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U.S. Imposes Additional Sanctions, EU Imposes Second and Third Rounds of Sanctions on Russia for Ukraine Invasion

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February 28, 2022 – As a result of Russian President Vladimir Putin’s ongoing assault on Ukraine, President Joe Biden has taken additional measures to isolate Russia from the global financial system and the global economy. On Friday, February 25, the U.S. imposed sanctions on President Putin, along with several other key Russian officials. On Saturday, February 26, the U.S. and several EU counterparts committed to removing certain Russian banks from the SWIFT international payments network. On Monday, February 28, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) issued Directive 4 under Executive Order (“E.O.”) 14024 and publicized its plans to add regulations implementing E.O. 14024.

On February 25 and 28, 2022, the European Union also imposed “overwhelming and hard-hitting sanctions” targeting the Russian regime in response to Russia’s full-scale invasion of Ukraine, as announced early on February 24. The second and third rounds of sanctions have been prepared by the EU in close coordination with the United States, the United Kingdom, Canada, Norway, Japan, and Australia. They build on the first package of restrictions enacted on February 23, and target Russia’s finance, defense, energy, aviation and space sectors, as well as key Russian state-owned companies, diplomats and businesses. These sanctions became effective immediately.

(Please see our prior client alerts for summaries of the first tranche of U.S. and EU and second tranche of U.S. sanctions.)

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if Russia's unprovoked campaign against Ukraine does not immediately conclude.

2. **February 26, 2022 Commitment to Remove Certain Russian Banks from SWIFT**

On February 26, 2022, the U.S., European Commission, France, Germany, Italy, the United Kingdom, and Canada issued a [joint statement](#) announcing that they would, among other things, "commit to ensuring that selected Russian banks are removed from the SWIFT messaging system. This will ensure that these banks are disconnected from the international financial system and harm their ability to operate globally." Additionally on February 26, 2022, a senior White House official reported that the EU plans to implement a regulation that removes [sanctioned](#) Russian banks from the SWIFT international payments network. We understand that these governments are still working on the specific mechanism to identify which banks will be affected and to implement the SWIFT ban, although the aforementioned White House official explained that the Russian banks already sanctioned by the U.S. and EU "will be the first ones considered."

3. **February 28, 2022 Directive and Upcoming Regulations**

On February 28, 2022, OFAC issued a new [Directive 4](#) under [E.O. 14024](#), which prohibits U.S. persons from engaging in certain 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. This action effectively immobilizes any assets of the Central Bank of the Russian Federation held in the United States or by U.S. persons, wherever located. A listing of entities determined to be subject to the prohibitions of this Directive can be found in OFAC's Non-SDN Menu-Based Sanctions ("NS-MBS") List. OFAC also amended [General License 8](#) to allow energy-related transactions with the Central Bank of the Russian Federation through June 24, 2022.

In addition, OFAC added to the SDN list the following three entities with key roles in managing Russia's sovereign wealth funds:

- The Russian Direct Investment Fund ("RDIF")
- Joint Stock Company Management Company of the Russian Direct Investment Fund ("JSC RDIF")
- Limited Liability Company RVC Management Company ("LLC RVC")

OFAC further continued its incremental designations of persons believed to be close to President Putin by adding Kirill Aleksandrovich Dmitriev to the SDN list, who OFAC described as "a close ally of Putin and the CEO of RDIF and JSC RDIF."

Finally, on February 28, 2022, OFAC noted its intent to add [regulations](#) to implement [E.O. 14024](#). These regulations, which are currently only *pro forma*, will take effect on Tuesday, March 1, 2022, and will be codified at a new Part 587 to title 31 of the Code of Federal Regulations. OFAC intends to supplement these regulations with a more comprehensive set of regulations, which may include additional interpretive guidance and definitions, general licenses, and other regulatory provisions.

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individuals or entities that “support or benefit” from the Government of Russia and leading businessmen whose businesses provide a significant source of revenue to the Russian Government. The sanctions program was also amended to allow the designation of Belarusian individuals and entities facilitating Russia’s invasion of Ukraine.

