

CLIENT ALERT

United States Escalates Sanctions Against Russia, Targeting Major Russian Financial Institutions and Russian President Vladimir Putin

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The Biden administration has announced a significant package of new sanctions on Russia in response to Russia's full invasion into Ukraine. The latest tranche of sanctions come shortly after President Biden announced comprehensive sanctions on the Donetsk and Luhansk regions of Ukraine, as detailed in our prior [client alert](#). The latest actions primarily target major Russian financial institutions and persons with close ties to President Vladimir Putin, along with President Putin himself, as well as adding new restrictions on dealing in new debt and equity of identified state-owned entities and Russian sovereign debt. In addition, and in close coordination with European counterparts, the Biden administration also imposed sanctions on the entity that operates Nord Stream 2, and its chief executive officer.

This alert summarizes the full package of sanctions announced to date by the Biden administration:

- the designation of major Russian financial institutions, including VTB Bank PJSC ("**VTB**"), Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank ("**VEB**"), and others;
- expanded prohibitions on dealing in Russian sovereign debt;
- correspondent and payable-through account sanctions on PJSC Sberbank ("**Sberbank**") and others;
- certain debt and equity prohibitions against identified entities;

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- designation of Nord Stream 2 AG and its chief executive officer; and
- the designation of individuals with close ties to President Putin.

President Biden also announced new export control requirements under the Export Administration Regulations, which impose license requirements on certain exports to Russia. We discuss these export control requirements in a separate alert. The U.S. sanctions were accompanied by sanctions packages from the European Union, United Kingdom and other allies, which we will also address in a separate alert.

At the same time as imposing sanctions on Russia, President Biden announced a new tranche of sanctions targeting the Lukashenka regime in Belarus, with the designation of 24 Belarusian persons, including state-owned banks and the defense and security industries, in response to Belarus's facilitation of Russia's invasion of Ukraine. OFAC's announcement listing the Belarusian designations is available [here](#).

Designation of Significant Russian Banks

The U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") designated several major Russian financial institutions pursuant to [E.O. 14024](#), including VTB, VEB, Promsvyazbank PJSC, PJSC Bank Financial Corporation Otkritie ("**Otkritie**"), OJSC Sovcombank ("**Sovcombank**"), JSC Bank Novikom, and a number of subsidiaries including subsidiaries outside of Russia, and some which operate in various other sectors. Designated persons are added to OFAC's List of Specially Designated Nationals and Blocked Persons (the "**SDN List**") and each designated person as well as any entity owned 50 percent or more by one or more designated persons, is now blocked and any property or interests in property that are in the United States or in the possession or control of U.S. persons are also blocked. U.S. persons are generally prohibited from engaging in any activity in which a blocked person has an interest, absent authorization from OFAC.

Correspondent and Payable-Through Account Sanctions on Sberbank

OFAC issued [Directive 2](#) to E.O. 14024, the so-called "**CAPTA Directive**" that prohibits U.S. financial institutions from (1) opening or maintaining any correspondent or payable-through accounts for or on behalf of Sberbank and (2) the processing of any transaction involving Sberbank, effective **March 26, 2022**. The restrictions also apply to any entity in which Sberbank owns a 50 percent or greater interest, and OFAC has identified Sberbank and 25 of its subsidiaries subject to the CAPTA Directive on the "**CAPTA List**," available at Annex 1 to Directive 2.¹ The prohibitions on any additional entities added to the CAPTA List will become effective 30 days from the identification of the entity.

¹ See OFAC FAQ 969, available [here](#).

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Directive 2 also prohibits U.S. financial institutions from processing any transactions involving entities subject to the CAPTA Directive. OFAC guidance makes clear that U.S. financial institutions must reject transactions involving a foreign financial institution on the CAPTA List.²

New Debt and Equity Prohibitions Against Identified Entities

OFAC also issued [Directive 3](#) to E.O. 14024, which expands restrictions on new debt and equity transactions related to certain identified Russian entities. Specifically, Directive 3 prohibits U.S. persons from all transactions in, provision of financing for, and dealings in new debt longer than 14 days maturity and new equity of listed Russian entities, including: Credit Bank Of Moscow Public Joint Stock Company, Gazprombank Joint Stock Company, and Joint Stock Company Alfa-Bank. The prohibitions apply where such new debt and equity is issued on or after **March 26, 2022** for entities identified in Annex 1 to Directive 3, or 30 days after the date of identification, for entities later determined to be subject to the Directive. These restrictions expand the restrictions on new debt and equity set forth in the directives issued under [E.O. 13662](#). OFAC emphasized in its guidance that the prohibitions may be overlapping and U.S. persons remain obligated to comply with all relevant directives.

