

## Russia Sanctions Update – April 11, 2022

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### Key Takeaways:

- U.S. sanctions major Russian state-owned enterprises Alrosa (diamonds) and United Shipbuilding Corporation (defense sector)
- OFAC publishes new Russia-related general licenses, including a license authorizing certain transactions related to telecommunications
- “Fifth Wave” EU sanctions package restricts trade with Russia and imposes sanctions on 217 individuals and 18 entities

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### I. U.S. Actions

Following increased sanctions on Russian banks and a new Executive Order banning investment in the Russian Federation ([reported by Foley Hoag here](#)), on April 7, 2022, the U.S. [sanctioned](#) two major Russian state-owned enterprises: Public Joint Stock Company Alrosa (“Alrosa”) and United Shipbuilding Corporation (“USC”). The U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) added Alrosa and USC to the Specially Designated Nationals and Blocked Persons List (“SDN List”) pursuant to [Executive Order \(“EO”\) 14024](#). SDN List designations are the most restrictive level of economic sanctions imposed by the U.S. government.

According to OFAC’s press release announcing the designation, Alrosa is the world’s largest diamond mining company, responsible for 28 percent of global diamond mining and has 90 percent of Russia’s diamond mining capacity. While Alrosa was previously subject to [Directive 3 under EO 14024](#), which imposed certain restrictions on transactions involving its debt and equity, the new SDN List designation is much more restrictive and applies to all transactions by U.S. persons. Additionally, Alrosa is subject to sanctions imposed by Canada, the EU, and the UK.

In an action targeting Russia’s defense establishment, the Department of State designated USC, along with 28 of its subsidiaries and eight of its board members under EO 14024. USC develops and builds the Russian Navy’s warships. These individuals and entities were then added by OFAC to the SDN List. For more information, see the Department of State [Fact Sheet here](#). The Department of Commerce [added nine USC entities](#) to the Entity List on March 9, 2022, and USC itself has been included on the Entity List since August 6, 2014. As a result of the Entity List designations, U.S. exports of all items subject to the Export Administration Regulations (“EAR”) to USC and USC entities are prohibited absent a license. The SDN List designation goes much further by prohibiting almost all transactions by U.S. persons unless authorized by OFAC.

In addition to the prohibition on transactions with U.S. persons, 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 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.

### New General Licenses and Amendments to Prior General Licenses

OFAC issued two new Russia-related general licenses and amended several existing general licenses concurrent with the SDN List designations.

- **General License 9C** authorizes certain transactions that are ordinarily incident and necessary to dealings in the debt or equity of several specifically identified sanctioned entities (currently, 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; Joint Stock Company Alfa-Bank, and Alrosa). Transactions involving dealing in Alrosa's debt or equity issued prior to April 7, 2022, are authorized until July 1, 2022. This replaces the prior General License 9B, which was earlier amended on April 6, 2022, to add Alfa-Bank to the list of covered entities.
- **General License 10C** authorizes certain transactions that are ordinarily incident and necessary to the wind down of derivative contracts with the several specifically identified sanctioned entities listed above. Transactions involving derivative contracts entered into with Alrosa prior to April 7, 2022 are authorized until July 1, 2022. This replaces the prior General License 10B, which also had been amended on April 6, 2022 to add Alfa-Bank to the list of covered entities.
- **General License 21A** adds Alrosa USA, Inc., the U.S. branch of Alrosa, to the winding down general license that also covers Sberbank CIB USA. All transactions ordinarily incident and necessary to the wind down of both entities are covered through 12:01 a.m. eastern daylight time on June 7, 2022.
- **General License 24** authorizes all transactions ordinarily incident and necessary to the winding down of transactions involving Public Joint Stock Company Alrosa or any entity in which Alrosa owns, directly or indirectly, a 50 percent or greater interest through 12:01 a.m. eastern daylight time, May 7, 2022.
- **General License 25** authorizes (a) all transactions ordinarily incident and necessary to the receipt or transmission of telecommunications involving the Russian Federation that would otherwise be prohibited by the Russian Harmful Foreign Activities Sanctions Regulations ([31 CFR part 587](#)); and (b) the export of services, software, hardware, or technology incident to the exchange of communications over the internet, such as instant messaging, videoconferencing, chat and email, social networking, sharing of photos, movies, and documents, web browsing, blogging, web hosting, and domain name registration services. This general license applies broadly to all transactions falling within its scope, rather than only authorizing transactions with specific identified entities.

