On 6 April 2022, the United States imposed a new round of sanctions on Russia in response to its continued actions in Ukraine. K&L Gates covered previous rounds of sanctions in alerts on 24 February, 25 February, 15 March, and 25 March.

As part of a coordinated effort with the G-7 and European Union, President Biden issued an executive order on 6 April 2022 (the Order), that imposes a ban on all new investment in Russia, as well as a ban on the provision of certain services to Russia. Furthermore, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) broadened the scope of blocking sanctions to include two of Russia’s largest banks, Russian politicians and their families, and five Russian vessels. This alert provides an overview of the new sanctions and their implications.

**BAN ON NEW INVESTMENT IN RUSSIA**

The Order, entitled “Prohibiting New Investment in and Certain Services to the Russian Federation in Response to Continued Russian Federation Aggression,” bans all new investment in Russia by U.S. persons, wherever located. In this context, U.S. persons are U.S. citizens and permanent residents (wherever located), persons located in the United States (whatever their nationality), entities organized in the United States (including foreign branch offices and their employees), and entities located in the United States (including U.S. subsidiaries and branch offices of non-U.S. companies).

The Order does not define the term “investment,” but in other contexts, OFAC has interpreted the term “investment” broadly to include any transaction that constitutes a commitment or contribution of
funds or other assets or a loan or other extension of credit to an enterprise. This would include, among other things, loans, extensions of credit, assumptions or guarantees, overdrafts, currency swaps, purchases of debt securities, loan purchases, sales of financial assets subject to an agreement to repurchase, renewals or refinancings whereby funds or credits are transferred or extended to a borrower or recipient, issuance of standby letters of credit, and drawdowns on existing lines of credit. In the past, OFAC has also treated the deferral of payments for goods and services as an extension of credit.

This action expands upon prior restrictions on new investment in Russia’s energy sector, detailed in our alert of 15 March, by banning all new investments in Russia, regardless of sector. According to a White House press statement, new investment is now barred in all Russian industry sectors in order to “make sure that the mass exodus from Russia that we’re seeing from the private sector, which is now over 600 multinational companies and growing — that it will endure.”

Although the Order pertains only to “new” investments, parties with existing business in Russia must exercise caution to ensure any activities related to prior investments do not constitute “new” investments for purposes of the action.

**PROHIBITED SERVICES**

The Order also prohibits the exportation, reexportation, sale, or supply (directly or indirectly) to any person in Russia, from the United States, or by a United States person (wherever located) of certain services. The services subject to this prohibition will be identified by OFAC after consultation with the U.S. Department of State. We anticipate that OFAC will publish guidance on this issue shortly.

It is important to note that U.S. persons are prohibited not only from providing certain services and making new investments contrary to the Order, but they are also strictly prohibited from facilitating such transactions and activities by non-U.S. persons. Facilitation includes, among other things, U.S. persons providing any approval, financing, guarantee, transportation, insurance, business or legal planning, or other means of support. It also includes U.S. persons referring prohibited transactions to non-U.S. persons and the alteration of policies and procedures to permit non-U.S. persons to conduct transactions prohibited for U.S. persons.

**BLOCKING SANCTIONS ON TWO RUSSIAN BANKS**

In conjunction with the above actions, on 6 April 2022, OFAC imposed full blocking sanctions, pursuant to Executive Order 14,024, on Russia’s largest public and private banks, Public Joint Stock Company Sberbank of Russia (Sberbank) and Joint Stock Company Alfa-Bank (Alfa-Bank), expanding upon the less-restrictive sanctions previously imposed on these entities, as detailed in K&L Gates’ alert of 25 February.

The blocking sanctions apply to Sberbank, Alfa-Bank, 42 Sberbank subsidiaries, 6 Alfa-Bank subsidiaries, and any entities owned 50% or more (directly or indirectly) by these banks. As a consequence, any property and property interests of these blocked entities that is within U.S. jurisdiction or in the possession of a U.S. person is blocked (frozen). Among other property, this includes five Alfa-Bank-owned vessels that are now blocked. In addition, U.S. persons are strictly prohibited from all direct and indirect dealings with these blocked entities.

