

Russia and Belarus Sanctions and Export Controls Update – June 14, 2022

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Key Takeaways:

US Actions:

- The Bureau of Industry and Security (“BIS”) imposes new restrictions on the export of certain industrial EAR99 items to Russia
- OFAC extends expiration date for general licenses related to administrative transactions and issues general license authorizing the processing of pension payments to U.S. persons by Russian financial institutions
- OFAC adds Russian government officials, oligarchs, and mining companies to the SDN List, along with vessels and aircrafts
- BIS adds 71 Russian and Belarussian entities to the Entity List

EU and UK Actions:

- EU bans import of Russian oil and petroleum products and imposes new restrictions on the export of 80 chemicals to Russia
- Three additional Russian banks and one Belarussian bank are removed from SWIFT
- EU imposes asset-freezing sanctions on 65 individuals and 18 entities, including Russian military officials, oligarchs and their family members, and Russian defense companies and financial institutions
- UK imposes sanctions on Russian President Vladimir Putin’s close friends, family members, and associates

I. BIS Imposes New Export Controls on Certain Industrial EAR99 Items

Currently, all items on the [Export Administration Regulations’ \(“EAR”\)](#) Commerce Control List (“CCL”) require a license for export, re-export or transfer to Russia and Belarus. In addition, some EAR99 items are subject to license requirements listed on Supplement 4 to Part 746 of the EAR relating to industrial items and on Supplement 5 to Part 746 of the EAR relating to luxury goods.

On May 9, 2022, BIS issued a [final rule](#) imposing license requirements for exports, re-exports, and transfers to or within Russia of additional industrial items that are classified as EAR99. Items that are classified as EAR99 generally can be exported from the U.S. without a license, with certain exceptions for exports to embargoed countries or sanctioned end-users. The new list of items includes wood products, industrial engines, boilers, motors, fans, ventilation equipment and bulldozers. Those items are listed in [Supplement 4 to Part 746 of the EAR](#) and are identified by Schedule B number, Schedule B description, Harmonized Tariff Schedule (“HTS”) code, and HTS description. Please note that for licensing purposes, only the items identified in the HTS Description column of Supplement 4 are subject to the license requirement under EAR § 746.5(a)(1)(ii). The other 3 columns—HTS Code, Schedule B and Schedule B Description—are only intended to assist exporters with their filing responsibilities with the Census Bureau.

II. Expiration of Authorizations Under Russia-Related General Licenses 9C and 13R

On May 25, 2022, certain authorizations under [General License 9C](#) for transactions ordinarily incident and necessary to dealings in debt or equity of five Russian financial institutions expired. The entities (along with any entity in which one or more of the below own, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest) are as follows:

- State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank
- Public Joint Stock Company Bank Financial Corporation Otkritie
- Sovcombank Open Joint Stock Company
- Public Joint Stock Company Sberbank of Russia
- VTB Bank Public Joint Stock Company

General License 9C still applies to transactions with Joint Stock Company Alfa-Bank, a Russian bank, until June 30, 2022, and Public Joint Stock Company Alrosa, a Russian diamond company, until July 1, 2022.

Additionally, on May 25, 2022, [General License 13R](#) authorizing the wind down of certain transactions necessary to divest or transfer debt, equity, or other holdings in GAZ Group, and [General License 15L](#) authorizing the wind down of transactions involving GAZ Group, also expired.

U.S. persons relying on authorizations under general licenses should be careful to confirm whether the licenses carry an expiration date, and, if so, to make sure that all transactions made pursuant to such general license are completed prior to the expiration date.

III. OFAC Extends General License Authorizing Certain Administrative Transactions

On May 25, 2022, OFAC issued [General License 13A](#), which extends the authorizations of General License 13 of March 2, 2022. Consistent with the prior license, General License 13A authorizes U.S. persons, or entities owned or controlled, directly or indirectly, by a U.S. person, to pay taxes, fees, or import duties to, and purchase or receive permits, licenses, registrations, or certifications from, the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation, provided such transactions are ordinarily incident and necessary to the day-to-day operations in the Russian Federation of such U.S. persons or entities. The revised general license extends this authorization through 12:01 a.m. eastern daylight time on September 30, 2022 (previously, the license expired on June 24, 2022).

