

Russia Sanctions Update – March 28, 2022

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Key Takeaways:

- U.S. imposes sanctions on Duma members, board members and executives of sanctioned Russian banks, and defense companies
- UK sanctions 65 individuals and entities, focusing on Russian oligarchs, financial institutions, and senior executives of state-owned enterprises
- OFAC issues new FAQ clarifying that gold transactions fall within the scope of existing Russia-related sanctions

U.S. Sanctions

The U.S. continued to expand its Russia-related sanctions with [new additions](#) to the Specially Designated Nationals and Blocked Persons List (“SDN List”) made by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) on March 24, 2022, pursuant to [Executive Order \(“EO”\) 14024](#).

U.S. persons are generally prohibited from engaging in most transactions with SDNs, absent a specific or general license, and all U.S. assets of SDNs are “blocked” and must be reported to OFAC. Designated natural persons are also subject to a travel ban, and all entities owned 50% or more by an SDN are generally treated as if they were also on the SDN List (known as the “50 Percent Rule”) even if they are not expressly listed. In addition, any person, including a non-U.S. person, may be designated for materially assisting, sponsoring, or providing financial, material, or technological support for, or goods or services to or in support of these SDNs.

1. Sanctions on Duma Members

OFAC added 328 members of the Russian State Duma (the lower legislative house of the Russian parliament) to the SDN List, which follows the earlier designation of 12 Duma members on March 11, 2022. The members were sanctioned for supporting Russia’s invasion of Ukraine and Russian control of the so-called Donetsk People’s Republic (“DNR”) and Luhansk People’s Republic (“LNR”) regions of Ukraine. In addition to the actions on individual Duma members, the Russian State Duma as an entity has also been added to the SDN List.

2. Sanctions on Russian Financial Institutions

The focus on the Russian financial sector continues with new sanctions on board members and executives of sanctioned Russian banks. As part of the March 24 action, OFAC added 17 members of the board of PJSC Sovcombank (a bank that was added to the SDN List on February 24, 2022, along with 22 of its subsidiaries) to the SDN List. OFAC also designated Herman Gref, the head of Sberbank (Russia’s largest bank) and a close Putin associate. Sberbank itself is not yet an SDN, but is subject to sectoral sanctions, including a prohibition on U.S. financial institutions maintaining correspondent accounts or processing any transactions with it that went into effect on March 26.

The financial services entity OOO Volga Group (“Volga”), which was already added to the SDN List on April 28, 2014 under EO 13661, was re-designated on March 24, 2022 under EO 14024. Gennady Nikolayevich Timchenko, the owner of OOO Volga Group, was also re-designated under EO 14024, along with OOO Transoil, a crude oil transport company owned by Mr. Timchenko. New SDN designations on persons associated with Volga include Mr. Timchenko’s wife, Elena Petrovna Timchenko, and daughter, Natalya Browning, along with Ksenia Gennadevna Frank, a board member of OOO Transoil and her spouse, Gleb Sergeevich Frank. As a result of the designation, Mr. Timchenko’s yacht, the *Lena*, is listed as blocked property. More information is available in the [State Department’s Fact Sheet](#).

3. Sanctions on Defense Companies

Also on March 24, 2022, OFAC added [several defense-related entities](#) to the SDN List for their roles in facilitating Russia’s war effort. The entities include:

- Tactical Missiles Corporation JSC (“KTRV”), a state-owned Russian defense conglomerate, which was added to the SDN List along with 28 of its subsidiaries and affiliates. KTRV produces materiel in support of Russia’s defense-industrial base, including airborne weapons and weapon systems for Russia’s navy. OFAC also added the General Director of KTRV, Boris Viktorovich Obnosov, to the SDN List.
- JSC NPO High Precision Systems, a state-owned holding company that produces anti-tank missile systems for the Russian Armed Forces, including the Pantsir air defense system and Iskander missiles, which are precision-guided munitions. This entity was previously added to the Sectoral Sanctions Identification List (“SSI List”) for being owned 50 percent or more by Rostec, an entity subject to [Directive 3 of EO 13662](#), which imposes restrictions on dealings in new debt of longer than 30 days.
- NPK Tekhmash OAO, a state-owned holding company that produces and supplies ammunition for the Russian Armed Forces, including rocket and grenade launchers, ground and sea-based multiple launch rocket systems, and unguided bombs, among other defense products. It was earlier listed on the SSI List due to its ownership by Rostec.
- Joint Stock Company Russian Helicopters, a state-owned holding company that manufactures more than 90 percent of the Russian helicopter market and about 10 percent of the world helicopter market. It was also listed on the SSI List due to its ownership by Rostec. The SDN List designation also includes 15 of Joint Stock Company Russian Helicopters’ subsidiaries and affiliates.

