

More U.S. Sanctions on Russia: VEB, PSB, & Russian Sovereign Debt

February 22, 2022

In a move coordinated with U.S. allies, the United States imposed a [“first tranche” of sanctions](#) on Russia today following that country’s recognition of the Donetsk People’s Republic (DNR) and Luhansk People’s Republic (LNR) as independent countries. These measures follow the imposition of a [U.S. embargo](#) on the separatist regions yesterday and U.S. government officials, including President Biden, emphasized that additional sanctions are possible.

Today’s action adds the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), along with 42 of their subsidiaries, to the SDN List. The move effectively cuts the banks off from the U.S. financial system, and will likely result in global non-U.S. financial institutions cutting ties with the banks. The United States also extended sanctions on dealings in Russian sovereign debt, prohibiting U.S. financial institutions from participating in the secondary debt market for ruble or non-ruble denominated bonds issued after March 1, 2022.

VEB & PSB

The addition of VEB, PSB, and their subsidiaries to the SDN List means that U.S. persons, including U.S. companies and financial institutions, U.S. citizens and permanent residents, and any persons located in the United States, are prohibited from conducting direct or indirect dealings with the banks, unless authorized by the U.S. Office of Foreign Assets Control (OFAC). Any VEB or PSB property or interests in property in the possession or control of U.S. persons must be formally blocked (frozen) and reported to OFAC within 10 days, unless a license applies. Non-U.S. persons are also prohibited from engaging in transactions or other business dealings involving the banks if those activities have a direct or indirect nexus with the United States or U.S. persons. Non-U.S. financial institutions and companies could also be subject to secondary sanctions, including potentially being added to the SDN List themselves, if they conduct a “significant” transaction with either institution following the imposition of sanctions.

U.S. persons are authorized to conduct transactions ordinarily incident and necessary to the wind down of preexisting dealings with VEB through 12:01 am EST on March 24, 2022 pursuant to the newly issued [General License No. 3](#) to E.O. 14024 and to engage in certain transactions involving VEB that are ordinarily incident and necessary to the servicing of Russian sovereign bonds issued before March 1, 2022 pursuant to [General License No. 2](#).

The full list of subsidiaries identified by OFAC in today’s announcement are provided below.

More Banks Could be Targeted

The Secretary of the Treasury issued a [formal notice](#) today authorizing further sanctions on any financial institution in Russia under E.O. 14024, paving the way for additional sanctions on the

Russian financial industry. A [Fact Sheet](#) issued by the White House today notes that over 80 percent of Russia's foreign exchange transactions are in U.S. dollars and half of Russia's foreign trade is conducted in dollars. Today's notice is a warning that the U.S. could cut off Russia's access to U.S. dollar transactions by imposing broader sanctions on the financial industry in Russia, a move that would have significant impacts for companies that do business in or with Russia.

Secondary Market Restrictions on Sovereign Debt

OFAC expanded [existing](#) sanctions on Russian sovereign debt by issuing [Directive 1A](#) to E.O. 14024. The updated Directive prohibits U.S. financial institutions from participating in the secondary debt market for ruble or non-ruble denominated bonds issued by the Russian Central Bank, National Wealth Fund, or Ministry of Finance after March 1, 2022. The Directive applies to all U.S. financial institutions in the United States, but not to their foreign branches, offices, or agencies.

Russian Elites

OFAC added three Russian individuals to the SDN List – Denis Aleksandrovich Bortnikov, an executive with VTB Bank, Petr Mikhailovich Fradkov, the Chairman and CEO of PSB, and Sergei Vladilenovich Kiriyyenko, the CEO of VK Group, the parent company of Russia's top social media platform, VKontakte.

Allied Measures

U.S. allies have imposed, or are preparing to impose, sanctions on Russia in response to the situation in Ukraine. Germany announced today that it would suspend the certification process for the Nord Stream 2 pipeline. The [United Kingdom](#) imposed limited sanctions, including sanctions on PSB, earlier today. The European Union [has approved](#) a raft of sanctions measures that are likely to be similar in scope to the sanctions imposed by the United States. Canada, Australia, and Japan have also indicated that new sanctions on Russia will be issued.

Please contact our sanctions [team](#) with any questions about these and further developments.

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“Subsidiaries of Russian Financial Institutions Sanctioned on February 22, 2022 Pursuant to E.O. 14024

The property and interests in property of the following VEB subsidiaries are blocked:

1. **Bank BELVEB OJSC** is a bank located in Belarus.
2. **VEB Leasing OJSC** is a leasing company located in Russia.
3. **Prominvestbank** is a bank located in Ukraine.
4. **VEB Capital** is a financial company located in Russia.
5. **VEB Engineering LLC** is an investment project implementation services company located in Russia.
6. **JSC Infraveb** is an investment project support company located in Russia.
7. **JSC VEB.DV** is an investment project support company located in Russia.
8. **VEB Asia Limited** is a financial company located in Hong Kong.
9. **LLC Infrastructure Molzhaninovo** is an electric energy company located in Russia.

10. **LLC Resort Zolotoe Koltso** is a real estate and construction company located in Russia.
11. **JSC Russian Export Center** is an export-related company located in Russia.
12. **LLC VEB Ventures** is a financial company located in Russia.
13. **LLC VEB Service** is a business and management advisory company located in Russia.
14. **LLC Special Organization for Project Finance Factory of Project Finance** is a financial company located in Russia.
15. **LLC SIBUGLEMET Group** is a coal mining company located in Russia.
16. **JSC ANGSTREM-T** is a technology company located in Russia.
17. **LLC NM-TEKH** is a technology company located in Russia.
18. **JSC SLAVA** is a real estate company located in Russia.
19. **JSC PFC CSKA** is a sporting activities company located in Russia.
20. **LLC Torgovy Kvartal-Novosibirsk** is a property leasing company located in Russia.
21. **LLC Baikal Center** is a construction company located in Russia.
22. **LLC Progorod** is an infrastructure company located in Russia.
23. **LLC VEB.RF Asset Management** is a financial company located in Russia.
24. **Eximbank of Russia JSC** is an export support institution located in Russia as well as a commercial bank regulated by the Central Bank of the Russian Federation.
25. **Russian Agency for Export Credit and Investment Insurance OJSC** is an insurance agency located in Russia.

The property and interests in property of the following PSB subsidiaries are blocked:

1. **Alkes Treid OOO** is a financial company located in Russia.
2. **Antares OOO** is a financial company located in Russia.
3. **Elitnye Doma OOO** is a real estate company located in Russia.
4. **PSB Innovations and Investments Limited Liability Company** is a technology company located in Russia.
5. **Era Fund Limited Liability Company** is a technology company located in Russia.
6. **PSB-Foreks OOO** is a financial company located in Russia.
7. **Kholtsvud OOO** is a financial company located in Russia.
8. **Kourf OOO** is a financial company located in Russia.
9. **Management Company Promsvyaz LLC** is an investment company located in Russia.
10. **Paskal OOO** is a company that provides management consulting services in Russia.

11. **PSB Biznes OOO** is a hospitality company located in Russia.
12. **Saint-Petersburg International Banking Conference LLC** is a financial company located in Russia.
13. **Sergievo-Posad Lend OOO** is a financial company located in Russia.
14. **PSB Avializing OOO** is a financial company located in Russia.
15. **Tekhnosoft OOO** is a technology company located in Russia.
16. **Trinitex OOO** is a real estate company located in Russia.
17. **PSB Lizing OOO** is a financial company located in Russia.”