

U.S. Tightens, Expands Sanctions and Export Controls on Russia & Belarus

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Today, the U.S. [Treasury](#), [State](#), and [Commerce](#) Departments announced new sanctions and export control restrictions on Russia and Belarus, targeting parties in and activities related to the technology, quantum computing, finance, and advanced manufacturing sectors. The Commerce Department's Bureau of Industry and Security (BIS), in particular, expanded and updated a number of Russia- and Belarus-related sanctions measures under the Export Administration Regulations (EAR), including new controls on a number of common EAR99 items related to the chemicals, fluid handling, quantum computing, advanced manufacturing, and other industries.

Technology & Quantum Computing Sanctions

The Treasury Department's Office of Foreign Assets Control (OFAC) [added](#) a number of Russian [technology](#), [space](#), and [electronics](#) companies and technical institutes to its List of Specially Designated Nationals (SDNs), including Limited Liability Company Group of Companies Akvarius (Akvarius), a large Russian electronics manufacturer. Transactions ordinarily incident and necessary to the wind down of pre-existing dealings with Akvarius are authorized pursuant to a new [General License No. 51](#) until October 15, 2022, but transactions involving the other new SDNs are now prohibited absent a specific license from OFAC.

In addition to the new designations, OFAC issued a ban on the export, reexport, sale, or supply of quantum computing services to any person in Russia pursuant to a new [Determination](#) under E.O. 14071. OFAC [considers](#) prohibited quantum computing services to be any of the following when related to quantum computing, quantum computers, electronic assemblies thereof, or cryogenic refrigeration systems related to quantum computing:

"[I]nfrastructure, web hosting, or data processing services; custom computer programming services; computer systems integration design services; computer systems and data processing facilities management services; computing infrastructure, data processing services, web hosting services, and related services; repairing computer, computer peripherals, or communication equipment; other computer-related services; as well as services related to the exportation, reexportation, sale, or supply, directly or indirectly, of quantum computing, quantum computers, electronic assemblies thereof, or cryogenic refrigeration systems related to quantum computing[.]"

The ban excludes services provided to certain U.S.-owned or controlled entities located in Russia, as well as services provided in connection with the wind down or divestiture of entities located in Russia that are not owned or controlled by a Russian person.

The quantum computing services ban becomes effective on October 15, 2022. In addition to the ban on quantum-related services, OFAC issued a separate [Determination](#) under E.O. 14024 allowing the agency to designate as an SDN any party it identifies as operating or having operated in Russia's quantum computing sector, effectively immediately.

Banks That Join Russia's MIR National Payment System Risk U.S. Sanctions

OFAC issued [guidance](#) today warning that non-U.S. banks could be added to the U.S. SDN List if they enter into new or expanded agreements involving the use of the MIR National Payment System outside of Russia. Recent [media](#) reports have suggested that banks in Turkey may be particularly at risk of U.S. sanctions for their involvement in expanding the use of the payment system in Turkey, but financial institutions in central Asia and other regions also face risks if they are involved in expanding the use of MIR outside of Russia.

Expanded Export Controls

BIS made a number of important updates to its Russia- and Belarus-related export controls. These include, among other things, the following changes:

- **Expansion to Belarus:** The amendment expands the EAR's "Russian Industry Sector Sanctions" to also generally apply to exports, reexports, and transfers to Belarus.
- **EAR99 fluid handling equipment, chemicals, and biologics:** The new rules prohibit the export, report, and transfer of a number of common EAR99 items that could be used for chemical or biological weapons production to Russia or Belarus without a license from BIS. The newly controlled items, which are described in a new Supp. No. 6 to Part 746, include very common fluid handling equipment used in a range of industrial applications, such as reaction vessels, fermenters, agitators, heat exchangers, condensers, pumps (including single seal pumps), valves, storage tanks, containers, receivers, and distillation or absorption columns regardless of materials of construction. Other controlled EAR99 items include certain biologics, chemicals, laboratory equipment.
- **Quantum computing & advanced manufacturing:** The amendment imposes a license requirement on the provision of certain EAR99 quantum computers and associated assemblies, components, and additive manufacturing equipment and related items to Russia and Belarus without a license from the Commerce Department. EAR99 technology related to the production, development, and use of these items is also now controlled.
- **Expansion of Supp. No. 4 controls on EAR99 industrial items:** Today's amendment adds 57 EAR99 industrial items to Supp. No. 4, including certain heat pumps, fork-lift trucks, sawing and cutting machines, and locomotives, among others, barring their sale to Russia without prior approval. In addition, Supp. No. 4 is being expanded to apply to all items modified or designed as components, parts, accessories, or attachments of items listed in the supplement, even if those constituent items are not specifically included in the supplement, subject to certain exceptions.
- **Military and military-intelligence end users:** The Commerce Department amended the EAR to allow the agency to designate end-users outside of Russia, Belarus, or other countries listed in sections 744.21 and 744.22 of the EAR as military end users (MEU) or military-intelligence end users. While the MEU List is normally not exhaustive, the new rule limits application of military and military-intelligence related licensing requirements with respect to users outside of

Russia and Belarus to those specifically identified on BIS's Entity List. The limitation reflects BIS's understanding of the substantial compliance burden that would be imposed on exporters, reexporters, and transferors of having to independently identify the presence of Russian or Belarusian MEU or military-intelligence end users on a worldwide basis.

- **Dollar-value thresholds for luxury goods:** To better align U.S. controls with those implemented by allies, the new rule implements dollar value thresholds for controls related to exports, reexports, or transfers of certain luxury goods to Russia. Previously, [the restrictions](#) generally applied regardless of the value of the goods at issue.

In addition to these updates, the amendment makes a number of corrections and clarifications to the EAR, including to license exceptions related to consumer communications devices and the news media, exceptions related to certain transfers of 5A992 and 5D992 items involving U.S.- or allied country-based companies, recordkeeping requirements, certain licensing policies, the General Prohibitions, the Commerce Country Groups, and the application of the Foreign Direct Product Rule.

Please contact our sanctions and export team with any questions regarding these developments.