## II. EU Actions

On April 8, 2022, the EU released a “[fifth wave](#)” [sanctions package](#) “in light of Russia’s continuing war of aggression against Ukraine, and the reported atrocities committed by Russian armed forces in Ukraine.” The economic sanctions and trade restrictions include the following:

### Sanctions on Oligarchs and Kremlin Officials

The EU has imposed asset freezing sanctions and a travel ban on 217 individuals, including oligarchs, high-ranking Kremlin officials, persons spreading disinformation and Russian propaganda regarding the invasion of Ukraine, and family members of sanctioned individuals. Sanctioned oligarchs include Moshe Kantor, Boris Rotenberg and Oleg Deripaska. Russian President Vladimir Putin’s daughters, Maria Vladimirovna Vorontsova and Ekaterina Vladimirovna Tikhonova, were also sanctioned in the April 8, 2022 action. Of the 217 sanctioned individuals, 179 are ministers and members of the “People’s Council” of the so-called Donetsk People’s Republic and Luhansk People’s Republic regions of Ukraine.

### Asset Freeze on Four Russian Banks and Defense Entities

The EU also imposed asset freezing restrictions on 18 entities, including on four key Russian banks who have a 23% share of the Russian banking sector: Bank Otkritie, Novikombank, Sovcombank, and VTB. These banks were already removed from SWIFT, which is the messaging system used for global bank communications. Other designated entities include Russian state-owned enterprises and defense sector companies:

- JSC Arzamas Machine-Building Plant
- JSC Ruselectronics
- JSC Tactical Missiles Corporation
- JSC Kalashnikov Concern
- JSC UEC Klimov
- LLC Military Industrial Company

- PO More Shipyard
- JSC Omsk Transport Machine Factory Omsktransmash
- JSC Russian Machines
- JSC Sozvezdie Concern
- JSC Research and Industrial Concern “Machine Engineering Technologies” - JSC RIC TECMASH
- PJSC United Engine Corporation
- Yantar Shipyard
- JSC GTLK State Transport Leasing Company

A complete list of the sanctioned individuals and entities is [available here](#).

### Coal Ban

The EU has banned the purchase, import or transfer of coal and other solid fossil fuels originating in Russia or exported from Russia into the EU. Imports of coal into the EU are currently worth EUR 8 billion per year. This measure goes into effect in August 2022, after a four-month wind down period for existing contracts. The coal ban, in response to significant international pressure, marks the first substantive foray into blocking Russian energy sector imports into the EU, and may be followed by future energy-related actions should tensions continue to escalate.

### Transport Restrictions

Vessels registered under the flag of Russia are prohibited from accessing all EU ports, with exemptions for the supply of agricultural and food products, humanitarian aid, and energy.

Russian and Belarusian freight road operators are prohibited from working in the EU, with the exemption of road transit of pharmaceutical, medical, agricultural and food products, including wheat, humanitarian aid, and energy.

### Export/Import Restrictions

The EU imposed significant export controls that prohibit the export from the EU to Russia of jet fuel and other goods such as quantum computers and advanced semiconductors, high-end electronics, software, sensitive machinery and transportation equipment. Additionally, the EU has also prohibited the import of products including wood, cement, fertilizers, seafood and liquor from Russia into any EU member state.

### Measures to Ensure Compliance with Restrictions

New economic restrictions imposed by the EU intended to close loopholes and build on existing restrictions include (1) a prohibition on the participation of Russian nationals and entities in procurement contracts in the EU; (2) restrictions on financial and non-financial support to Russian entities with over 50% public ownership or control under EU, Euratom and Member State programmes; (3) an extended prohibition on deposits to crypto-wallets, and on the sale of banknotes and transferrable securities denominated in any official currency of the EU member states to Russia and Belarus; and (4) a prohibition on “being a beneficiary, acting as a trustee or in similar capacities for Russian persons and entities, as well as a prohibition on providing certain services to trusts.”

For more information, see [Council Regulation \(EU\) 2022/576](#) of April 8, 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia’s actions destabilizing the situation in Ukraine.

Given the multiple jurisdictions imposing sanctions and export controls on Russia, 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 [April 7](#), [March 28](#), [March 17](#), [March 15](#), [March 11](#), [March 7](#), [March 1](#), [February 28](#), and [February 17](#).

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