

MEMO# 34051

February 28, 2022

Update on US Sanctions Imposed on Russia as of February 25, 2022

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TO: ICI Members

ICI Global Members SUBJECTS: International/Global RE: Update on US Sanctions Imposed on Russia as of February 25, 2022

In response to Russia's invasion of Ukraine, the United States has imposed various sanctions against Russia and various Russian entities and individuals. This memorandum provides a summary of these actions as of February 25, 2022. As this crisis continues to unfold, we expect further sanctions and other measures will be imposed, and we will update members accordingly.

Sanctions Related to Recognition of Donetsk and Luhansk Regions of Ukraine

On February 21, 2022, President Biden signed an Executive Order imposing broad-based sanctions targeting the so-called Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR) regions of Ukraine, as well as any other regions of Ukraine that may be subsequently designated by the Secretary of the Treasury, in consultation with the Secretary of State (collectively, Covered Regions).[\[1\]](#)

Similar to the existing embargo targeting the disputed Crimea region, the Executive Order prohibits:

- new investment in DNR, LNR, or any other Covered Region by a US person, wherever located;
- the importation into the United States, directly or indirectly, of any goods, services, or technology from any Covered Region;
- the exportation, re-exportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, of any goods, services, or technology to any Covered Region; and
- any approval, financing, facilitation, or guarantee by a US person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by the Executive Order if performed by a US person or within the United States.

In connection with the Executive Order, Treasury's Office of Foreign Assets Control (OFAC) published a general license authorizing wind-down transactions involving DNR or LNR through March 23, 2022.

"First Tranche" of Sanctions Imposed on February 22, 2022

On February 22, 2022, President Biden announced an additional package of sanctions - referred to as the "first tranche" - against Russia.[\[2\]](#)

OFAC added two financial institutions - the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), along with 42 of their subsidiaries, to the SDN List, resulting in their assets being blocked and frozen. Russia General License 3, however, authorizes US persons to engage in all activities necessary to wind down transactions with VEB and its subsidiaries until March 24, 2022.[\[3\]](#)

Three individuals described as "elites and families close to Putin" were also added to the SDN List:

- Denis Bortnikov;
- Petr Fradkov; and
- Vladimir Kiriyyenko.

Lastly, OFAC issued Russia-related Directive 1A under Executive Order 14042 prohibiting US persons from any dealings - in the primary or secondary markets - related to new sovereign debt issued after March 1, 2022, by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. US persons were previously not prohibited from any secondary market purchases of new Russian sovereign debt.

Sanctions Imposed on February 24, 2022

On February 24, 2022, the US Treasury took additional action against Russia in response to its invasion of Ukraine. OFAC issued these unprecedented and extensive new sanctions with the goal of further isolating Russia from the global economy and hampering its ability to raise capital to further its acts of aggression. Treasury also sanctioned 24 Belarusian individuals and entities due to their support of the invasion.[\[4\]](#)

OFAC provided further guidance on the sanctions on its Frequently Asked Questions page.[\[5\]](#)

Restrictions Against Sberbank and Its Subsidiaries

Pursuant to Directive 2 under E.O. 14024,[\[6\]](#) as of March 26, 2022, US financial institutions are prohibited from opening or maintaining a correspondent account or payable-through account, or processing transactions, for or on behalf of Public Joint Stock Company Sberbank of Russia (Sberbank) and its subsidiaries.[\[7\]](#) These sanctions are not full blocking sanctions, meaning that US persons are not prohibited from engaging in activities involving Sberbank, including its debt or equity instruments issued prior to Sberbank's addition to the Sectoral Sanctions Identification List (SSI List).[\[8\]](#)

Addition of Four Russian Banks and Their Subsidiaries to SDN List

The following four significant Russian banks and their subsidiaries (including those not listed) were added to the SDN List, subjecting them to full blocking sanctions and asset

freezes:

- VTB Bank Public Joint Stock Company (VTB);
- Public Joint Stock Company Bank Financial Corporation Otkritie (Otkritie);
- Open Joint Stock Company Sovcombank (Sovcombank); and
- Joint Stock Commercial Bank Novikombank (Novcombank).[\[9\]](#)

OFCA issued a series of general licenses related to the sanctions on these banks to permit US investors to divest of their holdings. The most relevant to the funds and asset managers are described below.

