

Clients & Friends Memo

Taking Stock: A Survey of the New Russia Sanctions Landscape

March 10, 2022

Moscow's invasion of Ukraine has – as promised by US President Joseph R. Biden and other world leaders – provoked “unprecedented” economic sanctions against Russia. The United States, the United Kingdom, and the European Union, together with other allies and partners, have imposed far-reaching prohibitions on Russia's largest banks and corporations, sovereign debt, foreign reserves, and some of its wealthiest and most powerful individuals – among them Russian President Vladimir Putin himself. Most recently, the western response to Russia's invasion of Ukraine has been punctuated by the March 8 announcement of a US prohibition on Russian oil imports, and plans to reduce or eliminate reliance on Russian oil and gas on the other side of the Atlantic. These measures utilize the full sanctions “playbook,” including comprehensive territorial sanctions against separatist areas of Ukraine, full blocking sanctions against named banks, companies, and individuals, and “sectoral” sanctions prohibiting specific dealings with certain firms and industries. The sanctions imposed by the United States, the European Union, and the United Kingdom – not to mention a chorus of other countries, from Canada, to Australia, to South Korea, Japan, and even Switzerland – would, like the dire circumstances they address, have been unthinkable just weeks ago. If Russian forces continue their advance, these sanctions almost certainly will be strengthened further.

US Sanctions

Prohibition on Oil Imports and New Energy Projects

In his most recent move against Russia, President Biden signed an Executive Order (“EO”) on March 8, 2022, prohibiting the importation to the United States of crude oil, petroleum fuels, liquefied natural gas, coal, among other energy products.¹ Also on March 8, the US Department of the Treasury's Office of Foreign Assets Control (“OFAC”) issued General License (“GL”) 16, authorizing the continued importation of covered products until 12:01 a.m. EDT on April 22, 2022, to the extent such imports are pursuant to written agreements entered into prior to March 8, 2022.² The EO also prohibits “new investment in the energy sector in the Russian Federation” by US

¹ Executive Order of March 8, 2022, on Prohibiting Certain Imports and New Investments With Respect to Continued Russian Federation Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine, https://home.treasury.gov/system/files/126/eo_prohibitions_imports_investments.pdf.

² See [Russia-related GL 16](#).

persons, as well as any “approval, financing, facilitation, or guarantee” by a US person of any prohibited energy imports or new investments.

Comprehensive Territorial Sanctions

Among President Biden’s first acts in response to Russia’s recognition of the two separatist regions of Ukraine was his signature on February 21, 2022, of EO 14065.³ This action immediately prohibited most trade and other dealings with the so-called Donetsk People’s Republic and Luhansk People’s Republic regions of Ukraine – the borders of which were, and remain, unclear, giving rise to compliance challenges.

Along with the publication of EO 14065, OFAC issued a number of GLs to provide a one-month wind-down period for transactions involving these sanctioned regions, as well as authorizations covering certain humanitarian, official government, and other activities.⁴ EO 14065 also contemplates the extension of sanctions to other regions of Ukraine, authorizing the Secretary of the Treasury, in consultation with the Secretary of State, to designate additional “Covered Regions,” likely in response to Russian military advances or other developments on the ground.

US Financial Sector Sanctions

The strongest and most far-reaching sanctions imposed to date have impacted Russia’s financial sector, including the Central Bank of the Russian Federation (the “Central Bank”) and many of its largest banks. These sanctions have the potential to hobble Russia – the world’s eleventh-largest economy – to an extent that truly is without precedent. Indeed, while Russian financial institutions previously faced sanctions following the annexation of Crimea in 2014, those measures generally were limited to dealings related to certain debt and equity of the targeted firms. In contrast, the sanctions imposed over the course of the past week include full blocking measures against major Russian banks, additional bans on specific dealings with a wider group of financial institutions (as well as energy and other firms), and a prohibition on any transactions involving Russia’s Central Bank, and other key institutions. The March 12, 2022 removal of seven Russian banks from the Society for Worldwide Interbank Financial Telecommunications (“SWIFT”) payment messaging system (discussed in connection with EU sanctions, below) has the potential to cause even more dislocation in the financial sector and beyond.