Expanded Restrictions on Russian Sovereign Debt

In addition to the designations described above, the Biden administration, pursuant to [Directive 1A](#) under E.O. 14024, expanded existing restrictions in place on dealing in Russian sovereign debt on the primary market to also restrict participation in the secondary market. Directive 1A prohibits U.S. financial institutions from participating in the secondary market for ruble or non-ruble denominated bonds issued after March 1, 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. The text of Directive 1A makes clear that the identified institutions were not designated and so do not appear on the SDN List, meaning activity not specified in Directive 1A with such institutions is not currently prohibited.³

General License Applicable to E.O. 14204

OFAC issued a number of general licenses authorizing certain transactions otherwise prohibited by E.O. 14024 specifically related to certain Russian banks described in each respective license:

- [General License 2](#) authorizes transactions involving VEB ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of

² See OFAC FAQ 967, available [here](#).

³ See Directive 1A to E.O. 14204 (“All other activities with entities determined to be subject to the prohibitions of this Directive, or involving their property or interests in property, are permitted, provided that such activities are not otherwise prohibited by law, the Order, or any other sanctions program implemented by the Office of Foreign Assets Control.”).

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the Russian Federation, or the Ministry of Finance of the Russian Federation (not including any transaction prohibited by Directive 1A, which prohibits certain dealings in Russian sovereign debt).

- [General License 3](#) authorizes certain transactions related to the wind down of transactions involving VEB through **March 24, 2022**.
- [General License 5](#) authorizes certain transactions related to official business of certain international organizations.
- [General License 6](#) authorizes certain transactions related to the exportation or reexportation of agricultural commodities, medicine, and medical devices and related parts and services, and COVID-19.
- [General License 7](#) authorizes certain transactions related to overflight payments, emergency landings, and air ambulance services.
- [General License 8](#) authorizes certain transactions with VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest, related to transactions “**related to energy**”⁴ through **June 24, 2022**.
- [General License 9](#) authorizes certain transactions related to dealings in debt or equity of VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest, issued prior to February 24, 2022, through **May 25, 2022**, where any divestment or transfer of covered debt or equity must be to a non-U.S. person.
- [General License 10](#) authorizes certain transactions related to the wind down of derivative contracts entered into prior to 4:00 p.m. EST on February 24, 2022 that include one of VEB, Otkritie, Sovcombank, Sberbank, VTB or any entity in which an above-listed entity owns a 50 percent or greater interest as a counterparty or are linked to debt or equity of one of the above-described entities, through **May 25, 2022**; including debits to accounts on the books of a U.S. financial institution.
- [General License 11](#) authorizes certain transactions related to the wind down of transactions involving Otkritie, Sovcombank, VTB, or any entity in which an above-listed entity owns a 50 percent or greater interest, through **March 26, 2022**.

⁴ The term “related to energy” means extraction, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication, transport, or purchase of petroleum, including crude oil, lease condensates, unfinished oils, natural gas liquids, petroleum products, natural gas, or other products capable of producing energy, such as coal, wood, or agricultural products used to manufacture biofuels, or uranium in any form, as well as the development, production, generation, transmission, or exchange of power, through any means, including nuclear, thermal, and renewable energy sources.

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- [General License 12](#) authorizes U.S. persons to reject, rather than block, transactions involving Otkritie, Sovcombank, VTB, or any entity in which an above-listed entity owns a 50 percent or greater interest, through **March 26, 2022**.

Nord Stream 2

In line with German Chancellor Scholz's move to suspend certification of Nord Stream 2, the Biden administration added Nord Stream 2 AG and its CEO, Matthias Warnig, to the SDN List. OFAC also issued a wind-down general license, General [License 4](#), authorizing transactions ordinarily incident to the wind down of transactions involving Nord Stream 2 AG, or any entity in which Nord Stream 2 AG owns, directly or indirectly, a 50 percent or greater interest, through **March 2, 2022**.

Designation of President Putin and Individuals in President Putin's Circle

In addition to the sanctions described above, the Biden administration [announced sanctions on President Putin](#) and individuals, along with their family members, identified as having close personal ties with President Putin. These individuals include senior government officials, such as Minister of Foreign Affairs, Sergei Lavrov, and senior executives at significant state-owned and influential enterprises. Companies should consult the SDN List, available [here](#), to search for the full list of designated individuals and entities.

The situation in Ukraine is rapidly evolving, and we will continue to issue updates as more information becomes available. In addition, we note that the Biden administration has issued these sanctions in close coordination with its European counterparts. For more information on the latest UK sanctions, please see [our write-up](#).

We will continue to monitor developments, and provide commentary and analysis regarding the implications of these sanctions and any additional sanctions issued by the United States and its allies against Russia.

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