- General License 9[\[10\]](#) - This license permits US persons to divest holdings of debt and equity of VTB Bank, Otkritie, Sovcombank, and Sberbank, as well as VEB, to non-US persons until May 25, 2022.[\[11\]](#) US persons are not permitted to increase their holdings of such securities. US persons are not required to divest of their holdings prior to May 25, 2022, but absent further guidance from OFAC, such holdings will thereafter likely need to be blocked.
- General License 10[\[12\]](#) - This license permits US persons to undertake activities to wind down derivative contracts linked to a debt or equity instrument of VEB, VTB Bank, Otkritie, Sovcombank, and Sberbank until May 25, 2022.
- General License 11[\[13\]](#) - This license authorizes US persons to engage in all transactions necessary to wind down all other activities involving Otkritie, Sovcombank, or VTB Bank until March 26, 2022.

Debt and Equity Prohibitions Against Both State and Privately-Owned Entities

New debt and equity sanctions were issued pursuant to Directive 3 under E.O. 14024,[\[14\]](#) prohibiting transactions and dealings by US persons or within the United States in new debt of longer than 14 days maturity and new equity of the following 13 entities and their subsidiaries, which included Russian state-owned enterprises, financial services entities operating in the Russian economy, and other entities:[\[15\]](#)

- Sberbank;
- Gazprombank Joint Stock Company (Russia's third largest financial institution, affiliated with Russia's energy sector);
- Joint Stock Company Russian Agricultural Bank (Russia's fifth largest financial institution, affiliated with Russia's agricultural sector);
- Public Joint Stock Company Gazprom (Russia's largest natural gas company);
- Public Joint Stock Company Gazprom Neft (one of Russia's largest oil producers and refiners);
- Public Joint Stock Company Transneft (manager of Russia's petroleum-related pipelines);
- Public Joint Stock Company Rostelecom (Russia's largest telecommunications company);
- Public Joint Stock Company RusHydro (one of Russia's largest power companies);
- Public Joint Stock Company Alrosa (Russia's largest diamond mining company);
- Joint Stock Company Sovcomflot (Russia's largest maritime and freight shipping company);
- Open Joint Stock Company Russian Railways (one of Russia's largest railroad companies);
- Joint Stock Company Alfa-Bank (Russia's largest privately owned financial institution); and

- Credit Bank of Moscow Public Joint Stock Company (Russia's largest non-state public bank).

Russian Elites Added to SDN List

The following individuals have been added to the SDN List and their assets frozen:

- Sergei Sergeevich Ivanov, son of Sergei Borisovich Ivanov;
- Andrey Patrushev, son of Nikolai Platonovich Patrushev;
- Ivan Igorevich Sechin, son of Igor Ivanovich Sechin;
- Alexander Aleksandrovich Vedyakhin;
- Andrey Sergeyevich Puchkov;
- Yuriy Alekseyevich Soloviev; and
- Galina Olegovna Ulyutina.

Sanctions on Belarusian Individuals and Entities

Numerous Belarusian individuals and entities were added to the SDN List and their assets frozen due to their support for, and facilitation of, the invasion of Ukraine. OFAC did not issue wind down licenses with respect to these designations.

Sanctions were levied on the following Belarusian state-owned banks and senior executives:

- Belarussian Bank of Development and Reconstruction Belinvestbank Joint Stock Company; and
- Bank Dabrabyt Joint-Stock Company.