³ Executive Order 14065 of February 21, 2022, Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine, <https://home.treasury.gov/system/files/126/14065.pdf>.

⁴ See [Ukraine GL 17](#), [Ukraine GL 18](#), [Ukraine GL 19](#), [Ukraine GL 20](#), [Ukraine GL 21](#), and [Ukraine GL 22](#).

Designation of Russian Banks

Since Moscow's recognition of the so-called Donetsk People's Republic and Luhansk People's Republic on February 21, 2022, OFAC has imposed blocking sanctions on six Russian financial institutions under EO 14024 of April 15, 2021.⁵

The largest of the blocked financial institutions, VTB Bank Public Joint Stock Company ("VTB"), reportedly holds nearly 20 percent of banking assets in Russia.⁶ Effective immediately, US persons are generally prohibited from engaging in any dealings involving VTB, as well as any entity owned 50 percent or more by VTB and/or other blocked persons – whether or not such entities are specifically named on OFAC's Specially Designated Nationals and Blocked Persons List (the "SDN List").

Five other Russian banks targeted with blocking sanctions are the State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank ("VEB"), Public Joint Stock Company Bank Financial Corporation Otkritie ("Otkritie"), Sovcombank Open Joint Stock Company ("Sovcombank"), Joint Stock Commercial Bank Novikombank ("Novikombank"), and Promsvyazbank Public Joint Stock Company ("Promsvyazbank"). As with VTB, under OFAC's so-called "50 Percent Rule," the sanctions also apply automatically to any entity in which one or more of these blocked banks owns, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest.

Concurrent with these designations, OFAC issued several Russia-related GLs, discussed below, including authorizations for the wind-down of transactions involving VEB (until 12:01 a.m. EDT on March 24, 2022) and VTB, Otkritie, and Novikombank (until 12:01 a.m. EDT on March 26, 2022). No such wind-down period has been authorized with respect to either Novikombank or Promsvyazbank, both of which are active in Russia's defense sector.

New "Sectoral" Sanctions

In addition to these blocking measures, OFAC has introduced a number of new sanctions targeting specific dealings with certain Russian banks and other companies. Perhaps most significantly, Directive 2 under EO 14024 prohibits "US financial institutions" from engaging in certain activities with Russia's largest bank, Public Joint Stock Company Sberbank of Russia ("Sberbank"), and related entities named in Annex 1 to the Directive (as well as any entities owned 50 percent or more

⁵ Executive Order 14024 of April 15, 2021, Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation, <https://home.treasury.gov/system/files/126/14024.pdf>.

⁶ Press Release, U.S. DEPARTMENT OF THE TREASURY, U.S. Treasury Announces Unprecedented & Expansive Sanctions Against Russia, Imposing Swift and Severe Economic Costs (Feb. 24, 2022), <https://home.treasury.gov/news/press-releases/jy0608>.

by them).⁷ In particular, Directive 2 prohibits: (i) the opening or maintaining of a correspondent account or payable-through account for or on behalf of the named Sberbank entities; and (ii) the processing of any transaction involving such entities. “US financial institution” is broadly defined to include any US entity, including foreign branches, engaged in accepting deposits, making loans, purchasing or selling securities, futures, or options, or procuring purchasers and sellers thereof, among other things.

