

Developments in US sanctions targeting Russia

21 April 2021

The Biden administration has issued new sanctions on Russian individuals and entities as well as prohibitions on US financial institutions' transactions with Russia's Central Bank, National Wealth Fund, and Ministry of Finance.

Following indications that it would take a tougher stance on Russia, on April 15, 2021, the Biden Administration issued new sanctions targeting Russian individuals and entities for a range of “continued and growing malign behavior” in the form of a new Executive Order (the Russia EO) as well as Directive 1 prohibiting certain activities of U.S. financial institutions (Russia Directive 1). The Russia EO allows for the imposition of sanctions against Russian persons operating in certain sectors of the Russian economy or who have been deemed to engage in a variety of activities contrary to the interests of the United States. Russia Directive 1 prohibits U.S. financial institutions from engaging in certain transactions with Russia’s Central Bank, National Wealth Fund, and Ministry of Finance. Concurrent with Thursday’s action, 44 individuals and entities were sanctioned under the Russia EO and/or other pre-existing sanctions authorities.

The Russia EO authorizes a considerably wider range of sanctions than were imposed concurrently with the Russia EO. It remains to be seen to what extent the Biden Administration will exercise the full range of sanctions contemplated by the Russia EO, although Treasury Secretary Janet Yellen described April 15’s actions as the “start of a new U.S. campaign against Russian malign behavior”. At the same time, President Joe Biden indicated that on April 14 he told Russian President Vladimir Putin that the US could have “gone further” with the latest sanctions, but that the U.S. wanted to avoid an escalation in hostilities beyond a “proportionate” response to alleged Russian malign activities.

Sanctions Authorized

The Russia EO authorizes a sweeping range of new sanctions targeting Russian individuals and entities.

Specifically, sanctions against persons deemed by the U.S. government:

1. To operate or have operated in the Russian technology or defense sectors;
2. To be responsible for or complicit in, or have/be engaged in any of the following for, on behalf of, or for the benefit of, the Russian Government:
 - a) Malicious cyber-enabled activities;
 - b) Interference in U.S. or other non-Russian elections;
 - c) Actions or policies that undermine democratic processes or institutions outside Russia;
 - d) Transnational corruption;
 - e) Assassination, murder, or other unlawful killing of, or infliction of bodily harm against, U.S. or U.S. allied persons;
 - f) Activities undermining peace, security, political stability, or territorial integrity of the U.S. and its allies/partners; or
 - g) Deceptive or structured transactions or dealings to circumvent U.S. sanctions (including through use of digital or physical currencies/assets);
3. To be or have been a leader, official, senior executive officer, or board member of:
 - a) The Russian Government;
 - b) An entity that has, or whose members have, engaged in activities described in (2) above; or
 - c) An entity targeted by blocking sanctions under the Russia EO;
4. To be a political subdivision, agency, or instrumentality of the Russian Government;
5. To be a spouse or adult child of anyone targeted under (2)-(3) above;
6. To have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of:
 - a) Any activity described in (2) above; or
 - b) Any person targeted with blocking sanctions under the Russia EO;
7. To be owned or controlled by, or to have acted (actually or purportedly) for or on behalf of, directly or indirectly, the Russian Government or any person targeted with blocking sanctions under the Russia EO.
8. To be Russian (for these purposes, meaning Russian citizens or nationals, entities organized under Russian law (including foreign branches), or persons ordinarily resident in Russia) and to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, a government whose property / interests in property are blocked under U.S. sanctions; and
9. To be Russian (for these purposes, meaning Russian citizens or nationals, or entities organized under Russian law (including foreign branches) and to be responsible for or complicit in, or have/be engaged in, cutting or disrupting gas or energy supplies to Europe, the Caucasus, or Asia.

The U.S. government is now authorized to impose asset-freezing sanctions on any persons it deems to meet the above criteria, and U.S. persons are effectively prohibited from engaging in any transaction with or for the benefit of any of such designated targets, or their property and interests in property. This includes any entities that are owned, 50% or more, by any of the designated targets. Any transaction involving these targets, their property, or interests in property that has any connection to the United States (including, *e.g.*, any payment in USD) is cause for concern. As discussed below, non-U.S. persons transacting with these targets also risk incurring risk of sanctions imposition themselves.

The authorization in (6) above may be of particular concern to non-U.S. persons with activities in or involving Russia, as it authorizes sanctions targeting any non-U.S. person that transacts (i) with any sanctions targets designated pursuant to the Russia EO or (ii) in support of the activities detailed in (2) above.

Pursuant to Russia Directive 1, U.S. financial institutions (as broadly defined therein) are prohibited from:

- Participating in the primary market for ruble or non-ruble denominated bonds issued by Russia's Central Bank, Sovereign Wealth Fund, and Ministry of Finance after June 14, 2021; and
- Lending ruble or non-ruble denominated funds to Russia's Central Bank, Sovereign Wealth Fund, and Ministry of Finance.

Participation in the secondary market is not impacted. As explained by OFAC in [FAQ 890](#), even prior to June 14, 2021, under pre-existing sanctions U.S. financial institutions are already prohibited from participation in the primary market for non-ruble denominated bonds issued by the Russian sovereign. Russia Directive 1 extends these prohibitions to ruble-denominated bonds.

Sanctions Imposed

Separately, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) added numerous individuals and entities to the List of Specially Designated Nationals and Blocked Persons (SDN List, and persons thereon, SDNs). These designations included use of the authority provided under the Russia EO, as well as sanctions imposed under previously-existing regimes.

The SDNs designated pursuant to the Russia EO were designated on the basis of operating in the Russian technology sector in support of Russian intelligence services. OFAC's accompanying press release cited the targets' having engaged in a range of malicious cyber activity targeting the U.S. and its allies on behalf of Russia's Main Intelligence Directorate (GRU), Federal Security Service (FSB), and Foreign Intelligence Service (SVR), including several high-profile cyber-attacks and instances of election interference.

OFAC made other additions to the SDN List on the basis of pre-existing sanctions authorizations. To this end OFAC designated persons on various grounds, including election interference through spreading of disinformation through vehicles whose links to Russia were obscured, supporters of these activities (*e.g.*, producers of fake documents), and persons affiliated with Russian government activity in the Crimea and the Kerch Strait Bridge.

Future Developments

As noted, the Russia EO provides the U.S. government with ample means for continuing to expand sanctions targeting Russia. The extent to which these will be utilized remains to be seen, but the new and potentially forthcoming additional sanctions may impact any dealings or activities with or involving Russian sovereign debt or wealth, the defense sector, the technology sector, and the Russian government, among others. Any persons engaged in such dealings or activities should carefully evaluate related risks. Please contact the A&O U.S. sanctions team (see the Related people section), if you have any questions or concerns.