These blocking sanctions are effective immediately. However, OFAC issued the following general licenses (GLs), authorizing the wind down of certain transactions with Sberbank and Alfa-Bank.
entities temporarily, subject to certain limitations.

- **GL 21**: authorizes through 12:01 a.m. Eastern Daylight Time, 7 June 2022, all transactions ordinarily incident and necessary to the wind down of Sberbank CIB USA, Inc. (or any entity it owns 50% or more), including the processing and payment of salaries, severance, and expenses; payments to vendors and landlords; and closing of accounts.

- **GL 22**: authorizes through 12:01 a.m. Eastern Daylight Time, 13 April 2022, all transactions ordinarily incident and necessary to the wind down of transactions involving Public Joint Stock Company Sberbank of Russia (or any entity it owns 50% or more), that are prohibited by Executive Order 14,024. This general license does not affect the restrictions on U.S. financial institutions maintaining correspondent or payable-through accounts.

- **GL 23**: authorizes through 12:01 a.m. Eastern Daylight Time, 6 May 2022, all transactions ordinarily incident and necessary to the wind down of transactions involving Joint Stock Company Alfa-Bank (or any entity it owns 50% or more), that are prohibited by Executive Order 14,024.

**RUSSIAN OFFICIALS**

In addition to new blocking sanctions on major Russian banks, OFAC designated on the Specially Designated Nationals and Blocked Persons List (SDN List) additional Russian elites, oligarchs, and other individuals. Notably, these blocking sanctions target family members of Russian President Vladimir Putin himself, daughters Katerina Vladimirovna Tikhonova and Maria Vladimirovna Vorontsova, as well as Russian Foreign Minister Sergey Lavrov’s wife and daughter. In addition, OFAC designated on the SDN List the 21 remaining members of the Russian Security Council who were not previously designated.

**OTHER GENERAL LICENSES**

In conjunction with GL 21, 22, and 23, described above, OFAC issued the following general licenses, which supersede prior licenses to engage in certain transactions with sanctioned Russian financial institutions.


- **GL 9B**: authorizes through 12:01 a.m. Eastern Daylight Time, 25 May 2022, all transactions that are ordinarily incident and necessary to dealings in debt or equity of one or more of the following entities issued prior to 24 February 2022: (i) State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank, (ii) Public Joint Stock Company Bank Financial Corporation Otkritie, (iii) Sovcombank Open Joint Stock Company, (iv) Public Joint Stock Company Sberbank of Russia, (v) VTB Bank Public Joint Stock Company and any entity owned 50% or more by these entities.
- **GL 10B**: authorizes through 12:01 a.m. Eastern Daylight Time on 25 May 2022, all transactions that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 p.m. Eastern Standard Time, 24 February 2022, that (i) include one of the following entities (together, the Tranche 1 entities) as a counterparty or (ii) are linked to debt or equity of a Tranche 1 entity are authorized through 12:01 a.m. Eastern Daylight Time, 25 May 2022, provided that any payments to a blocked person are made into a blocked account. The relevant entities are (i) State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank, (ii) Public Joint Stock Company Bank Financial Corporation Otkritie, (iii) Sovcombank Open Joint Stock Company, (iv) Public Joint Stock Company Sberbank of Russia, (v) VTB Bank Public Joint Stock Company, or any entity owned 50% or more by these entities.

This general license also authorizes through 12:01 a.m. Eastern Daylight Time, 30 June 2022, all transactions that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 p.m. Eastern Daylight Time, 6 April 2022, that (i) include Alfa-Bank (or any entity it owns 50% or more) as a counterparty or (ii) are linked to debt or equity of an Alfa-Bank entity. Any such payments to a blocked person, however, must be made into a blocked account.

**CONCLUSION**

Our team will continue to track and provide updates as soon as practicable on continuing developments with respect to Russia sanctions.

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National Law Review, Volumness XII, Number 97