Pursuant to Directive 3 under EO 14024,⁸ additional debt and equity sanctions were directed against Sberbank, along with 12 other Russian financial institutions, energy companies, and other firms. Similar to the debt and equity sectoral sanctions imposed beginning in 2014 under EO 13662, Directive 3 prohibits “all transactions in, provision of financing for, and other dealings in new debt of longer than 14 days maturity or new equity” issued on or after March 26, 2022. These prohibitions apply to Sberbank and other companies named in Annex 1 to Directive 3, along with any entities owned 50 percent or more by them. Consistent with guidance issued following the 2014 sanctions, OFAC clarified in a frequently asked question (“FAQ”) that US persons, including banks, who entered into long-term credit facilities or loan agreements prior to the sanctions effective date, generally may continue to allow drawdowns and disbursements whose repayment terms exceed 14 days, provided that the relevant agreement is not modified.⁹

Russian Central Bank and Sovereign Debt Sanctions

On Saturday, February 26, 2022, the United States and other countries announced restrictions on dealings with Russia’s Central Bank, effectively prohibiting the country from accessing the majority of its foreign currency reserves held abroad. According to the Treasury, this action “will disrupt Russia’s attempts to prop up its rapidly depreciating currency by restricting global supplies of the ruble and access to the reserves that Russia may try to exchange to support the ruble.”¹⁰ On Monday, February 28, OFAC released the details of these restrictions, which in addition to targeting Russia’s Central Bank, also apply to the National Wealth Fund of the Russian Federation (“National Wealth Fund”) and the Ministry of Finance of the Russian Federation (the “Ministry of Finance”). Pursuant to Directive 4 under EO 14024,¹¹ US persons are generally prohibited from engaging in “any transaction involving” these three entities, “including any transfer of assets to such

⁷ Directive 2 under EO 14024 (Feb. 24, 2022), https://home.treasury.gov/system/files/126/correspondent_accounts_directive_2.pdf.

⁸ Directive 3 under EO 14024 (Feb 24, 2022), https://home.treasury.gov/system/files/126/new_debt_and_equity_directive_3.pdf.

⁹ OFAC, Frequently Asked Question No. 987, <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/987>.

¹⁰ Press Release, U.S. DEPARTMENT OF THE TREASURY, Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia’s Wealth (Feb. 28, 2022), <https://home.treasury.gov/news/press-releases/jy0612>.

¹¹ Directive 4 under EO 14024 (Feb. 28, 2022), https://home.treasury.gov/system/files/126/eo14024_directive_4_02282022.pdf.

entities or any foreign exchange transaction for or on behalf of such entities." In an FAQ, OFAC clarified that its 50 Percent Rule does not apply to the three entities named in Directive 4.¹²

Previously, on February 22, 2022, the US also expanded existing sanctions on dealings in Russia's sovereign debt. In particular, OFAC updated Directive 1A under EO 14024 to prohibit US financial institutions from participating in the secondary market for ruble or non-ruble denominated bonds issued by Russia's Central Bank, National Wealth Fund, or Ministry of Finance after March 1, 2022.¹³ Participation in the primary market for ruble or non-ruble denominated bonds issued by, or the lending of ruble or non-ruble denominated funds to, the same three entities was already prohibited as of June 14, 2021.

Russia-Related General Licenses

The issuance of EO 14024 and related Directives was accompanied by several Russia-related GLs, many of which concern dealings with sanctioned Russian financial institutions, including the Central Bank, in addition to energy-related transactions and derivatives contracts:

- [GL 2](#) authorizes certain transactions involving VEB that are ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022, by the Russian Central Bank, the National Wealth Fund, or the Ministry of Finance;
- [GL 3](#) authorizes certain activities by US persons ordinarily incident to the wind down of transactions involving VEB, until 12:01 a.m. EDT on March 24, 2022;
- [GL 4](#) authorizes certain activities by US persons ordinarily incident to the wind down of transactions involving Nord Stream 2 AG or any entity owned 50 percent or more by it, until 12:01 a.m. EDT on March 2, 2022;
- [GL 5](#) authorizes transactions for the official business of certain international organizations;
- [GL 6](#) authorizes US persons to engage in certain transactions involving: (i) the exportation or reexportation of food, agricultural inputs, medicine, medical devices, and related technology, and (ii) the prevention, diagnosis, or treatment of COVID-19;
- [GL 7](#) authorizes certain overflight payments, emergency landings, and air ambulance services;
- [GL 8A](#) authorizes, until 12:01 a.m. EDT on June 24, 2022, certain energy-related transactions involving any of five Russian commercial banks, entities owned 50 percent or more by them, or the Russian Central Bank;

¹² OFAC, Frequently Asked Question No. 1,001, <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1001>.

