

Sanctions Update: US, EU, UK Introduce New Sanctions and Export Controls to Mark One-Year Anniversary of Russian Invasion of Ukraine

New announcements and rules expand the scope of existing sanctions and export controls on Russia.

This Client Alert is published in the context of ongoing developments and should be read in conjunction with the Latham's [previous sanctions updates](#). Given the frequency with which different jurisdictions are imposing new sanctions on Russia, businesses exposed to sanctions-related developments in Russia should obtain up-to-date legal advice before taking any steps that may have legal effects.

US Sanctions

On February 24, 2023, the Treasury Department's Office of Foreign Assets Control (OFAC) [announced](#) new sanctions designed to "diminish Russia's ability to continue its brutal war and to procure the resources used to support it." The State Department [announced](#) corresponding sanctions designations.

OFAC added the following Russian financial institutions to its Specially Designated Nationals and Blocked Persons (SDN) list:

- **Credit Bank of Moscow Public Joint Stock Company**, one of Russia's 10 largest banks by asset value, which is located in Moscow
- **Joint Stock Company Commercial Bank Lanta Bank**, a bank located in Moscow
- **Public Joint Stock Company Commercial Bank Metallurgical Investment Bank**, a bank located in Moscow
- **Public Joint Stock Company MTS Bank**, a bank located in Moscow and Abu Dhabi, United Arab Emirates
- **Novosibirsk Social Commercial Bank Levoberezhny Public Joint Company**, a bank located in Novosibirsk, Russia
- **Bank Saint-Petersburg Public Joint Stock Company**, a bank located in Saint Petersburg, Russia

- **Joint Stock Commercial Bank Primorye**, a bank located in Vladivostok, Russia
- **SDM-Bank Public Joint Stock Company**, a bank located in Moscow
- **Public Joint Stock Company Ural Bank for Reconstruction and Development**, a bank located in Yekaterinburg, Russia
- **Public Joint Stock Company Bank Uralsib**, a bank located in Moscow
- **Bank Zenit Public Joint Stock Company**, a bank located in Moscow, plus three subsidiaries of this bank

OFAC and the State Department also announced SDN designations targeting the following categories of persons, among others:

- Certain Russian wealth management-related entities and their leaders
- Swiss, German, Italian, and Bulgarian individuals and related entities alleged to be involved in sanctions circumvention and evasion
- A group of Russian “elite-linked businessmen” allegedly tied to illicit financial activity
- Certain Russian entities involved in the production of carbon fiber and related advanced materials for the Russian military
- Certain entities operating in Russia’s aerospace, defense and related materiel, technology, and electronics sectors
- Certain other entities alleged to be involved with supporting Russia’s war effort
- Four entities operating in the metals and mining sector of the Russian economy
- Certain Russian provisional governors, ministers, and other senior officials
- Certain entities and individuals who have allegedly facilitated grain theft and the waging of war or the administration of occupied territory on behalf of the Russian Federation
- Certain entities involved in expanding Russia’s future energy production and export capacity
- Certain entities and individuals associated with the manufacturing of hardware and development of software for Russia’s System for Operational-search Measures capabilities

Separately, on March 3, 2023, [OFAC](#) and the [State Department](#) designated several Russian government officials for their involvement in the imprisonment of opposition leader Vladimir Kara-Murza.

In addition to these designations, OFAC issued a [determination](#) pursuant to Section 1(a)(i) of Executive Order (EO) 14024 that allows OFAC to designate individuals or entities determined to operate or to have operated in the metals and mining sector of the Russian economy (the Metals and Mining Determination). OFAC designated four entities pursuant to this determination.

OFAC also issued four new or amended general licenses (GLs):

- [GL 8F](#) extends until May 16, 2023, GL-8, which authorizes US persons to be involved in transactions otherwise prohibited by EO 14024 involving certain sanctioned entities if those transactions are “related to energy.”
- [GL 13D](#) extends until June 6, 2023, GL-13, which authorizes US persons “to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications” to the extent such transactions are prohibited by [Directive 4](#) under EO 14024 (which prohibits “any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation”).
- [GL 60](#) authorizes, until May 25, 2023, certain transactions “ordinarily incident and necessary to the wind down of transactions” involving nine of the Russian banks designated as SDNs on February 24, 2023.
- [GL 61](#) authorizes, until May 25, 2023, certain transactions “ordinarily incident and necessary to the divestment or transfer, or the facilitation of the divestment or transfer, of debt or equity” of six of the Russian banks designated as SDNs on February 24, 2023.

