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U.S. and EU Announce Next Rounds of Sanctions in Response to Russia's Military Aggression Against Ukraine

Client Advisories

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March 14, 2022 – As Russia continues its assault on Ukraine, the U.S. government ramped up anti-Russia economic pressure through several significant economic sanctions and export control actions over the past week. For a summary of the U.S.'s previous Russia-related actions, please see our earlier alerts available [here](#). And to register for our client briefing on the additional U.S./EU sanctions in response to the crisis in Ukraine, [click here](#).

New US Actions

On March 4, 2022, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) published [three Frequently Asked Questions \(FAQs\)](#) under the Russia Harmful Foreign Activities Sanctions program, providing further guidance on [General License 8A](#) regarding authorizations for energy-related transactions and [Executive Order \("E.O."\) 14024](#).

On March 7, 2022, the Department of Commerce's Bureau of Industry and Security ("BIS") [added](#) South Korea to the list of countries to receive an exclusion from the license requirements required under the U.S. Russia/Belarus Sanctions rules, including the foreign direct product rules for Russia/Belarus. South Korea joins the member states of the EU, Japan, Canada, Australia, the United Kingdom, and New Zealand as countries which have committed to implementing similar controls as the United States. BIS noted that providing exclusions to partner countries enhances the multilateral effort to implement strong export controls.

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On March 11, 2022, the President issued a new executive order entitled [Prohibiting Certain Imports, Exports, and New Investment with Respect to Continued Russian Federation Aggression](#). The new E.O. imposed prohibitions on the export of luxury items to persons located in Russia, such as jewelry and vehicles, and the import of goods from several signature sectors of Russia's economy, including alcoholic beverages and seafood, and created a broad authority to ban new investment in any sector of the Russia economy. OFAC also issued [General License 17](#), authorizing transactions until March 25, 2022 related to certain imports made pursuant to agreements executed prior to March 11, 2022 that would be otherwise prohibited by the E.O., [General License 18](#), authorizing certain personal remittances, [General License 19](#), authorizing certain transactions related to personal maintenance of U.S. individuals in Russia, and [General License 23](#), which authorizes certain transactions in support of nongovernmental organizations' activities. OFAC also issued eight [FAQs](#), seven of which provide further guidance on the E.O., and one FAQ which provides guidance on the application of Russia-related sanctions to virtual currency. Finally, OFAC updated [FAQ 1,007](#), an FAQ providing guidance on authorizations for U.S. persons related to activity with Donetsk and Luhansk, to include General License 23.

Contemporaneously with the March 11, 2022, E.O., BIS issued a [final rule](#) imposing a ban on the export of luxury goods to Russia. The rule requires a license from BIS for the export, reexport, or in-country transfer of "luxury goods" to (1) Russia or Belarus regardless of the end-user or end-use, or (2) Russian parties on the Specially Designated Nationals List regardless of their location. The rule also creates a new Supplement 5 to 15 C.F.R. Part 746 that identifies the "luxury goods" subject to the license requirement by commodity description, schedule B number, and HTS code. Those goods include, for example, artwork, alcoholic beverages, tobacco, carpets, leather goods, silk goods, and jewelry and precious metals.

New EU Actions

New sanctions targeting Russia of March 9, 2022

On March 9, 2022, the EU imposed further restrictive measures on Russia and Belarus in response to the Russian military aggression against Ukraine with support of Belarus through three EU Council Regulations and three Council Decisions.

1. [Individual restrictive measures](#)

The EU added 160 individuals to the EU restricted parties list pursuant to [Council Decision 2022/397](#) and [Council Regulation 2022/396](#). The listed individuals [include](#):

- 14 oligarchs and prominent businesspeople involved in key economic sectors providing a substantial source of revenue to the Russian Federation, notably in the metallurgical, agriculture, pharmaceutical, telecom and digital industries, and their family members; and
- 146 members of the Russian Federation Council, who ratified the government decisions of the "Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Donetsk People's Republic" and the "Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation

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[Council Decision 2022/395](#) and [Council Regulation 2022/394](#) provide some clarification and fine-tuning to some of the existing sectoral sanctions applicable to Russia's finance sector. The amendments entered into force on March 10, 2022.