¹³ [Directive 1A](#) under EO 14024 of April 15, 2021, Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation, <https://home.treasury.gov/system/files/126/14024.pdf>.

- [GL 9A](#) authorizes, until 12:01 a.m. EDT on May 25, 2022, dealings in debt or equity issued prior to February 24, 2022 by any of five Russian banks, or entities owned 50 percent or more by them. Any divestment or transfer of covered debt or equity must be to a non-US person;
- [GL 10A](#) authorizes transactions to wind down derivative contracts entered into prior to 4:00 p.m. EDT on February 24, 2022 that include any of five Russian banks, or entities owned 50 percent or more by them, as a counterparty, or that reference debt or equity issued by such a bank or subsidiary;
- [GL 11](#) authorizes, until 12:01 a.m. EDT on March 26, 2022, winding down transactions with Russian banks Otkritie, Sovcombank, and VTB, and entities owned 50 percent or more by them;
- [GL 12](#) authorizes US persons, until 12:01 a.m. EDT on March 26, 2022, to reject (rather than block) certain transactions prohibited under E.O 14024 that involve Russian banks Otkritie, Sovcombank, and VTB, and entities owned 50 percent or more by them;
- [GL 13](#) authorizes, until 12:01 a.m. EDT on June 24, 2022, certain transactions related to the payment of taxes, fees, or import duties, as well as certain other activities that would be prohibited under Directive 4;
- [GL 14](#) authorizes certain transactions prohibited under Directive 4 involving the Central Bank, the National Wealth Fund acting solely as an operator of a clearing and settlement system;
- [GL 15](#) authorizes certain transactions involving entities owned 50 percent or more by sanctioned Russian oligarch Alisher Usmanov, to the extent such entities are not themselves listed on OFAC's SDN List; and
- [GL 16](#) authorizes the continued importation of covered energy products until 12:01 a.m. EDT on April 22, 2022, to the extent such imports are pursuant to written agreements entered into prior to March 8, 2022.

Additional SDN Listings and Other Targeted US Sanctions

In addition to the strong financial sector sanctions imposed on Russia, dozens of individuals and companies have also been targeted by OFAC blocking sanctions – not least President Putin and Russia's Foreign Minister Sergei Lavrov. In addition, the United States, United Kingdom, and European countries have sought to exert pressure on Moscow through sanctions on wealthy Russian oligarchs perceived to be close to the Kremlin. It remains to be seen whether and to what extent the United States and other governments will release details of properties and other assets – including virtual currency accounts – owned directly or indirectly by President Putin or other sanctions targets, in order to give these sanctions maximum effect.

Beyond sanctions, the United States and other countries are ramping up efforts to exert additional pressure on high-profile Russian figures through criminal prosecution and asset seizures. Indeed, in his March 1, 2022 State of the Union Address, President Biden announced an initiative to

“go after the crimes of Russian oligarchs.” The following day, Attorney General Merrick Garland announced the formation of a “KleptoCapture” task force headed by Deputy Attorney General Lisa Monaco.¹⁴ Among other things, the task force will investigate and prosecute violations of new and future sanctions imposed in response to Russian aggression, and seize assets belonging to sanctioned persons or that are identified as the proceeds of criminal conduct. DAG Monaco’s message was clear: “Oligarchs be warned: we will use every tool to freeze and seize your criminal proceeds.” This work will complement the efforts of a transatlantic task force announced on February 26 by President Biden along with UK European, and Canadian leaders.¹⁵

On March 3, 2022, Treasury and the White House announced full blocking sanctions on a new list of Russian elites the US government perceives as enabling President Putin.¹⁶ The sanctions apply to wealthy individuals, their spouses, adult children, and close associates, and companies and other assets they own, including specified luxury yachts, aircraft, and real estate. Notably, the Treasury issued GL 15, which permits transactions with entities owned 50 percent or more by Alisher Usmanov, who is otherwise fully blocked, to the extent such entities are not themselves listed on OFAC’s SDN List.¹⁷ The issuance of GL 15 suggests that full blocking of Usmanov’s companies would significantly impact the United States or its allies.

