thermal, and renewable energy sources. Associated General License [16](#) authorizes the import of oil, liquified natural gas, and coal pursuant to written agreements entered prior to March 8, 2022 until April 22.
- On March 8, the Commerce Department’s Bureau of Industry and Security (BIS) also **expanded export controls applicable to items used for oil refining and production**. The newly controlled products and technology are listed in the newly added [supplement no. 4](#) to part 746 of the Export Administration Regulations (EAR).

### *United Kingdom*

On March 1, the UK [introduced](#) trade restrictions in relation to “critical industry goods” and “critical-industry technology,” and on March 8, the UK [introduced](#) trade restrictions on aviation and space-related goods and technology. The restrictions apply to the export of such items to Russia and the provision of associated technical assistance, financial services, and brokering services to persons connected with Russia or for use in Russia.

The UK’s Export Control Joint Unit (ECJU) also [announced](#) the suspension of all extant export licences and any new approvals for dual-use items to Russia (including where Russia is the final destination) on February 28.

The UK has not imposed sanctions on imports of oil, but on March 8, the UK government [announced](#) that it would “phase out the import of Russian oil during the course of the year” and established a new Taskforce on Oil to support companies.

### *European Union*

On February 25, the EU significantly expanded its package of restrictive measures as they relate to trade restrictions. This expansion prohibited:

- Dual use goods and technology from being sold in Russia (including the provision of any related technical and financial assistance),
- Any goods that might contribute to Russia’s military and technological enhancement (including the provision of any technical and financial assistance),and

- Goods and technology used for oil refining, the aviation or space industry to Russia (including technical and financial assistance).

On February 28, the EU prohibited Russian air carriers from flying in EU airspace. In addition, on March 1, the EU prohibited the broadcasting of six Russian news services. The EU took further action on March 9, by restricting the sale or transfer of maritime navigation goods and technology to Russia or “for the placing on board of a Russian-flagged vessel.”

## **Enforcement Outlook**

### *United States*

In concert with the ever-expanding sanctions regime involving Russia, US federal agencies have made clear they intend to aggressively enforce these sanctions. For example, on March 2, the Department of Justice [announced](#) its “Task Force KleptoCapture,” created to enforce sanctions, export restrictions, and economic countermeasures imposed in light of the Russian invasion of Ukraine, including seizing the assets of individuals and entities who violate the sanctions. More recently, on March 7, the Financial Crimes Enforcement Network (FinCEN) issued an [alert](#) advising financial institutions to be vigilant against customers’ potential efforts to evade sanctions, indicating an intent to closely monitor financial transactions, including virtual currency transactions.

### *United Kingdom*

In the UK, [The Economic Crime \(Transparency and Enforcement\) Bill](#) has been fast tracking its way through the legislative process. The Bill includes provisions for a register of overseas entities to increase transparency over foreign entities transacting and purchasing property in the UK. As regards to sanctions, the Bill provides that fines can be applied to persons for breaches of financial sanctions without proving that the person had knowledge or reasonable cause to suspect their activity breached sanctions. The UK government has, in addition, proposed the ability to apply UK sanctions on an urgent and temporary basis in the event an individual or entity is designated by an ally, such as the United States, Canada, or the EU.

### *European Union*

EU member states have engaged in high-profile enforcement activity against now-designated Russian individuals. This enforcement action has principally been targeted at seizing significant, and headline-grabbing, assets. For example:

- On March 5, it was [reported](#) that Italy had taken steps to seize villas and yachts reportedly worth €140m belonging to several Oligarchs.
- On March 3, French authorities [reportedly](#) seized a yacht owned by Igor Sechin, the head of state-owned oil firm Rosneft.
- On February 26, French nautical police [reportedly](#) seized a ship they suspected to be Russian-owned and subject to US sanctions.

Additional enforcement actions are likely in the coming weeks as international authorities prioritize and collaborate on sanctions enforcement efforts.

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[1] 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.

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