Sanctions were also levied the following entities and individuals in the Belarusian defense and security industry:

- Minsk Wheeled Tractor Plant (MKZT);
 - Aliaksei Ivanavich Rymasheuski, as the Director General of MKZT;
 - Aliaksandr Piatrovich Vetsianevich, as the Deputy Director General of MKZT;
- State Authority for Military Industry of the Republic of Belarus (SAMI);
 - Dmitry Aleksandrovich Pantus, as Chairman of SAMI;
 - Viachaslau Yevgenyevich Rassalai, as Deputy Chairman of SAMI;
- State Owned Foreign Trade Unitary Enterprise Belspetsvneshtekhnika;
- OJSC KB Radar-Managing Company Holding Radar System;
- JSC 558 Aircraft Repair Plant;
- Public Joint Stock Company Integral;
- Industrial-Commercial Private Unitary Enterprise Minotor-Service;
- OOO Oboronnye Initsiativy;
- OKB TSP Scientific Production Limited Liability Company;
- LLC Synesis; and
- Aliaksandr Yauhenavich Shatrou, as Owner and CEO of Synesis.

Sanctions were also levied on the following Belarusian defense officials:

- Viktor Gennadievich Khrenin;
- Aleksandr Grigorievich Volfovich; and
- Aliaksandr Mikalaevich Zaitsau;

Sanctions Imposed on Vladimir Putin, Sergie Lavrov, and Members of

Russia's Security Council

On February 25, 2022, noting that it is exceedingly rare for Treasury to designate a head of state, Treasury added the following to the SDN list:[\[16\]](#)

- President of the Russian Federation Vladimir Putin;
- Minister of Foreign Affairs Sergei Lavrov;
- Minister of Defense of the Russian Federation Sergei Shoigu; and
- Chief of the General Staff of the Russian Armed Forces, First Deputy Minister of Defense, and General of the Army Valery Gerasimov.

Treasury had previously designated eleven members of the Russian Security Council.

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endnotes

[\[1\]](#) Available at:
<https://www.whitehouse.gov/briefing-room/presidential-actions/2022/02/21/executive-order-on-blocking-property-of-certain-persons-and-prohibiting-certain-transactions-with-respect-to-continued-russian-efforts-to-undermine-the-sovereignty-and-territorial-integrity-of-ukraine/>.

[\[2\]](#) Information available at <https://home.treasury.gov/news/press-releases/jy0602> and <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220222>.

[\[3\]](#) The general license does not extend to PSB.

[\[4\]](#) Available at <https://home.treasury.gov/news/press-releases/jy0608> and at <https://home.treasury.gov/news/press-releases/jy0607>.

[\[5\]](#) Available at <https://home.treasury.gov/policy-issues/financial-sanctions/faq/added/2022-02-24>.

[\[6\]](#) Available at:
https://home.treasury.gov/system/files/126/correspondent_accounts_directive_2.pdf.

[\[7\]](#) Entities subject to the CAPTA Directive can be found at:
<https://home.treasury.gov/policy-issues/financial-sanctions/consolidated-sanctions-list-non-sdn-lists/list-of-foreign-financial-institutions-subject-to-correspondent-account-or-payable-through-account-sanctions-capta-list>.

[\[8\]](#) Sberbank is subject to new debt or equity restrictions under Directive 1 of the SSI List and Directive 3 of E.O. 14024.

[\[9\]](#) Novikombank was specifically designated as subject to blocking, as it the primary financial institution for the Russian defense company Rostec. Rostec is not subject to blocking, but is subject to debt-related restrictions outlined in Directive 3 pursuant to E.O. 13662.

[10] Available at: https://home.treasury.gov/system/files/126/russia_gl9.pdf.

[11] It is unclear why Novicombank was not included and Sberbank (which is not subject to blocking sanctions) was included.

[12] Available at: https://home.treasury.gov/system/files/126/russia_gl10.pdf.

[13] Available at: https://home.treasury.gov/system/files/126/russia_gl11.pdf.

[14] Available at:
https://home.treasury.gov/system/files/126/new_debt_and_equity_directive_3.pdf.

[15] Certain of these entities were already subject to new debt and/or equity restrictions under Directive 1 of the SSI List.

[16] Available at <https://home.treasury.gov/news/press-releases/jy0610> and
https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220225_33.

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