IV. OFAC Issues License Authorizing the Processing of Pension Payments to U.S. Persons

On June 2, 2022, OFAC issued [General License 38](#) authorizing all transactions ordinarily incident and necessary to the processing of pension payments to U.S. persons that are prohibited by [Executive Order 14024](#) (“EO 14024”), provided that the only involvement of blocked persons in such a transaction is the processing of funds by financial institutions blocked pursuant to EO 14024.

V. BIS Issues a Temporary Denial Order Against Rossiya Airlines

On May 20, 2022, the BIS issued a [Temporary Denial Order](#) (“TDO”) denying the export privileges of Russian airline Rossiya Airlines (“Rossiya”) due to ongoing export violations related to comprehensive export controls on Russia imposed by the Commerce Department. As a result of the TDO, Rossiya’s right to participate in transactions subject to the EAR, including exports and re-exports from the United States, is terminated. Rossiya engaged in recent conduct prohibited by the EAR by [operating aircraft classified under ECCN 9A991](#) on flights into Russia after March 2, 2022, without the required BIS authorization. The TDO is issued for 180 days and may be renewed. BIS has previously issued TDOs for Aeroflot, Azur Air, UTair, and AviaStar.

VI. Russian Government Officials, Oligarchs, and Mining Companies Added to SDN List

On June 2, 2022, OFAC added [seventeen Russian nationals](#) to the Specially Designated Nationals and Blocked Persons List (“SDN List”) pursuant to EO 14024, including government officials, oligarchs, and close associates of Putin.

Government Officials:

- Irek Envarovich Faizullin, the Minister of Construction, Housing and Utilities of Russia, who is also a member of the board of directors of Russian Railways.
- Dimitriy Yuryevich Grigorenko, the Deputy Prime Minister and Chief of the Government Staff of Russia.
- Maxim Gennadyevich Reshetnikov, the Minister of Economic Development of the Russian Federation. Reshetnikov serves on the board of several sanctioned Russian entities, including VTB Bank, VEB. RF, and Russian Railways.
- Vitaly Gennadyevich Savelyev, the Minister of Transport of the Russian Federation and a member of the Board of Directors of Russian Railways; he also serves as the Chairman of the Board of Directors of Aeroflot.

- Mariya Vladimirovna Zakharova, the spokesperson of the Russian Ministry of Foreign Affairs.

Oligarchs and Business Executives:

- Andrei Valeryevich Gasilov, a Russian businessman operating several sanctioned entities.
- Sergey Nikolaevich Gorkov, the head of Joint Stock Company RosGeo.
- Evgeniy Borisovich Kochman, the CEO of Imperial Yachts SARL.
- Alexey Aleksandrovich Mordashov, the leader of Severgroup and one of Russia's wealthiest billionaires, along with several of his family members.
- God Semenovich Nisanov, a Russian billionaire property developer who is the chairman of Kievskaya Square, the largest Russian commercial estate holding.
- Evgeny Grigorievich Novitsky, a Russian billionaire who has held shares in one of Russia's largest cellphone networks.
- Sergei Pavlovich Roldugin, a close friend and part of a system that manages President Putin's offshore wealth, as well as his wife Elena Yuryevna Mirtova.
- Yury Borisovich Slyusar, the President of United Aircraft Corporation ("UAC"), a Russian state-owned company and major supplier of aircraft to Russia's military, and one of the leading actors in Russia's industry and defense sector with close ties to the Russian Government.

OFAC also added [sixteen entities](#) to the SDN List pursuant to EO 14024, including entities operating in the maritime, aviation, and mining sectors, as well as entities supporting or linked to Putin. Along with several Russian entities, the designated entities include companies based in Monaco (Imperial Yachts SARL, a yacht brokerage company), Cyprus (Ironstone Marine Investments and SCF Management Services Cyprus LTD), the Cayman Islands (O'Neil Assets Corporation), and San Marino (SRL Skyline Aviation, an aviation company added to the SDN List for operating in the Crimea region of Ukraine).