OFAC published several new FAQs relating to the new sanctions and GLs:

- [FAQ 1114](#) and [FAQ 1116](#) explain that the Metals and Mining Determination authorizes the imposition of sanctions on any person determined to operate or have operated in the metals and mining sector of the Russian Federation economy, but that this determination does not mean that all persons who operate or have operated in this sector of the Russian Federation economy have been sanctioned.
- [FAQ 1115](#) defines the “metals and mining sector of the Russian Federation economy” to include any act, process, or industry of extracting, at the surface or underground, ores, coal, precious stones, or any other minerals or geological materials in the Russian Federation, or any act of procuring, processing, manufacturing, or refining such geological materials, or transporting them to, from, or within the Russian Federation.
- [FAQ 1117](#) notes that although non-US persons may also be exposed to secondary sanctions for engaging activities with persons blocked pursuant to EO 14024, OFAC does not intend to target persons for operating in the Russian metals and mining sector where the provision of goods or services is solely for the safety and care of personnel, protection of human life, prevention of accidents or injuries, maintenance or repair necessary to avoid environmental or other significant damage, or activities related to environmental mitigation or remediation.
- [FAQ 1118](#) clarifies that GL 13D does not authorize so-called “exit tax” payments — whereby the Russian government demands a payment in connection with the divestment of assets located in the Russian Federation. According to OFAC, this so-called “exit tax” is not considered ordinarily incident and necessary to day-to-day operations in the Russian Federation and, thus, is not authorized under GL 13D.

US Export Controls

The Commerce Department's Bureau of Industry and Security (BIS) [issued](#) four rules on February 24, 2023, that, according to BIS, "demonstrate the Biden Administration's steadfast commitment to supporting the Ukrainian people by continuing efforts to cut off the Russian defense industrial base and military from even low-technology consumer goods Russia seeks to obtain to sustain the war effort." The rules each became effective on February 24, 2023.

- **Implementation of Additional Sanctions Against Russia and Belarus Under the Export Administration Regulations (EAR) and Refinements to Existing Controls:** Among other changes, this [rule](#) expands existing restrictions on the export, reexport, or transfer (in-country) of certain EAR99 items to or within Russia or Belarus by making the following regulatory revisions:
 - expansion of Russian Industry Sector Sanctions under [supplement No. 4](#) and [supplement No. 6](#) to part 746 by adding hundreds of additional items to align the sanctions with those imposed by US partners and allies;
 - expansion of so-called "Luxury Goods" sanctions by adding an additional 276 items to [supplement No. 5](#) to part 746, which will require a license for export or reexport to or transfers within Russia or Belarus;
 - adding Taiwan to the Commerce Department's list of "Countries Excluded From Certain License Requirements of §§ 746.7 and 746.8" (in [supplement No. 3](#) to part 746 of the EAR), meaning that the license requirements in these sections of the EAR (including, for instance, requirements related to the export to Russia or Belarus of certain items that are the foreign direct product of items subject to the EAR) will not apply to exports from Taiwan; and
 - adding a new case-by-case review policy for applications for the disposition of items by companies not headquartered in Country Group D:1, D:5, E:1 or E:2 that are curtailing or closing all operations in Russia or Belarus. The rule notes that BIS "encourages companies to exit the Russian and Belarusian markets and is making these changes to facilitate such decisions." BIS acknowledges that "many companies and other entities have encountered difficulties, such as issues related to the disposition of items subject to the EAR that may be too large or cost-prohibitive to remove from Russia," and intends this new case-by-case license review to "facilitate the orderly exit of companies and entities from Russia and Belarus in a manner consistent with US national security and foreign policy interests."
- **Export Control Measures on Iran Under the EAR to Address Iranian Unmanned Aerial Vehicles (UAV) and Their Use by Russia:** This [rule](#) imposes new export control measures on Iran to address the use of Iranian UAVs by Russia in its war against Ukraine by:
 - imposing license requirements for a subset of EAR99 items, including semiconductors that are destined for Iran, regardless of whether a US person is involved in the transaction;
 - establishing a new list (at Supplement No. 7 to part 746) identifying these EAR99 items by HTS-6 Code to allow BIS and other US government agencies to track and quantify these exports;
 - creating a new "Iran Foreign Direct Product (FDP) Rule" specific to Iran for items in certain categories of the Commerce Control List and EAR99 items identified in the new supplement; and

