

# United States Expands Sanctions and Export Controls on Russia, Broadly Targeting Software Services, the Military-Industrial Base, and Procurement Networks Abroad

Wyatt Mince

June 14, 2024

On June 12, 2024, the U.S. Departments of [Treasury](#), [Commerce](#), and [State](#) announced sweeping new sanctions and export control measures on Russia aimed at further restricting certain software and related services, financial infrastructure, and sanctions evasion networks, among other actions. Select highlights from these actions are summarized below.

## ***Secondary Sanctions***

The Treasury Department's Office of Foreign Assets Control ("OFAC") expanded its definition of "Russia's military-industrial base" to include all persons blocked pursuant to [Executive Order \("EO"\) 14024](#). To that end, foreign financial institutions that are not currently subject to U.S. sanctions may run the risk of being sanctioned by OFAC for conducting or facilitating transactions, or providing any service, to any person blocked pursuant to EO 14024. OFAC has updated its [guidance](#) to foreign financial institutions on how to identify and mitigate sanctions risks. Such transactions would not need a U.S. nexus to be targeted by OFAC for secondary sanctions.

## ***Software and Information Technology ("IT")-Related Services Prohibitions***

OFAC issued a [Determination](#) pursuant to [EO 14071](#) prohibiting certain IT and software services to Russia. The Determination applies to IT consultancy and design services, and IT support services and cloud-based services for enterprise management software and design and manufacturing software. Certain services are excluded from the Determination, including:

- any service to an entity located in Russia that is owned or controlled, directly or indirectly, by a U.S. person;
- any service in connection with the wind down or divestiture of an entity located in Russia that is not owned or controlled, directly or indirectly, by a Russian person; and
- any export, reexport, or transfer (in-country) of a service for software subject to the U.S. Export Administration Regulations ("EAR") that has been authorized by the Commerce Department; or any export, reexport, or transfer (in-country) of a service for software not subject to the EAR that is eligible for a license exception or otherwise authorized by the Commerce Department.

OFAC issued General Licenses [6D](#) and [25D](#) to maintain authorizations for certain telecommunication and internet-related transactions, as well as humanitarian transactions. OFAC also issued FAQs [1181](#) - [1188](#) related to this Determination, which help explain what is and is not covered.

In conjunction with OFAC's Determination, the Commerce Department's Bureau of Industry and Security ("BIS") issued a [Final Rule](#) imposing a license requirement on the export, reexport, or transfer (in country) of the following EAR99-designated software to Russia and Belarus:

- enterprise resource planning;
- customer relationship management;
- business intelligence;
- supply chain management;
- enterprise data warehouse;
- computerized maintenance management system;
- project management software, product lifecycle management;
- building information modelling;
- computer aided design;
- computer-aided manufacturing; and
- engineering to order.

These new BIS software restrictions are effective September 12, 2024. Importantly, this license requirement will also encompass any updates to the above software. There are limited exceptions to the above EAR99-designated software licensing requirement for certain civil end users, such as entities that operate exclusively in the medical or agricultural sectors. This new export controls ultimately expand the scope of prohibited services under the OFAC Determination above.

#### ***Restrictions on the use of License Exception Consumer Communications Devices ("CCD")***

In the Final Rule, BIS also narrowed the scope of commodities and software that may be authorized for export, reexport, or transfer (in-country) to Russia or Belarus under License Exception CCD. Specifically, BIS reorganized paragraphs (b)(1)-(17) and added new paragraph (18) of the license exception to make clear that the items under paragraphs (b)(1)-(8) are eligible for Cuba, Belarus, and Russia, and that the items under paragraphs (b)(9)-(b)(18) are only eligible for Cuba. These items include certain mobile phones, batteries and chargers, memory devices, and accessories thereof, among others, under certain Export Control Classification Numbers.

#### ***Further Restrictions Based on the U.S. Harmonized Tariff Schedule ("HTS")***

BIS added controls on 522 additional 6-digit HTS codes to the list of items requiring a license for export, reexport, or transfer (in-country) to Russia or Belarus in Supplement No. 4 to Part 746. The additional controls cover certain items in HTS Chapters:

- 25 (Salt; sulfur; earths and stone; plastering materials, lime and cement);
- 26 (Ores, slag and ash);

- 27 (Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes);
- 72 (Iron and steel);
- 73 (Articles of iron or steel);
- 74 (Copper and articles thereof);
- 75 (Nickel and articles thereof);
- 76 (Aluminum and articles thereof);
- 78 (Lead and articles thereof);
- 79 (Zinc and articles thereof);
- 80 (Tin and articles thereof);
- 81 (Other base metals; cermets; articles thereof);
- 82 (Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal);
- 83 (Miscellaneous articles of base metal);
- 86 (Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signaling equipment of all kinds);
- 87 (Vehicles other than railway or tramway rolling stock, and parts and accessories thereof);
- 89 (Ships, boats and floating structures);
- 93 (Arms and ammunition; parts and accessories thereof); and
- 96 (Miscellaneous manufactured articles).

A comprehensive spreadsheet of all HTS codes subject to BIS export controls can be [found here](#) under “Downloadable Compliance Resources.” Exporters should carefully review the items enumerated under the above chapters given the broad scope of these new restrictions.

### ***Evasion, Circumvention, and Facilitation Related to U.S. Sanctions and Export Controls***

In today’s announcement, both OFAC and BIS also continued to crack down on third-party procurement networks that aid Russia’s war effort in Ukraine. BIS added 5 entities in China and Russia to the Entity List for acquiring and attempting to acquire U.S.-origin items contributing to Russia’s military-industrial base.

Importantly, in an effort to target shell companies, BIS also introduced a new regulatory framework for listing addresses on the Entity List that present a high risk of unlawful diversion. Under the new framework, any company that uses an address previously identified via the Entity List (as a Purchaser, Intermediate Consignee, Ultimate Consignee, or End-User), will trigger a license requirement for transactions subject to the EAR, and BIS would not need to identify an associated entity name in order to list the address. To that end, BIS added eight addresses in Hong Kong to the Entity List under this new framework.

Additionally, OFAC targeted more than a dozen procurement networks, designating more than 90 individuals and entities across Russia, Belarus, the British Virgin Islands, Bulgaria, Kazakhstan, the Kyrgyz Republic, China, Serbia, South Africa, Türkiye, and the United Arab Emirates. The products produced by these entities cover machine tools, industrial materials, Russian-origin gold, microelectronics, chemicals, and unmanned aerial vehicle proliferation. All told, OFAC targeted more than 300 individuals and entities both in Russia and outside its borders.

If you have any questions regarding these developments, please contact our [export and sanctions team](#) for help analyzing the new restrictions and how to navigate them.