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Export Controls Alert

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U.S. imposes further sanctions against Russia and Russian nationals

By Alexandra López-Casero and David F. Crosby

OFAC fully sanctions Sberbank and Alfa Bank but grants exceptions, including for energy transactions.



What's the Impact?

- / Sberbank is Russia's largest bank, and Alfa Bank is Russia's largest private bank. Placing them on the SDN List has significant repercussions for the remainder of transactions in Russia that would otherwise be legal.
- / U.S. and non-U.S. parties need to continue to carefully screen all transactions and payments involving Russia and Belarus to ensure that neither Sberbank, Alfa Bank, or another SDN-designated party is in the transaction or payment chain. OFAC's aggregate 50% rule applies.

Today, the White House announced [additional sanctions against Russia](#), including:

Full blocking sanctions on Sberbank and Alfa Bank

Sberbank is Russia's largest financial institution and holds almost one-third of Russian banking assets, and Alfa Bank is Russia's largest privately owned financial institution. Today the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designated both Sberbank

and Alfa Bank on the Specially Designated Nationals and Blocked Persons (SDN) List, thereby freezing these institutions' assets from touching the U.S. financial system. U.S. persons are generally prohibited from transacting with them or being involved in transactions where Sberbank, Alfa Bank, and their designated or 50% or more-owned subsidiaries are in the payment chain. For example, an otherwise legal export by a U.S. person to a non-sanctioned Russian customer of an EAR99 consumer good would generally violate U.S. sanctions if the payment was made from a Sberbank bank account. These SDN designations also have secondary (extraterritorial) sanctions implications for non-U.S. entities and individuals. OFAC's aggregate 50% rule applies.

OFAC issues related general licenses

OFAC has issued six related general licenses akin to automatic license exceptions if their requirements are fully met. General License 8B pertains to energy transactions, which will be critical for European and other imports of Russian oil and gas where Sberbank is involved in the payment chain. The other general licenses pertain to transactions incident and necessary to dealings in debt or equity (General License 9B), transactions incident and necessary to the wind down of derivative contracts entered into prior to February 24, 2022 (General License 10B), transactions incident and necessary to the wind down of Sberbank CIB USA, Inc. or an entity owned (50% or more) by Sberbank CIB USA, Inc. (General License 21), transactions incident and necessary to the wind down of transactions involving Public Joint Stock Company Sberbank of Russia (Sberbank) or an entity owned (50% or more) by Sberbank (General License 22), and transactions incident and necessary to the wind down of transactions involving Public Joint Stock Company Alfa-bank of Russia (Alfa-bank) or an entity owned (50% or more) by Alfa-bank (General License 23). OFAC did not issue a new general license for transactions involving food, medicine, or medical devices. Presumably, it expects prior General License 6A to apply to those transactions, but we are expecting either confirmation from OFAC on this point or the issuance of an updated general license.

New investment in the Russian Federation prohibited

A new executive order signed by President Biden will prohibit new investment in Russia by U.S. persons wherever located. The wording of this new executive order has not yet been published. Its exact scope is, therefore, still unclear. According to the White House, more than 600 multinational private-sector businesses have already exited Russia.

Full blocking sanctions on critical Russian state-owned enterprises

U.S. persons will be prohibited from transacting with these entities, and their assets subject to U.S. jurisdiction will be frozen in an effort to impede the Kremlin's ability to rely on these entities. Be on the lookout—the Department of Treasury is expected to identify these entities tomorrow by designating them on the SDN List. These SDN designations will also have secondary (extraterritorial) sanctions implications for non-U.S. entities and individuals.

Full blocking sanctions on Russian elites and their family members

This effectively cuts these individuals off from the U.S. financial system and freezes their U.S.-based assets. Individuals named include President Putin's adult children, Foreign Minister Lavrov's wife and daughter, and members of Russia's Security Council, including former President and Prime Minister of Russia Dmitry Medvedev and Prime Minister Mikhail Mishustin.

Russia prohibited from paying debt with funds subject to U.S. jurisdiction

Payments on Russian sovereign debt are not precluded at this time; however, Russia must use funds outside of U.S. jurisdiction.

Continued support for humanitarian activities

The White House has indicated that the U.S. exempts humanitarian and related activities from sanctions and supports U.S. and Western companies' efforts to ensure the availability of food and agricultural commodities, safeguard access to medicine and medical devices, and enable communications services to provide outside perspectives to the Russian people. However, U.S. and foreign exporters would certainly welcome more clarity on these exemptions through, for example, specific license exemptions under the Export Administration Regulations and an updated (or a replacement for) General License 6A.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

[Alexandra López-Casero](mailto:alopezcasero@nixonpeabody.com)

202.213.0171

alopezcasero@nixonpeabody.com

[David F. Crosby](mailto:dcrosby@nixonpeabody.com)

617.840.9419

dcrosby@nixonpeabody.com