- revising the existing Russia/Belarus FDP rule to cover EAR99 items that have been found in UAVs containing parts and components branded US or US-origin (although they may not actually be US branded or US-origin).
- **Entity List Additions:** BIS also added 89 entities to its Entity List for a variety of reasons related to their activities in support of Russia’s defense-industrial sector and war effort. Seventy-nine of the entities are added under the country heading of Russia, five are listed under the country heading of China, two are based in Canada, and France, Luxembourg, and the Netherlands each have one entry. Seventy-six of these entities are also designated as “Russian/Belarusian Military End Users,” which subjects them to additional restrictions under the Russia/Belarus-Military End User FDP Rule. BIS issued these Entity List designations under two separate announcements, available [here](#) and [here](#). On March 6, 2023, BIS [added](#) an additional 37 entities to the Entity List, some for contributing “to Russia’s military and/or defense industrial base.”

EU Sanctions

On February 25, 2023, the EU released its 10th “package” of sanctions on Russia since the war began.

As explained in the EU’s [press release](#), the 10th package has a more global reach compared to previous packages and includes asset freeze designations of individuals based in Iran who are involved in the production of drones and components supporting Russia’s military, as well as members and supporters of Russia’s Wagner mercenary group and its activities in countries such as Mali or the Central African Republic. This Client Alert focuses on the updates to EU Regulations [269/2014](#) and [833/2014](#).

Updates to Regulation 269/2014

Through [Implementing Regulation 2023/429](#), which updates Regulation 269/2014, the EU has imposed asset freeze sanctions on a number of additional individuals and entities. These include three new banks, namely: Alfa-Bank JSC, PJSC Rosbank, and Tinkoff Bank JSC, as well as the National Wealth Fund of the Russian Federation. These designations follow the asset freeze designations introduced by the [EU’s 9th package](#) on December 16, 2022, which included (among others) the Credit Bank of Moscow and Dalnevostochniy Bank (Far Eastern Bank).

[Implementing Regulation 2023/426](#), which amends Regulation 269/2014, provides for the competent authorities of Member States to grant authorisations for transactions winding-down relationships with Alfa-Bank JSC, PJSC Rosbank, and Tinkoff Bank JSC. Member States may authorise the release of certain frozen funds or economic resources belonging to either of those entities or the making available of certain funds or economic resources to those entities, under such conditions as they deem appropriate and after having determined that such funds or economic resources are necessary for the termination by August 26, 2023, of operations, contracts, or other agreements, including correspondent banking relations, concluded with those entities before February 25, 2023 (Article 6b(2d)).

[Implementing Regulation 2023/426](#) introduces new reporting obligations under Regulation 269/2014. In particular, individuals or entities with knowledge of “any move, transfer, alteration, use of, access to, or dealing” involving funds or economic resources “belonging to, owned, held, or controlled by” an asset freeze target and which took place “[in the two weeks preceding the listing](#)” of the asset freeze target must report this information to the competent authority of the Member State (Article 8).

Updates to EU Regulation 833/2014 (through [EU Regulation 2023/427](#))

- **Critical Infrastructure Companies:** New Article 5o prohibits Russian nationals from sitting on the governing boards of “critical infrastructure” companies in the EU. As of March 27, 2023, it is prohibited to allow Russian nationals or natural persons residing in Russia to hold any posts in the governing bodies of the owners or operators of critical infrastructure companies. This prohibition does not apply to nationals of a Member State, a country member of the EEA, or Switzerland (Article 5o).

This new prohibition follows a prohibition introduced through the EU’s 9th package, which, as of January 16, 2023, prohibits EU persons from holding any posts in the governing bodies of Russian state-owned entities (including companies with over 50% public ownership) or companies “in which Russia, its Government or Central Bank has the right to participate in profits or with which Russia, its Government or Central Bank has other substantial economic relationship” or entities 50% or more owned or controlled by such entities or entities acting on their behalf or at their direction (Article 5aa(1b)).