- **Clarification on the sanctions targeting the reserves of the Central Bank of Russia** – As explained in our previous [client alert](#), in order to prevent Russia's Central Bank from financing Russia's war, [Council Decision 2022/335](#) and [Council Regulation 2022/334](#) imposed bans related to the management of reserves and assets of the Central Bank of Russia, including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia. The EU specified on March 9, 2022, that these restrictions apply to the Russian National Wealth Fund as well.
 - The competent authorities may authorize such prohibited transactions provided it is strictly necessary to ensure the financial stability of the EU as a whole or of the Member State concerned.
- **Inclusion of crypto assets in the definition of transferable securities** – The EU amended the definition of transferable securities by expressly including crypto assets. Therefore, all restrictions on transferable securities apply to those in the form of crypto assets.
- **Addition of the Russian Maritime Register of Shipping to Annex XIII** – The EU added the Russian Maritime Register of Shipping to the list of Russian entities having substantial economic relationships with Russia, its Government or the Central Bank ([Annex XIII to Council Regulation 833/2014](#)). Therefore, it is now prohibited to purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments issued after April 12, 2022, (i) by the Russian Maritime Register of Shipping, or (ii) by any legal person established outside the Union owned for more than 50 % by the Russian Maritime Register of Shipping, or (iii) by an entity acting on behalf, or at the direction of an entity referred to in point (i) or (ii). Consequently, it is also now prohibited to make or be part of any arrangement to make any new loans or credit to these entities.
 - The regulation provides for a number of exemptions (financing for non-prohibited imports or exports, certain non-financial services and certain emergency funding) applicable to these new loans and credit.
 - Provided certain conditions are met, the new loans and credit prohibition does not apply to drawdown or disbursements made under a contract concluded before February 26, 2022.
- **Extension of exemptions to the public trade financing ban** – As explained in our previous [client alert](#), [Council Regulation 2022/328](#) introduced a new prohibition on the provision of public financing or financial assistance for trade with, or investment in, Russia. On March 9, 2022, the EU amended the second exemption for public financing or financing assistance up to 10 million euros per project, which now applies to projects "benefiting" (instead of "to") small and medium-sized enterprises established in the Union. This amendment is slightly broadening the scope of the exemption by authorizing indirect financing or financing assistance for the targeted trade.
- **Extension of exemptions to restrictions on deposits** – As explained in our previous [client alert](#), [Council Regulation 2022/328](#) introduced a new prohibition for credit institutions to accept any deposits from Russian nationals or natural persons residing in Russia, or legal persons established in Russia, if the total value of deposits per credit institution exceeds 100,000 euros. The exemption provided for nationals and temporary or permanent residents of EU Member States is now extended to nationals and temporary or permanent residents

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or for use in Russia, or for the placing on board of a Russian-flagged vessel.

- **Ban on technical assistance, brokering services and other services** – Also prohibited is the provision of technical assistance, brokering services or other services related to the items listed in Annex XVI and to the provision, manufacture, maintenance and use of those items, in Russia or for use in Russia.
- **Ban on financing and financial assistance** – Finally, providing financing or financial assistance related to the items listed in Annex XVI for any sale, supply, transfer or export of these items, or for the provision of related technical assistance, brokering services or other services, in Russia or for use in Russia, is prohibited.
 - Several exemptions (not requiring authorizations) are provided for the sale, supply, transfer or export of these items and the related services, for non-military use or end-users, intended for specific purposes (e.g: humanitarian, health emergencies, environment, etc.).
 - Export authorizations can be granted by the competent authority for the sale, supply, transfer or export of these items and the related services, provided they are intended for non-military use and end-user, after having determined they are intended for maritime safety.

Defense and security

Note that [Council Decision 2022/395](#) and [Council Regulation 2022/394](#) amended Annex VII to [Council Regulation 833/2014](#), including the goods and technology which might contribute to Russia's military and technological enhancement or the development of its defense and security sector. The EU has notably clarified that non-controlled items containing one or more components listed in this Annex VII were not subject to the controls under article 2b as well as article 2a of Regulation.

As a reminder, it is prohibited to export, sell or supply and to provide technical assistance, brokering services, financing or financial assistance related to the goods and technology listed in Annex VII in or for use in Russia. For further details on applicable exemptions and authorizations, please see our previous [client alert](#).

New sanctions targeting Belarus of March 9, 2022

Following up on the restrictive measures of March 2, 2022, in response to the involvement of Belarus in Russia's military aggression against Ukraine (described in our previous [client alert](#)), the EU adopted additional sectoral measures targeting Belarus through [Council Decision 2022/399](#) and [Council Regulation 2022/398](#). The new measures and amendments, mostly mirroring the measures already adopted against Russia, entered into force on March 10, 2022.

Finance

- **Inclusion of crypto assets in the definition of transferable securities** – The EU amended the definition of transferable securities by expressly including crypto assets. Therefore, all restrictions on transferable securities apply to those in the form of crypto assets.
- **New restrictions targeting the Central Bank of Belarus** – Transactions related to the management of reserves and assets of the Central Bank of Belarus, including transactions with any legal person, entity or body acting on

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(iii) the provision of public financing or financial assistance for trade in food, and for agricultural, medical or humanitarian purposes.