Finally, one of the most significant Russia-related sanctions targets to date is Nord Stream 2 AG, the Swiss company that is building the Nord Stream 2 natural gas pipeline connecting Russia and Germany, which was added to OFAC’s SDN List on February 23, 2022, along with the company’s CEO.¹⁸ This action, coming days after Germany’s decision to postpone a key certification decision related to the nearly completed project, effectively ends any prospect that the pipeline will become operational in the near term – or, possibly, ever. As noted above, GL 4 authorizes certain activities to wind down transactions involving Nord Stream 2 AG, or entities owned 50 percent or more by it, until 12:01 a.m. EDT on March 2, 2022.

¹⁴ Press Release, U.S. DEPARTMENT OF JUSTICE, Attorney General Merrick B. Garland Announces Launch of Task Force KleptoCapture (Mar. 2, 2022), <https://www.justice.gov/opa/pr/attorney-general-merrick-b-garland-announces-launch-task-force-kleptocapture>.

¹⁵ Statements and Releases, WHITE HOUSE, Joint Statement on Further Restrictive Economic Measures (Feb. 26, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/26/joint-statement-on-further-restrictive-economic-measures/>.

¹⁶ <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/03/fact-sheet-the-united-states-continues-to-target-russian-oligarchs-enabling-putins-war-of-choice/>; <https://home.treasury.gov/news/press-releases/jy0628>.

¹⁷ https://home.treasury.gov/system/files/126/russia_gl15.pdf.

¹⁸ Recent Actions, OFAC, PEESA Designations; Issuance of Russia-related General License 4 (Feb. 23, 2022), https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220223_33.

EU Sanctions

Since February 25, 2022, the EU has published a series of Council Decisions and Regulations implementing a range of new sanctions on Russia. The sanctions update and significantly expand measures implemented in 2014 following the Russian invasion of Crimea in 2014. Similar to the US sanctions, these focus on targeted restrictive measures, economic sanctions and financial restrictions on Russia's access to capital and financial markets.

Similar to the territorial US sanctions imposed on separatist areas of Ukraine, the EU has implemented measures to restrict trade from the so-called Donetsk People's and Luhansk People's Republics including a ban on the importation of goods from these areas, restrictions on investment, prohibition on the supply of tourism services as well as goods and technologies (particularly in transport, telecoms, energy and oil and gas sectors but also extending into other areas) and restrictions on construction and engineering services relating to infrastructure.¹⁹

Expanded sanctions also focus on restricting Russian entities and individuals from access to EU capital markets, loans, credit, transferable securities and money-market instruments.²⁰ Sanctioned firms include Russian financial institutions, energy companies, and military entities, together with subsidiaries and individuals acting on their behalf. In line with steps taken by the US government, financial sanctions have been extended to prohibit transactions relating to the management of reserves as well as of assets of the Russian Central Bank.²¹ The EU has also added Vladimir Putin and Foreign Minister Sergei Lavrov, together with a number of high-profile Russian individuals, to the EU asset-freeze list.²²

Plans to remove some Russian banks from the SWIFT payment messaging system were announced days after Russia's invasion of Ukraine began, with details released by the European Union on March 2, 2022.²³ In particular, Council Regulation (EU) 2022/345 identifies seven Russian financial institutions with respect to which it shall be prohibited to provide specialized financial messaging services beginning on March 12, 2022.²⁴ (SWIFT is headquartered in Belgium, and therefore is subject to EU economic sanctions.) All seven of the targeted financial institutions have already been sanctioned by the United States and other jurisdictions, and accordingly the

¹⁹ [Council Regulation \(EU\) 2022/263](#).

²⁰ [Council Regulation \(EU\) 2022/328](#) and [Council Regulation \(EU\) 2022/330](#).