- **Military End Users:** The “10th package” has expanded a list of entities (set out in Annex IV of Regulation 833/2014) which are subject to a presumption of denial in respect of export license applications concerning dual-use goods / technology or goods / technology “which might contribute to Russia’s military and technological enhancement or the development of the defence and security sector.” Persons on this list are essentially presumed to be “military end-users.” The list now includes in total 506 natural or legal persons, entities, or bodies.
- **Expansion of Export/Import Bans:** The EU has added new goods and technology to the Annexes of Regulation 833/2014, which list goods and technology subject to export and/or import prohibitions. For example:
 - Annex VII (concerning the sale, export, and transfer of goods and technology “which might contribute to Russia’s military and technological enhancement”) now includes rare-earth metals, television cameras, digital cameras, and video camera recorders.
 - Annex XXI (concerning the purchase, import, and transfer of “goods which generate significant revenues for Russia”) now includes bitumen, carbon, and synthetic rubber.
 - Annex XXIII (concerning the sale, export, and transfer of “goods which could contribute in particular to the enhancement of Russian industrial capacities”) now includes additional iron-related and steel-related products and a variety of industrial goods ranging from overhead traveling cranes, winches, and industrial robots to ball-bearings and binoculars.
- **Transit of Dual-Use Goods:** It has been clarified that the transit via Russia of dual-use goods and technology, exported from the EU is prohibited (Article 2(1a)).
- **Transit of Firearms:** The transit via Russia of firearms, their parts, and essential components and ammunition is prohibited (Article 2aa(1a)).
- **Reporting Obligations:** Last year, the EU introduced a prohibition on dealings with transferable securities and money-market instruments issued after March 9, 2022, by Russia and its government and the Central Bank of Russia. The EU has now introduced a new reporting obligation requiring natural and legal persons to report, no later than two weeks after April 27, 2023 (to the competent authority of the Member State where they are resident or located, and simultaneously to the

Commission), information on the assets and reserves resulting from transactions related to the management of reserves and assets of the Central Bank of Russia, including transactions with any legal person, entity, or body acting on behalf of, or at the direction of, the Central Bank of Russia, such as the Russian National Wealth Fund (Article 5a(4a)).

- **Natural Gas Storage Capacity:** With the exception of liquefied natural gas (LNG) and the operations strictly necessary for the termination by March 27, 2023, of contracts concluded before February 26, 2023, or of ancillary contracts necessary for the execution of such contracts, it is now prohibited to provide storage capacity (in storage of a facility used for the stocking of natural gas) to a Russian national, a natural or legal person residing in or established in Russia, or a legal person whose proprietary rights are directly or indirectly owned for more than 50% by one of the foregoing or a natural or legal person who acts on behalf or at the direction of such a person (Article 5p).
- **Goods Physically Located in the EU:** The 10th package clarifies that imported goods which were physically located in the EU as of February 26, 2023, and which had been presented to customs prior to the entry into force or applicability date of a relevant import ban under Regulation 833/2014 may be released by the customs authorities. This is conditional on the customs authorities having no reasonable grounds to suspect circumvention and provided that the authorities do not authorize the goods' re-export to Russia (Article 12e(5)).
- **Partner Countries:** The list of "partner countries" deemed to have equivalent export controls as the EU has been expanded and now includes the United States, the United Kingdom, Japan, South Korea, Australia, Canada, New Zealand, and Norway.
- **Media Operators:** RT Arabic and Sputnik Arabic have been added to the list of media operators whose broadcasting and transmission licenses in the EU will be suspended. These come after the addition of several other media entities, including Rossiya 1, which were added to the list in the EU's 9th package.
- **Aircraft Operators:** Aircraft operators of non-scheduled flights between Russia and the EU operated directly or via a third country must now notify all relevant information concerning the flight to the competent authorities prior to their operation, and at least 48 hours in advance.