- **New restrictions on deposits** – The EU introduced a new prohibition for credit institutions to accept any deposits from Belarusian nationals or natural persons residing in Belarus, or legal persons established in Belarus, if the total value of deposits per credit institution exceeds 100,000 euros.
 - Two exemptions are provided, however, for (i) nationals of and temporary or permanent residents of a Member State, a country member of the European Economic Area or Switzerland; and (ii) deposits which are necessary for non-prohibited cross-border trade in goods and services between the Union and Belarus.
 - An authorization can be granted by the competent authority under certain conditions for the acceptance of such deposit (e.g.: basic needs, professional fees, diplomatic missions, humanitarian purposes, etc.).
 - Additionally, credit institutions are now subject to new reporting requirements to their national competent authority or the Commission (before May 27, 2022 and annually afterward) regarding deposits exceeding 100,000 euros held (i) by Belarusian nationals or residents, or legal persons established in Belarus, and (ii) Belarusian nationals or residents who have acquired the citizenship of a Member State or residence rights in a Member State through an investor citizenship scheme or an investor residence scheme.
- **New prohibition on euro denominated banknotes** – It is now prohibited to sell, supply, transfer or export euro denominated banknotes to Belarus or to any natural or any entity in Belarus (including the Government and the Central Bank of Belarus) or for use in Belarus.
 - Two exemptions are provided for: (i) the personal use of natural persons travelling to Belarus or members of their immediate families travelling with them; and (ii) the official purposes of diplomatic missions, consular posts or international organizations in Belarus enjoying immunities in accordance with international law.
- **Exclusion of certain Belarusian banks from the SWIFT system** – It is prohibited to provide specialized financial messaging services used to exchange financial data (SWIFT) to (i) the legal persons, entities or bodies listed in Annex XV or (ii) any legal person, entity or body established in Belarus and directly or indirectly owned more than 50 % by a party listed in Annex XV. The banks listed in Annex XV, as of March 10, 2022, are Belagroprombank, Bank Dabrabyt and the Development Bank of the Republic of Belarus. Their exclusion from the SWIFT system is effective on March 20, 2022.

The new financial restrictions finally include (i) new restrictions for central securities depositories (as defined in [Regulation \(EU\) No 909/2014](#)), (ii) a new prohibition from selling euro denominated transferable securities issued after April 12, 2022, or units in collective investment undertakings providing exposure to such securities, to any Belarusian national or natural person residing in Belarus or any legal person established in Belarus, and (iii) a new prohibition from listing and providing services as of April 12, 2022 on trading venues for the transferable securities of any legal person established in Belarus and with over 50% public ownership.

Defense and security

[Council Decision 2022/399](#) and [Council Regulation 2022/398](#) amended Annex Va to [Council Regulation 765/2006](#), including the goods and technology which might contribute to Belarus' military and technological enhancement

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for air traffic management network functions of the single European sky.

Future Actions

New EU sanctions are expected in the coming days. After an informal meeting of EU heads of state or government in Versailles on March 10 and 11, 2022, EU leaders adopted a declaration on the Russian aggression against Ukraine, as well as on bolstering defense capabilities, reducing energy dependencies and building a more robust economic base. They also warned that the EU is determined to increase pressure on Russia and Belarus and ready to move quickly with further sanctions.

The new package of sanctions will be designed and implemented in coordination between G7 countries, as their leaders committed on March 11, 2022, to take further measures to:

- Deny Russia most-favored-nation status relating to key products;
- Prevent Russia from obtaining financing, loans and other benefits from the leading multilateral financial institutions, including the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development;
- Pressure Russian elites close to President Putin, their families and enablers, notably through the work of the transatlantic task force announced on February 26, in charge of identifying and freezing the assets of sanctioned individuals and companies. G7 Finance-, Justice- and Home Affairs Ministers will meet next week to coordinate this task force;
- Ensure that the Russian state and its elites cannot use crypto assets to circumvent the sanctions;
- Ban the export of luxury goods to Russia, and ban the import of key goods in the iron and steel sector from Russia; and
- Cut access of Russian entities directly or indirectly supporting the war to new debt and equity investments and other forms of international capital. The EU said it will propose a big ban on new European investments across Russia's energy sector covering all investments, technology transfers, financial services, etc., for energy exploration and production.

As EU sanctions against Russia intensify, the European Commission submitted on March 10, 2022, to Member States a draft proposal for a State aid Temporary Crisis Framework to support the EU economy in the context of Russia's invasion of Ukraine. The draft would notably allow Member States to grant temporary liquidity support to all companies affected by the current crisis through guarantees and subsidized loans and aid for additional costs due to exceptionally high gas and electricity prices.

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