The designations also include the following two Russian mining companies:

- Nord Gold PLC, a Russian gold mining company incorporated in London linked to the Mordashov Family. OFAC has also issued [General License 37](#) authorizing transactions that are ordinarily incident and necessary to the wind down of transactions involving Nord Gold PLC or any entity in which Nord Gold owns directly or indirectly a 50 percent or greater interest through 12:01 a.m. eastern daylight time, July 1, 2022.
- Public Joint Stock Company Severstal, a Russian steel and mining company linked to the Mordashov family. OFAC has also issued [General License 36](#) authorizing transactions that are ordinarily incident and necessary to the wind down of transactions involving Severstal or any entity in which Severstal owns directly or indirectly a 50 percent or greater interest through 12:01 a.m. eastern daylight time, August 31, 2022.

Additionally, seven vessels and three aircrafts related to the companies or persons listed above have also been added to the SDN list by OFAC.

As a result of the SDN List designations, almost all transactions by U.S. persons with the SDNs are prohibited, and all U.S. assets of the SDNs are "blocked" and must be reported to OFAC. Designated natural persons are also subject to a travel ban, and all entities owned 50 percent 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 themselves be designated as an SDN for materially assisting, sponsoring, or providing financial, material, or technological support for, or goods or services to or in support of, these SDNs.

VII. Department of Commerce Adds 71 Russian and Belarusian Entities to the Entity List

On June 2, 2022, the Department Commerce added [70 Russian entities and one Belarusian entity](#) to the Entity List maintained by BIS. The Entity List is a list of foreign persons subject to specific license requirements for the export, reexport or transfer (in-country) of specified U.S.-origin items. [Sixty-six of the 71 entities](#) were determined to be military end users ("MEUs") and are receiving a "footnote 3 designation." The footnote 3 designation means these entities are subject to a license requirement for all items subject to the EAR, with a policy of denial for such license requests. No license exceptions are available for these MEUs. As a result of this action, 322 parties have now been added to the Entity List for support of Russia's military since February 24, 2022. The Entity List designations are based on "specific and articulable facts that the entities have been involved, are involved, or pose a significant risk of being or becoming involved in

activities contrary to the national security or foreign policy interests of the United States.”

VIII. EU Actions

After weeks of negotiations, on June 3, 2022, the EU has adopted a [sixth package of sanctions](#) against Russia, which includes export controls, import bans, and list-based sanctions designations.

Ban on Russian Oil

One of the most contested aspects of the sanctions package is a ban on the import or transfer of crude oil and certain petroleum products from Russia into the EU.

This oil import ban will go into effect in 6 months for crude oil and in 8 months for other refined petroleum products, with certain exemptions for EU member states that are reliant on the Druzhba pipeline (Poland, Germany, Hungary, Slovakia and the Czech Republic, although Poland and Germany have pledged to stop using the pipeline by the end of the year) and temporary exemptions for Bulgaria and Croatia. As oil delivered into the EU via pipeline is temporarily exempt from the ban, the prohibition currently only applies to oil imports by ship.

Additionally, after a 6-month wind down period, EU operators will be prohibited from insuring and financing the transport of Russian oil to third countries, including via maritime routes. This action is intended to restrict Russia’s export of its crude oil and petroleum products to the rest of the world.

“De-SWIFTING” of Additional Russian Banks

The EU removed three of the largest Russian banks (Sberbank, Credit Bank of Moscow, and Russian Agricultural Bank) and the Belarusian Bank for Development and Reconstruction from SWIFT access. SWIFT is a secure messaging system used by banks and other financial institutions to exchange information, such as details regarding money transfers. These banks join (1) Otkritie; (2) Novikombank; (3) Promsvyazbank; (4) Bank Rossiya; (5) Sovcombank; (6) VEB; and (7) VTB, which were previously removed from SWIFT by the EU on March 12, 2022.

To date, Iran is the only country that has been completely barred from SWIFT.

Focus on Russian Propaganda

The EU suspended the broadcasting activities of Russian media entities Rossiya RTR/RTR Planeta, Rossiya 24/Russia 24, and TV Centre International, which have been used by the Russian Government to distribute propaganda and spread misinformation regarding the war in Ukraine. As a result, these three entities are barred from distributing their content across the EU, including via the internet or smartphone apps.

Export Restrictions and Service Prohibition

The EU added 80 chemicals that can be used to produce chemical weapons to the list of goods and technology that may contribute to the technological enhancement of Russia’s defense and security sector, [encompassing around €663 million](#) of EU exports to Russia. These items are now prohibited from export to Russia, with exceptions for certain non-military end-users and non-military uses, such as for humanitarian and medical purposes. The EU also expanded its list of Russian entities and natural persons associated with Russia’s military-industrial complex, which are subject to an export ban.