- Joint Stock Company Kronshtadt, a private Russian defense contractor that develops and manufactures equipment, software, and integrated solutions for the unmanned aviation and defense industries of Russia, including the Orion drone used by Russia’s military in Ukraine.

Many of the above named entities were already subject to sectoral sanctions, which restrict debt transactions; and all of the above entities were subject to restrictions on exports to military-end users in Russia imposed by the Bureau of Industry and Security (“BIS”) of the U.S. Department of Commerce. Additionally, all of the above entities except NPK Tekhmash OAO are included on the BIS Entity List, which imposes license requirements for exports to these entities. However, the new SDN List designations are much more restrictive and prohibit almost all transactions by U.S. persons, absent authorization from OFAC.

In addition to the above SDN List designations, [OFAC also issued a new FAQ](#) which clarifies that gold transactions fall within the scope of [EO 14024](#) and other Russia-related sanctions authorities, including prohibitions on transactions with the Central Bank of Russia. The FAQ also flags that “[n]on-U.S. persons are prohibited from causing or conspiring to cause U.S. persons to violate U.S. sanctions, as well as engaging in conduct that evades or avoids a violation of OFAC sanctions.”

UK Sanctions

On March 24, 2022, the UK [imposed sanctions on 65 individuals and entities](#) under the Economic Crime Act, including sanctions on Russian oligarchs, defense companies, and banks. As a result of these sanctions, designated individuals and entities are subject to an asset freeze, which prevents any UK citizen, or any business in the UK, from dealing with any funds or economic resources which are owned, held, or controlled by the designated person and which are held in the UK. The sanctions also prevent funds or economic resources being provided to or for the benefit of the designated person. The March 24, 2022 sanctions include:

- Alfa-Bank JSC, the largest private bank in Russia, which was founded by UK-sanctioned oligarchs Mikhail Fridman, Petr Aven, and German Khan.
- Alrosa, the world’s largest diamond mining company specializing in exploration, mining, manufacture, and sale of diamonds with market capitalization of an estimated £4.69 billion.
- Eugene Markovich Shvidler, an oligarch with close business links to Roman Abramovich (who was earlier designated by the UK on March 10, 2022) and net worth of an estimated £1.2 billion.
- Oleg Tinkov, founder of Tinkoff Bank, with net worth of an estimated £3.4 billion.
- Herman Gref, Chief Executive Officer of Sberbank, who was also designated on March 24th by OFAC.
- Oleg Aksyutin, the Deputy Chairman of the Management Board at Gazprom PJSC, the Russian multinational energy corporation.
- Didier Casimiro, the First Vice President of Rosneft, the Russian State oil company.
- Zeljko Runje, the Deputy Chairman of the Management Board and First Vice President for Oil, Gas, and Offshore Business Development of Rosneft.
- Galina Danilchenko, the Russia-appointed mayor of the Ukrainian city of Melitopol, who was installed after the Russian military occupied the city and kidnapped the legitimate mayor. This is the first designation by the UK, U.S.o, or EU for collaboration with the Russian military in Ukraine since the invasion.

- Polina Kovaleva, the stepdaughter of Russian Foreign Minister, Sergey Lavrov, who reportedly owns a £4 million property in London.

While there is often overlap between designations made by the UK and U.S., the sanctions lists maintained by both countries are independent— not all persons included on the SDN List appear on the HM Treasury’s Office UK Sanctions List, and vice versa. The EU, along with multiple countries including Australia, Canada, and Japan, also maintain their own sanctions lists. It is crucial that entities operating internationally maintain a robust screening system that checks against sanctions lists for all jurisdictions applicable to their business.

Foley Hoag will continue to provide updates as the situation with respect to Ukraine develops. Companies with questions about these actions or how to ensure compliance with U.S. sanctions and export control regulations should contact a member of Foley Hoag’s [Trade Sanctions & Export Controls practice](#). For information on earlier Russia-related actions, see our prior Client Alerts issued on [March 17](#), [March 15](#), [March 11](#), [March 7](#), [March 1](#), [February 28](#), and [February 17](#).