Ninety-nine individuals were added to the EU restricted parties list pursuant to [Council Decision 2022/331](#) and [Council Implementing Regulation 2022/332](#), and include:

- Russian President Vladimir Putin and Minister of Foreign Affairs Sergei Lavrov through an asset freeze (travel ban restriction does not apply);
 - President Putin is one of the few nations’ leaders to be on the EU restricted parties list, alongside Aliaksandr Ryhoravich Lukashenka (Belarus), Bashar Al-Assad (Syria) and Min Aung Hlaing (Myanmar).
 - Interestingly, President Putin and Mr. Lavrov are the only ones not to be subject to EU travel ban restrictions.
- Members of the National Security Council of the Russian Federation who supported Russia’s immediate recognition of the two non-government controlled areas of the Donetsk and Luhansk oblasts of Ukraine as independent entities (5 individuals);
- The remaining members of the Russian State Duma, who ratified the government decision of the Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the two oblasts (72 individuals); and
- Individuals who facilitated the Russian military aggression from Belarus (19 individuals).

2. **Visa restrictions**

[Council Decision 2022/333](#) prevents diplomats, other Russian officials and business people from benefiting from visa facilitation provisions allowing privileged access to the EU by suspending a number of provisions of the Agreement of the European Community and the Russian Federation on the facilitation of the issuance of visas to the citizens of the European Union and the Russian Federation.

3. **Sectoral sanctions**

[Council Decision 2022/327](#) and [Council Regulation 2022/328](#) introduce new restrictive measures related to the defense, energy, aviation, space and finance sectors.

Defense sector

[Council Decision 2022/327](#) and [Council Regulation 2022/328](#) significantly broaden the existing export control restrictions on items which might contribute to Russia’s technological enhancement of its defense and security sector.

- **Extension of dual-use items related restrictions** – It is now prohibited to export, sell or supply and to provide technical assistance, brokering services, financing or financial assistance related to dual-use goods and

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drones and software for drones, software for encryption devices, semiconductors and advanced electronics.

- Several exemptions are provided for the export or the provision of services related to the above-mentioned items intended for specific non-military purposes (e.g.: humanitarian, medical, communication, etc.). The exporter must however declare the operation to the customs and notify its national competent authority within 30 days from the date when the first export took place.
- Export authorizations can be granted by the competent authority for controlled items, provided the export is intended for specifically approved, non-military purposes (e.g.: intergovernmental cooperation, maritime safety, diplomatic representations, etc.).
- Export authorizations can also be granted by the competent authority for export or related services due under contracts concluded before February 26, 2022 provided that the authorization is requested before May 1, 2022.
- Note that the competent authorities may annul, suspend, modify or revoke authorizations previously granted if they deem that such action is necessary for the effective implementation of the regulations.
- **Export authorization prohibition** - No export authorization can be granted (except under certain conditions for items listed in Annex VII of the [Council Regulation 2022/328](#)) if the competent authorities have reasonable grounds to believe that the items might have a military end-use or that the end-user might be a military end-user, as listed in Annex IV of [Council Decision 2022/327](#) and [Council Regulation 2022/328](#). Fifty-five entities have been added to this Annex as military end-users, including Irkut Corporation, OPK Oboronprom and Rostec.

Energy sector

Adding to the [existing](#) oil equipment ban from 2014, [Council Decision 2022/327](#) and [Council Regulation 2022/328](#) introduce a new export ban related to the oil refining sector. The export of refined oil is reported to have generated [24 billion euros](#) in revenues for Russia 2019.

- **Export ban** – It is now prohibited to export, sell, supply, or provide technical assistance, brokering services, financing or financial assistance related to goods and technology suited for use in oil refining as listed in Annex X of the [Council Regulation 2022/328](#) in or for use in Russia.
 - These prohibitions are not applicable until May 27, 2022 for contracts concluded before February 26, 2022 or ancillary contracts necessary for the performance of such contracts.
 - An authorization can be granted by the competent authority if the export or the related services are likely to have a serious and significant impact on human health and safety or the environment. Such prior authorization is not necessary in emergency cases, provided the exporter notifies its national competent authority.

Aviation and space sectors

[Council Decision 2022/327](#) and [Council Regulation 2022/328](#) introduce an export ban and some authorization prohibitions related to the aviation and space industries:

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the export to, or for use in, Russia, of:

- dual-use goods and technology listed in Annex I to Regulation (EU) 2021/821 or the provision of related technical or financial assistance; and
- goods and technology which might contribute to Russia's military and technological enhancement, or the development of the defense and security sector. The relevant items covered by this definition are listed in Annex VII of the [Council Regulation 2022/328](#).

