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Export Controls Alert

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The United States imposes financial sanctions against Russia and blocking sanctions on Russian individuals

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Following the executive order on breakaway Ukrainian regions, President Biden has ordered sanctions on Russia as well.



What's the Impact?

- / The White House and OFAC announced the first tranche of sanctions against Russia and certain financial institutions and individuals
- / Additional sanctions may be forthcoming

This afternoon, the White House and the Office of Foreign Assets Control (OFAC) announced the “first tranche” of sanctions against Russia, which consist of:

- / Full blocking sanctions on two significant Russian financial institutions—The Secretary of the Treasury will impose full blocking sanctions on two large state-owned Russian financial institutions that, according to the White House, provide key services crucial to financing the Kremlin and the Russian military: Vnesheconombank and Promsvyazbank and their subsidiaries. The White House explained that, collectively, these institutions hold more than \$80 billion in assets and finance the Russian defense sector and economic development. These measures will freeze their assets in the United States, prohibit U.S. individuals and

businesses from doing any transactions with them, foreclose access to U.S. dollar-denominated transactions, and “shut them out of the global financial system.”

- / Expanded sovereign debt prohibitions restricting U.S. individuals and firms from participation in secondary markets for new debt issued by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation—According to the White House, these prohibitions will cut off the Russian government from a key avenue by which it raises capital to fund its priorities and will increase future financing costs. It denies Russia access to key U.S. markets and investors.
- / Full blocking sanctions on five Russian individuals and their family members: Aleksandr Bortnikov (and his son, Denis), Sergei Kiriyyenko (and his son, Vladimir), and Promsvyazbank CEO Petr Fradkov—The White House explained that these individuals and their relatives directly benefit from their connections with the Kremlin. Other Russian elites and their family members are on notice that additional actions could be taken against them.

According to the White House, the Secretary of the Treasury will determine that any institution in the financial services sector of the Russian Federation economy is a target for further sanctions. It explained that over 80% of Russia’s daily foreign exchange transactions globally are in U.S. dollars and roughly half of Russia’s international trade is conducted in dollars and that with this action, no Russian financial institution is safe from its measures, including the largest banks.

The Biden administration has also made it clear that these sanctions represent the United States’ “first response to Russia’s actions” and that additional sanctions may be forthcoming, such as stricter U.S. export controls on technology exports to Russian companies.

We will provide further updates and analysis as the situation continues to evolve. For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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