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Export Controls Alert

FEBRUARY 24, 2022

New U.S. sanctions against Russia

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President Biden announces tightened export controls, including two new Foreign Direct Product Rules directed at Russia, and broad financial sanctions.



What's the Impact?

- / The White House announced a new tranche of sanctions against Russia curtailing technology imports and restricting financial institutions
- / U.S. and non-U.S. exporters will need to quickly evaluate how the new BIS restrictions, in particular, will impact their products and exports to Russia

On February 24, the White House announced a [new tranche of sanctions against Russia](#), which consist of:

Export restrictions

The Biden administration placed stricter export controls on technology exports to Russian companies, delivering a blow to Russian defense, aviation, and maritime sectors by curtailing access to cutting-edge technology. The United States will also impose Russia-wide restrictions on sensitive U.S. technologies produced in other countries using U.S.-origin software,

technology, or equipment, including, but not limited to, semiconductor, telecommunication, encryption security, laser, sensor, navigation, avionic, and maritime technologies.

Bureau of Industry and Security (BIS) revisions to the Export Administration Regulations (EAR)

BIS has issued extensive revisions to the EAR effective February 24, 2022. Some of the key EAR revisions are as follows:

- / New Russia-specific export restrictions in new §746.8 of the EAR impose new license requirements for the export, reexport, and in-country transfer of any item subject to the EAR and specified in any export control classification number (ECCN) in Categories 3, 4, 5, 6, 7, 8, or 9 of the Commerce Control List (CCL). License applications are reviewed under a “policy of denial.” Limited license exceptions are available.
- / A new so-called Russia Foreign Direct Product Rule (FDPR) in new §734.9(f) requires a license for all foreign-produced items that meet the FDPR product scope, which is broader than the standard FDPR product scope. Specifically, it covers foreign-produced products that are the direct product of U.S.-origin technology or software specified in any ECCN in product groups D or E of CCL Categories 3, 4, 5, 6, 7, 8, or 9 and are destined for Russia.
- / A second new so-called “Russia-Military End User FDPR” in new §734.9(g) requires a license for all foreign-produced items that meet a significantly broader FDPR product scope than (i) the standard FDPR or (ii) even the general Russia FDPR described above. Specifically, this new Russia-Military End User FDPR covers foreign-produced products that are the direct product of U.S.-origin technology or software specified in any ECCN in product groups D or E of any CCL category) and involve a footnote 3 designated entity on the Entity List (Supplement. No. 4 to part 744).

Financial sanctions

Russia's largest banks and subsidiaries face blocking sanctions

This action cuts off Sberbank, Russia's largest financial institution, and 25 of its subsidiaries from connection to the U.S. financial system by imposing correspondent and payable-through-account sanctions, thus restricting transactions made in U.S. dollars. According to the White House, this move will impact nearly one-third of the Russian banking sector's assets.

VTB is Russia's second-largest financial institution and holds almost 20% of the Russian banking sector's assets. Bank Otkritie, Sovcombank OJSC, Novikombank, and 34 of their subsidiaries also play a significant role in Russia's economy. These banks' assets touching the U.S. financial system are effectively frozen, and U.S. persons are prohibited from dealing with them.

Debt and equity restrictions

Thirteen major Russian state-owned enterprises and entities face restrictions on all transactions in or providing financing for or other dealings in new debt of greater than 14 days maturity and new equity issued. Sberbank, AlfaBank, Credit Bank of Moscow, Gazprombank, Russian Agricultural Bank, Gazprom, Gazprom Neft, Transneft, Rostelecom, RusHydro, Alrosa, Sovcomflot, and Russian Railways will no longer be able to raise money through the U.S. market, which limits the Kremlin's ability to finance its activity.

Additional full blocking sanctions on Russian elites

Individuals Sergei Ivanov (and his son, Sergei), Andrey Patrushev (and his son Nikolai), Igor Sechin (and his son Ivan), Andrey Puchkov, Yuriy Soloviev (and two real estate companies he owns), Galina Ulyutina, Alexander Vedyakhin, and the leaders of some of Russia's largest financial institutions are cut off from the U.S. financial system and not permitted to travel to the United States.

Historic global cooperation

The European Union, Australia, Japan, Canada, New Zealand, and the United Kingdom have committed to mirroring U.S. actions. This multilateral coordination could restrict over \$50 billion in inputs to Russia and diminish Russia's production and military capabilities. Countries adopting similar export restrictions will be exempt from new U.S. licensing requirements for items produced in their countries.

The United States is prepared to continue imposing severe costs if Russia's aggression escalates. We will provide further updates and analysis as the situation continues to evolve.

For more information on the content of this alert, please register for our virtual event, "[Russia-Ukraine Crisis: Latest Developments in US and EU Export Controls and Sanctions](#)," live on Thursday, March 10, 2022, at 12:00 p.m. EST, and contact your Nixon Peabody attorney or:

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