Finance sector

[Council Decision 2022/327](#) and [Council Regulation 2022/328](#) significantly expand the existing financial restrictions, in order to cut Russia's access to capital markets of the EU, increase borrowing costs for the sanctioned entities and gradually erode Russia's industrial base. It is expected that 70% of the Russian banking system (in assets), government and key state-owned companies, will no longer be able to access EU capital markets.

- **New public trade financing ban** - A new prohibition on the provision of public financing or financial assistance (as defined in the [Council Regulation 2022/238](#)) for trade with, or investment in, Russia has been adopted.
 - Several exemptions are provided for (i) binding commitments made prior to February 26, 2022 ; (ii) the provision of public financing or financial assistance up to the total value of 10 million euros per project to small and medium-sized enterprises established in the EU ; and (iii) the provision of public financing or financial assistance for trade in food, and for agricultural, medical or humanitarian purposes.
- **Restrictions on transferable securities and money-market instruments**
 - **Extension of financial restrictions targeting Russian banks** – The EU extended the previous prohibition from dealing in bonds, equity, or similar financial instruments issued by certain Russian banks under [Council Decision 2014/512](#) and [Council Regulation 833/2014](#). Accordingly, it is now prohibited to purchase, sell, provide investment services for or assistance in the issuance of, or otherwise deal in transferable securities and money-market instruments (as defined in the [Council Regulation 2022/328](#)) with a maturity exceeding 90 days, issued from August 1, 2014 to September 12, 2014, or with a maturity exceeding 30 days, issued after September 12, 2014 to April 12, 2022 or any transferable securities and money-market instruments issued after April 12, 2022 by one of the Russian banks listed in Annex III of the [Council Regulation 2022/328](#) (Sberbank; VTB Bank; Gazprombank; VEB; and Rosselkhozbank) or by any legal person established outside the Union acting on behalf of, at the direction of, or owned more than 50% by, one of these listed banks.
 - Note that VEB is subject to an asset freeze imposed by the EU on February 23, 2022, and that the competent authorities can authorize payments necessary for the termination by August 24, 2022, of operations, contracts, or other agreements, including correspondent banking relations, concluded with those entities before February 23, 2022.
 - **New financial restriction targeting Russian banks** – The EU adopted a new prohibition from purchasing, selling, providing investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money-market instruments issued after April 12, 2022 by one of the Russian banks listed in Annex XII of the [Council Regulation 2022/328](#) (Alfa Bank; Bank Otkritie; Bank Rossiya; and Promsvyazbank) or by any legal person established outside the Union acting on behalf, at the direction of,

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2014 to April 12, 2022 or any transferable securities and money- market instruments issued after April 12, 2022 (i) by one of the Russian military entities listed in Annex V of [Council Regulation 2022/328](#) (OPK Oboronprom; United Aircraft Corporation; and Uralvagonzavod), or (ii) by one of the Russian oil companies listed in Annex VI of [Council Regulation 2022/328](#) (Rosneft; Transneft; and Gazprom Neft), or by any legal person established outside the Union acting on behalf, or at the direction of, or owned more than 50% by, one of these listed entities.

- **New financial restriction targeting strategic Russian entities** – The EU introduced a new prohibition from purchasing, selling, providing investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money-market instruments issued after April 12, 2022 by one of the Russian entities having substantial economic relationships with Russia, its Government or the Central Bank listed in Annex XIII of the [Council Regulation 2022/328](#) (Almaz-Antey; Kamaz; Novorossiysk Commercial Sea Port; Rostec; Russian Railways; JSC PO Sevmash; Sovcomflot; and United Shipbuilding Corporation) or by any legal person established outside the Union acting on behalf, or at the direction of, or owned more than 50% by, one of the listed entities.
- **Restrictions on loans and credit**
 - The EU also extended the previous prohibition on new loans and credit granted to the Russian entities listed in Annexes III, V, VI, XII and XIII and the associated entities (*i.e.*: owned more than 50%, or acting on behalf, or at the direction of a listed entity). More especially, after February 26, 2022, it is 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.
- **Restrictions on deposits**
 - The EU 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.
 - Two exemptions are however provided for (i) temporary or permanent residence in a Member State for example, and (ii) deposits which are necessary for non-prohibited cross-border trade in goods and services between the Union and Russia.
 - An authorization can be granted by the competent authority under certain conditions for the acceptance of such deposit.
 - 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 by Russian nationals or natural persons residing in Russia, or legal persons established in Russia.