The 9th Package

Significant restrictions that the EU's 9th package introduced on December 16, 2022, include:

- The prohibition on acquiring new (or extending existing) participation in the Russian energy sector was expanded to include the "mining and quarrying sector" (defined as a sector covering the location, extraction, management, and processing activities relating to non-energy producing materials) (Article 3a(2)).
- The prohibition on providing certain professional and business services was expanded to include the provision of "market research and public opinion polling services, technical testing and analysis services and advertising services" to legal persons, entities, or bodies established in Russia and to the Russian government (Article 5n(2a)).
- With respect to a series of export and import restrictions on listed goods, the EU introduced a limited "wind-down" derogation lasting until September 30, 2023. Until that date, this derogation permits the competent authorities of Member States to authorize the sale, supply, or transfer (or, in some cases,

the import or transfer) of a wide range of listed goods. However, the derogation only applies if it is determined that dealing with the goods “is strictly necessary for the divestment from Russia or the wind-down of business activities in Russia” and all of the following criteria are met: (a) the goods are ultimately owned by a national of a Member State or a legal person, entity, or body incorporated or constituted under the law of a Member State or by legal persons, entities or bodies established in Russia that are owned by, or solely or jointly controlled by, a legal person, entity or body which is incorporated or constituted under the law of a Member State; (b) the goods were “physically located” in Russia before the relevant import/export restrictions entered into force; and (c) there are no reasonable grounds to believe that the goods might be for a military end-user or have a military end-use in Russia (Article 12b).

Price Caps

Information regarding the US\$60-per-barrel price cap on crude oil originating in Russia agreed by the G7, the EU, and Australia can be found in Latham’s [December 9, 2022, Client Alert](#). Since then, the price cap coalition of the G7, the EU, and Australia has [set additional caps](#) on the price of seaborne Russian refined oil products, effective from February 5, 2023. Given the number of varied oil products on the market, two caps have been introduced to cover two categories of refined oil products.

“Premium-to-crude” products are those of high export value often used for transport and electricity generation, such as kerosene-based jet fuel and diesel (capped at US\$100), while “discount-to-crude” pertains to products of a lesser value, such as fuel oil and naphtha (capped at US\$45).

UK Sanctions

On February 24, 2023, the UK [announced](#) new sanctions on Russia, though it has not yet published the secondary legislation updating the Russia (Sanctions) (EU Exit) Regulations 2019 (the UK Russia Regulations).

The UK’s press release states that the new sanctions will ban the export of every item that Ukraine has found Russia using on the battlefield to date, as well as the import of 140 goods including iron and steel products processed in third countries.

About 90 new asset freeze targets have been added to the UK’s [Consolidated List of Financial Sanctions Targets](#), including:

- 34 executives connected to Russia’s two largest defense companies: Rostec, Russia’s major state-owned defense conglomerate, and the Almaz-Antey Corporation, a state-owned Russian company specializing in producing surface-to-air missiles and firearms for aircrafts;
- 6 Russian entities involved in the manufacture or repair of military equipment for Russia’s armed forces, including aviation and navy; and
- 5 senior Iranian executives in Qods Aviation Industry, a company manufacturing the drones used in Ukraine, which the UK has listed as part of an effort to pressure third countries supplying Russia’s military.

These additions to the UK Russia Regulations build on several amendments implemented in late 2022. [Amendment No. 16](#) to those regulations aligned the UK with the updated “oil price cap” position described above. Meanwhile, [Amendment No. 15](#) and [Amendment No. 17](#) introduced, among other changes:

- a prohibition on the provision of trust services to or for the benefit of designated persons (subject to certain listed exceptions);
- an extension of the so-called “professional and business services” sanctions to include advertising, architectural, auditing, engineering, IT consultancy, and design services. The “professional and business services sanctions” prohibit a person from directly or indirectly providing to a “person connected with Russia” the above services (as well as accounting, business and management consulting, and public relations services), subject to certain listed exceptions;
- the introduction of two new “categories” of prohibited loans;
- a prohibition on the import of gold (and various related services); and
- a prohibition on the import of LNG (and various related services).

What’s Next?

Latham & Watkins is tracking developments across all regions closely and expects that the US, the EU, the UK, and other governments around the world may impose additional rounds of sanctions as events unfold. The firm is well positioned to advise clients on the legal and practical impacts of these measures.

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