Additionally, similar to [the earlier US prohibition](#), the EU has also banned the direct or indirect provision of certain business services to Russia. This prohibition includes accounting, auditing, statutory audit, bookkeeping and tax consulting services, business and management consulting, and public relations services. The UK [also has prohibited](#) providing accountancy, management consultancy, and public relations services to Russia as of May 4, 2022.

Additional Sanctions List Designations

The EU has also imposed sanctions on 65 individuals and 18 entities, targeting (1) individuals and entities responsible for the atrocities committed by Russian troops in Bucha and Mariupol; (2) pro-Russia propagandists; (3) leading businesspersons and family members of listed oligarchs and Kremlin officials; and (4) Russian defense companies and financial institutions. As a result of the sanctions, natural persons and entities are subject to an asset freeze of all EU assets, and EU persons and entities cannot make funds available to these

persons and entities. Additionally, sanctioned natural persons are also subject to a travel ban.

IX. UK Actions

Economic Sanctions

On May 19, 2022, the [UK imposed sanctions](#) on Aeroflot (Russia's largest airline), Ural Airlines and Rossiya Airlines. All three airlines are subject to an asset freeze within the UK, 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 airlines. As a result, the airlines will now be unable to sell their unused landing slots at UK airports, which prevents Russia from receiving an estimated £50 million. The UK previously banned all Russian aircraft and vessels from UK airspace and waters.

On May 13, 2022, the UK [imposed further sanctions](#) targeting Russian President Vladimir Putin's inner circle. These persons are subject to an asset freeze and a travel ban. The individuals sanctioned include:

- Alina Kabaeva, a retired Olympic gymnast and alleged girlfriend of Putin. Kabaeva has risen to become Chair of the Board of the National Media Group, reportedly the largest private Russian media company.
- Anna Zatseplina, grandmother of Alina Kabaeva and associate of Gennady Timchenko (a longstanding Putin associate who was sanctioned by the UK on February 22, 2022).
- Lyudmila Ocheretnaya, the former First Lady of the Russian Federation and ex-wife of Putin.
- Mikhail Putin, a Russian businessman and relative of Putin who is Deputy Chairman of the Management Board of SOGAZ Insurance ("SOGAZ") and Deputy Chairman of the Management Board of Gazprom.
- Three of Putin's cousins (Igor Putin, Roman Putin, and Mikhail Shelomov).
- Alexander Plekhov, a close friend of Putin and owner of Vital Development Corporation, which has benefited from significant state patronage.
- Mikhail Klishin, an executive of Bank Rossiya, and a member of the Board of Directors at SOGAZ.
- Vladimir Kolbin, the son of Peter Kolbin (Putin's childhood friend and alleged business associate) and General Director of Gelendzhik Seaport LLC.
- Yuri Shamalov, the son of Nikolai Shamalov (sanctioned by the UK in 2014), brother of Putin's former son-in-law (sanctioned by the UK on February 24, 2022), President of Gazfond, and Member of the Board of Directors of Gazprombank.
- Viktor Khmarin, a Russian lawyer related to Putin by marriage. Khmarin has owned a number of businesses including LLC NefteProduktServis, which operated in the Russian energy sector.

New Import/Export Restrictions

On May 9, 2022, the UK [announced a new package](#) of import/export restrictions on Russia and Belarus, which encompasses over £1.7 billion goods worth of trade. The new restrictions are imposed via import tariffs and export bans, including:

- Raising tariffs by 35 percent on products such as chemicals, platinum, and palladium. Russia is one of the leading producers of platinum and palladium products.
- An export ban on £250 million worth of goods, covering key materials such as chemicals, plastics, rubber, and machinery (representing almost 10 percent of all exports to Russia in 2021). The new restrictions are designed to impact Russia's manufacturing and heavy machinery sectors.

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 [May 10](#), [April 11](#), [April 7](#), [March 28](#), [March 17](#), [March 15](#), [March 11](#), [March 7](#), [March 1](#), [February 28](#), and [February 17](#).

Additional contributions to this alert were made by summer associate Chawkat Ghazal.

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