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 Russian national or natural person residing in Russia or any legal person, entity or body established in Russia, and

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asset freeze (including a prohibition to make funds and economic resources available) in the EU. In total, 680 individuals and 53 entities are now designated under EU sanctions targeting Russia.

2. Flight restrictions

As announced on February 27 by President von der Leyen, the EU shut down its airspace for Russian aircrafts. Council Decision 2022/335 and Council Regulation 2022/334 now prohibit any aircraft operated by Russian air carriers (including as a marketing carrier in code sharing or blocked-space arrangements) or for any Russian registered aircraft, or for any non-Russian-registered aircraft which is owned or chartered, or otherwise controlled by any Russian natural or legal person, entity or body, to land in, take off from or overfly the territory of the Union.

- These restrictions are not applicable in case of emergency landing or overflight. Authorization can be granted by the competent authority or for humanitarian purposes or for any other purpose consistent with the objectives of this Regulation.

3. Additional financial sanctions targeting Central Bank of Russia

In order to prevent Russia's Central Bank from financing Russia's war, Council Decision 2022/335 and Council Regulation 2022/334 provide 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. This new restriction must be examined together with the prohibitions provided in Council Implementing Regulation 2022/262 and Council Decision 2022/264 adopted on February 23, 2022, (i) to make or be part of any arrangement to make any new loans or credit to and (ii) to deal with transferable securities and money-market instruments issued after March 9, 2022 by Russia and its government, the Central Bank of Russia or any person or entity acting on behalf or at the direction of the Central Bank.

- 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.

Next Possible Actions

As announced in a joint statement on February 26, other restrictive measures shall be adopted in the coming days in coordination with the U.S., the UK and Canada as part of the third package of sanctions "that will further isolate Russia from the international financial system." The forthcoming sanctions are expected to:

- As discussed above, remove selected Russian banks from the SWIFT international bank-messaging system. On February 25, the EU Ministers of Finance asked the European Commission and European Central Bank to "assess the consequences of cutting further the access of Russian institutions to the financial system";
- Impose restrictive measures that will prevent the Russian Central Bank from deploying its international reserves in ways that undermine the impact of sanctions; and
- Impose measures to limit the sale of citizenship through "golden passports" that allow third country nationals

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officials and elites close to the Russian government, as well as their families, and their enablers.”

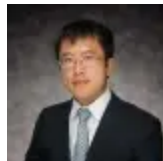
On February 27, 2022, European Commission President Ursula von der Leyen [announced](#) in a press conference that the EU will also ban Russian state-owned media (namely Russia Today and Sputnik and their subsidiaries) to fight disinformation and other forms of hybrid warfare.

The third round of sanctions is also likely to strengthen the existing EU sanctions against Belarus in response to that country’s facilitation and possible joining of Russia’s invasion. On February 24, 2022, the U.S. took retaliatory actions against a number of financial institutions, defense firms, and military officials in Belarus, as we explain in a previous [client alert](#). In this regard, on February 24, 2022, the European Council [called for](#) “the urgent preparation and adoption of a further individual and economic sanctions package that will also cover Belarus”. On February 27, 2022, European Commission President Ursula von der Leyen [announced](#) that the EU will introduce restrictive measures against Belarus’ most important sectors, aiming to ban exports of products from mineral fuels to tobacco, wood and timber, cement, iron and steel. It is expected that these new sanctions will extend to Belarus the export restrictions introduced on dual-use goods for Russia. In addition, more Belarusians helping the Russian war effort are expected to be added to the EU sanctions list.

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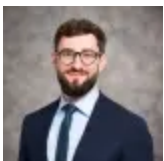
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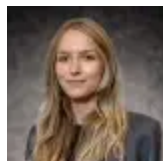
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