

Alert | Export Controls & Economic Sanctions



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United States Continues to Escalate Sanctions Against Russia, Targeting Putin Personally and Cutting off Russia from SWIFT

*Beginning Feb. 21, 2022, the U.S. government began to issue sanctions on Russian officials in its continued response to the Russian invasion of Ukraine. In its latest round of designations, the U.S. Department of Treasury, Office of Foreign Assets Control (OFAC) **designated** President Vladimir Putin, along with several members of his cabinet and inner circle. These latest sanctions packages and other measures come on the heels of multiple prior waves of U.S. sanctions announced over the past week.*

In addition to these sanctions, the United States and other allies agreed to cut off Russia from SWIFT banking communication system. The move is part of escalating, coordinated efforts by the United States and European countries to target the Russian financial sector, which include sanctions from the United Kingdom, European Union, and Switzerland.

Third Wave of Sanctions

On Feb. 25, 2022, OFAC **added** the President of the Russian Federation, Vladimir Putin to the **Specially Designated Nationals (SDN) List**. In addition to President Putin, OFAC designated Russia's Minister of Foreign Affairs, Sergei Viktorovich Lavrov, Russia's Minister of Defense, Sergei Shoigu, and Chief of the General Staff of the Russian Armed Forces and First Deputy Minister of Defense, General Valery Gerasimov as SDNs. These measures follow an initial **sanctions package announced Feb. 22, 2022**, which

was targeted at the so-called Donetsk People’s Republic and the Luhansk People’s Republic (collectively, the Covered Regions). The [sanctions relating to Nord Stream 2](#) were issued Feb. 23, 2022, and the [banking sanctions and export controls](#) were announced Feb. 24, 2022.

As a result of the sanctions measures, U.S. persons will effectively be prohibited from all dealings with President Putin and the other designated Russian officials direct or indirect. All property and assets of President Putin (as well as the other designated Russian officials) that are located in the United States, or in U.S. persons' possession or control, are now deemed frozen and must be disclosed to OFAC. Further, any entity that is owned (directly or indirectly) 50% or more by any restricted person is also prohibited. The designation of Putin and Lavrov is seen as largely symbolic as Putin and Lavrov do not maintain significant assets in the United States, and from a compliance standpoint, there are significant challenges determining whether Putin and Lavrov are ultimate beneficial owners in entities comprised of opaque shell companies and other vehicles for obfuscating ultimate beneficial ownership around the world. All transactions by U.S. persons or within (or transiting) the United States that pertain to any property or any property interests of a restricted person are prohibited unless authorized by a general license or specific license granted by OFAC. Lastly, U.S. persons are prohibited from receiving or contributing assets, goods, products, or services for the benefit of restricted persons.

Additional OFAC Measures Announced

On Feb. 28, 2022, OFAC issued Russia-related Directive 4 under Executive Order 14024, Russia-related General License 8A, a final rule and designated additional Russian individuals and entities to the SDN List. In addition to these measures, OFAC designated the Central Bank of the Russian Federation, the Ministry of Finance of the Russian Federation and the National Wealth Fund of the Russian Federation to its Non-SDN list.

- **Russia-related Directive 4** details prohibitions related to transactions involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation.
- **General License No. 8A** temporarily authorizes certain energy-related transactions through Jun. 24, 2022 (12:01 a.m. EST).
- **Implementing Regulations:** OFAC published implementing regulations at 31 C.F.R. Part 587, the “Russian Harmful Foreign Activities Sanctions Regulations,” effective March 1, 2022. The regulations implement Executive Order 14024 (of April 2021) under which many of the sanctions over the last week have been issued. The new regulations provide some clarity on certain definitions, prohibitions, General Licenses, and exemptions. OFAC anticipates additional supplemental regulations to follow.

Multilateral and Non-U.S. Sanctions Measures

On Feb. 26, 2022, the United States, United Kingdom, Canada, and other European Union countries (with Japan joining suit on Feb. 27, 2022) [agreed](#) to remove the Russian central bank and certain Russian banks yet to be disclosed, from the Society for Worldwide Interbank Financial Telecommunication (more commonly referred to as SWIFT). The SWIFT system is overseen by G-10 central banks, contains more than 200 countries, and has the participation of roughly 11,000 banks globally. Russia heavily relies on the SWIFT system primarily for its gas and oil exports.

In a historically significant move given its typically neutral position, Switzerland [elected to adopt](#) the EU sanctions against Russia Feb. 28, 2022. These sanctions include but are not limited to financial sanctions

and the freezing of assets of President Vladimir Putin, Prime Minister Mikhail Mishustin, and Foreign Minister Sergey Lavrov, freezing of assets of specific Russian entities, and closing its air space to all flights from Russia with exception of flights concerning medical, humanitarian, or diplomatic purposes.

Key Takeaways

OFAC's latest round of designations limits U.S. persons from transacting with President Putin, and certain Russian officials and financial entities, resulting in ongoing complexity and uncertainty for U.S. companies with operations in or involving Russia. More broadly, the removal of Russia's central bank from SWIFT severely limits Russia's access to nearly every major global financial market, making investments and transactions increasingly difficult, more expensive, and less secure.

The international response to the Russia-Ukraine conflict has resulted in a rapidly changing sanctions landscape, and companies and organizations should continue to closely monitor communications/guidance from the U.S. Department of Commerce's Bureau of Industry and Security, OFAC, and the White House, as well as from non-U.S. governments and international organizations. The latest U.S. measures and sanctioning of President Putin are part of a multilateral sanctions response that includes measures already announced or currently considered by the UK, EU, Switzerland, Canada, Australia, Japan and others. Given the overlapping but distinct sanctions regimes at play, companies and organizations with dealings in the region should carefully consider the sanctions measures of all applicable jurisdictions.

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