²¹ [Council Regulation \(EU\) 2022/334](#).

²² [Council Regulation \(EU\) 2022/332](#) (implementing [Regulation \(EU\) 269/2014](#)), [Council Regulation \(EU\) 2022/300](#) (implementing [Council Regulation \(EU\) 756/2006](#)) and [Council Regulation \(EU\) 2022/336](#) (implementing [Council Regulation \(EU\) 269/2014](#)).

²³ Press Release, EUROPEAN COMMISSION, Ukraine: EU agrees to exclude key Russian banks from SWIFT (Mar. 2, 2022), https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1484.

²⁴ [Council Regulation \(EU\) 2022/345](#) amending [Council Regulation \(EU\) 833/2014](#) and [Council Regulation \(EU\) 2022/350](#).

immediate incremental impact of the SWIFT exclusions may be limited. The European Commission has warned, however, that it is prepared to “add further Russian banks at short notice.”²⁵ Along with the SWIFT exclusions announced on March 2, the EU prohibited investments in projects co-financed by the Russian Direct Investment Fund (also the target of US blocking sanctions), restricted the provision of euro-denominated bank notes to Russia and introduced new measures to prohibit operators from broadcasting or facilitating the transmission of Russian television networks Russia Today and Sputnik.²⁶

Unlike the United States, the EU has not imposed a ban on Russian oil and gas. However, on March 8, 2022, the European Commission proposed a high-level plan to make Europe independent from Russian fossil fuels before 2030, starting with gas. The plan aims to cut gas imports by two-thirds within a year.²⁷

UK Sanctions

Following the UK’s withdrawal from the EU, the UK has implemented Russian sanctions pursuant to the Russia (Sanctions) (EU Exit) Regulation 2019, which are administered and enforced by the Office of Financial Sanctions Implementation (“OFSI”). The legislative basis was amended on February 10, 2022 to permit the imposition of sanctions on persons involved in “obtaining a benefit from or supporting the Government of Russia.” This has allowed the UK to significantly expand the list of sanctioned entities and individuals following Russia’s invasion of Ukraine.²⁸

On February 24, 2022, additional sanctions were implemented, including in relation to entities such as VTB, Tactical Missiles Corporation Joint Stock Company, as well as aircraft and shipbuilding companies. Certain high-profile oligarchs have also been sanctioned and their assets frozen, forcing them in some cases to relinquish their control over a number of entities operating outside of Russia.

The UK has also imposed wide-ranging restrictions targeting Russian participation in the financial sector. Similar to US sanctions, UK persons are now prohibited from undertaking financial transactions involving: the Ministry of Finance, the Russian Central Bank and the National Wealth Fund.²⁹ There are powers to designate specific banks and prevent them from accessing GBP

²⁵ Press Release, EUROPEAN COMMISSION, Ukraine: EU agrees to exclude key Russian banks from SWIFT (Mar. 2, 2022), https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1484.

²⁶ [Council Regulation \(EU\) 2022/345](#) amending [Council Regulation \(EU\) 833/2014](#) and [Council Regulation \(EU\) 2022/350](#).

²⁷ Press Release, EUROPEAN COMMISSION, REPowerEU: Joint European action for more affordable, secure and sustainable energy (Mar. 8, 2022), https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1511.

²⁸ OFSI, Financial sanctions targets: list of all asset freeze targets, <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>.

²⁹ [UK Statement on Further Economic Sanctions Targeted at the Central Bank of the Russian Federation](#).

