Anniversary Round of U.S. Sanctions, Export Controls Impose and Enhance Restrictions Against Financial and Material Support for Russia’s War Efforts

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Last Friday, on the anniversary of the Ukraine invasion, the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) took significant action by imposing sanctions against the Russian economy, targeting Russia’s financial services sector, sanctions evasion networks, military supply chains, and metals and mining sector. The U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”), concurrently, amended the Export Administration Regulations (“EAR”) to extend export controls on Russia and Belarus and align U.S. restrictions with those of U.S. allies. BIS listed nearly 90 Russian and third-country entities (here and here) for engaging in sanctions evasion and activities that support Russia’s military. BIS also extended restrictions on luxury goods, as well as issued new restrictions targeting the supply of Iranian drones to Russia.

New Blocking Sanctions: Financial Services, Wealth Management, Sanctions Evasion, Metals and Mining

In total, OFAC added 22 individuals and 83 entities to its list of Specially Designated Nationals (“SDN”) for their connections to Russia’s economy and war efforts. U.S. persons are broadly prohibited from conducting business with SDNs or entities owned 50 percent or more by SDNs, and U.S. persons must formally “block” (freeze and report) any property or interests in property that are in an SDN’s possession or control. Moreover, non-U.S. dealings with SDNs may risk exposure to sanctions in the future.

OFAC sanctioned Russian banks and key parties involved in wealth management within Russia’s financial services sector. Notably, OFAC designated the Credit Bank of Moscow and prominent Russian national and Rosbank executive Ulan Vladimirovich Ilishkin. (Rosbank itself was designated an SDN late last year.) OFAC also designated members of cross-border networks that support Russia’s evasion of U.S. sanctions, such as by procuring sensitive Western technologies, arms, and securing illicit financing for Russian intelligence and defense. OFAC’s action additionally targets military supply chains, including several parties operating in Russia’s aerospace sector, and individuals and Russia’s technology and electronics sector, and more.

OFAC issued a new determination to E.O. 14024 that identifies and authorizes OFAC to impose sanctions on actors operating within the metals and mining sector of the Russian economy. As a result, any person determined to operate within that sector may risk blocking sanctions.

In connection with the above, OFAC issued Russia-related General Licenses Nos. 60 and 61. General License No. 60 authorizes the wind down and rejection of transactions involving designated financial institutions through 12:01 a.m. eastern daylight time, May 25, 2023. General License No. 61 authorizes the wind down of certain securities and derivatives transactions involving designated financial institutions through 12:01 a.m. eastern daylight time, May 25, 2023. OFAC also updated existing general licenses: General License No. 8F expands the authorization relating to the processing of certain energy-related transactions to include certain newly designated financial institutions. And General License No. 13D extends, through 12:01 a.m. eastern daylight time, June 6, 2023, the authorization to conduct certain administrative transactions prohibited by Directive 4, such as taxes, fees, or import duties.

Enhanced Export Control Restrictions on Russia and Belarus, New Entity List Designations, and New Restrictions Targeting Iranian Drones

BIS added nearly 90 entities to the Entity List for their activities contributing to the Russian defense sector and the war in Ukraine. As a result, most exports of U.S. items, including technical know-how, to these entities require a license from BIS. The listings prevent these entities from procuring key U.S. components, like semiconductors, that can be used for military applications.

BIS also expanded existing export control restrictions to align with U.S. allies’ measures. In particular, BIS added new industrial and commercial items used in Russian and Belarusian industry that now require an export license. Many of the items are so-called EAR99 items, like electric coffee or tea makers, that would not have previously required an authorization for export, reexport, or transfer to Russia or Belarus. BIS also extended “luxury goods” controls by requiring a license to export, reexport, or transfer an additional 276 luxury items, ranging from hair dryers to keyboards, destined for Russian and Belarusian oligarchs and malign actors. The new export restrictions aim to impose additional costs on Russian and Belarusian industry and persons supporting the war in Ukraine.

Finally, BIS imposed a new license requirement on certain EAR99 items destined for Iran, regardless of U.S. person involvement, that may be used in Iranian Unmanned Aerial Vehicles (“UAVs”). BIS also added a new foreign direct product rule that brings within the scope of the EAR certain foreign-produced items. Consequently, items made outside of the United States may require a license to export, reexport, or transfer to Iran. The measures are intended to address Russia’s use of UAVs in Ukraine.