Sterling and clearing payments through the UK, and expanded measures preventing named Russian financial institutions, state-owned energy companies and identified defense companies or entities acting on their direction or on their behalf from issuing transferable securities and money market instruments in UK markets.³⁰ These restrictions now also apply to the Government of Russia (including Russian sovereign debt), UK subsidiaries of the sanctioned entities and persons “connected with Russia” (subject to certain exceptions).³¹ Importantly, UK financial institutions are also now prevented from extending loans or credit to sanctioned individuals and entities and, more broadly, to legal persons “connected with Russia.”³²

With respect to Russian energy imports, on March 8, 2022, the UK government issued a press release³³ announcing its intention to phase out the import of Russian oil. Currently, 8% of the UK’s oil demand is supplied by Russia but by the end of the year the government aims to increase production of both crude oil and petroleum products and diversify supply away from Russia. This follows a ban imposed on all Russian ships from UK ports and the granting of new powers for authorities to detain Russian vessels on March 1, 2022, including those transporting Russian oil.³⁴

Further, the UK has also extended Russian sanctions to the British Overseas Territories (including the Cayman Islands, the British Virgin Islands, and the Turks and Caicos Islands).³⁵ Crown Dependencies, such as Guernsey and Jersey, have adopted UK sanctions through local legislation.

What Next and What to Do?

The international response to Russia’s invasion of Ukraine – and in particular the package of economic sanctions implemented by the United States, the United Kingdom, the European Union, and other countries – has been unprecedented in its strength and degree of coordination and cohesion. Such unity has so far proved insufficient, however, to reverse the movement of Russian armed forces. But because a direct military response to Russia has been ruled out, economic

³⁰ Financial institutions include: Sberbank, VTB Bank, Gazprombank, Vnesheconombank, and Rosselkhozbank. Russian state-owned energy companies include Rosneft, Transneft, and Gazprom Neft. Defence companies are listed in Schedule 2 of the Russia Regulations.

³¹ [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 2\) Regulations 2022](#). OFSI has defined “connected with Russia” as (i) “an individual who is, or an association or combination of persons who are, ordinarily resident or located in Russia” or; (ii) “a person, other than an individual who is incorporated or constituted under the law of Russia, or domiciled in Russia.” See OFSI, Guidance for the financial and investment restrictions in Russia (Sanctions) (EU Exit) Regulations 2019, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1058961/Russia_guidance_04.03.22_.pdf.

³² [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 2\) Regulations 2022](#).

³³ Press Release, Gov.UK, UK to phase out Russian oil imports (Mar. 8, 2022), <https://www.gov.uk/government/news/uk-to-phase-out-russian-oil-imports>.

³⁴ [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No.4\) Regulations 2022](#).

³⁵ [Russia \(Sanctions\) \(Overseas Territories\) Order 2020](#).

sanctions, along with export controls and other restrictions on trade, will remain the primary policy tool for the US government and its allies and partners. Accordingly, absent a de-escalation of hostilities on the ground, additional sanctions are a near certainty.

For US, UK, European and other businesses with dealings in or exposure to the Russian market, it is imperative to scrutinize all potentially impacted customers, assets, suppliers, and intermediaries. This review should include not only Russian touchpoints, but also linkages to Belarus – a country which has been used as a staging ground for Russian moves into Ukraine, and against which strong sanctions have already been applied (with the prospect of more to come). In this way, firms can identify which dealings must cease immediately, those that may be affected in the future, and how best to adapt to new circumstances – which already have changed so fundamentally in a matter of weeks.

For financial institutions in particular, it is critical to understand both the extent of linkages to Russian banks and other sanctions targets, as well as the extent to which non-Russian borrowers may be doing business with actual or potential sanctions targets (and whether they are using the borrowed funds to do so). In addition, firms can expect sophisticated efforts aimed at sanctions evasion, potentially involving cryptocurrencies, as well as robust enforcement activity from regulators designed to stamp out such evasion and penalize those who – willingly or not – enable it to take place.

Conclusion

In the current geopolitical climate, navigating economic sanctions – never an easy task – presents business, regulatory, reputational and other challenges that are as significant and unprecedented as the new sanctions themselves. Charting the right course will require a nuanced understanding of risk, constant attention to events on the ground in Ukraine and in capitals around the world, as well as careful reliance on available regulatory authorizations, exemptions, wind-down periods, and official guidance. The Russian economy may someday fully reconnect with the wider world, but at present that prospect appears distant indeed.

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