



The United States and the United Kingdom Announce New Wave of Sanctions Against Russia

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UNITED STATES

On Friday, February 24, 2023, the United States (U.S.) announced a new wave of sanctions and export controls restrictions against Russia aimed at (1) holding individuals and entities accountable for engaging in sanctions evasion, (2) imposing pressure on Russia's key revenue-generating sectors including the energy, extractive, financial, defense, and technology sectors, and (3) targeting individuals, financial institutions, and proxy Russian authorities supporting Russia's war effort. These measures reflect the ongoing efforts by the Biden administration, its allies and partners, to impose strong economic costs on Russia and disrupt its ability to wage its war of aggression. The Biden administration also announced billions of dollars in additional military aid for Ukraine. In parallel, the EU also published the previously announced tenth package of sanctions on February 25, 2023 ([see Winston & Strawn's client alert here](#)).

Sanctions

Striking Russia's Financial Services Sector. In a continued effort to target the financial services sector, the Department of the Treasury's Office of Foreign Assets Control (OFAC) has imposed full blocking sanctions on over a dozen new Russian financial entities pursuant to Executive Order ("[E.O.](#)") [14024](#) of April 15, 2021. Of importance, the Credit Bank of Moscow Joint Stock Company, Russia's largest non-state-owned bank, has been designated. Other designations include both small and large banks such as:

- Joint Stock Company Commercial Bank Lanta Bank
- Public Joint Stock Company Commercial Bank Metallurgical Investment Bank
- Public Joint Stock Company MTS Bank
- Novosibirsk Social Commercial Bank Levoberezhny Public Joint Company
- Bank Saint-Petersburg Public Joint Stock Company
- Joint Stock Commercial Bank Primorye
- SDM-Bank Joint Stock Company

- Public Joint Stock Company Bank Ural Bank for Reconstruction and Development
- Public Joint Stock Company Bank Uralsib
- Bank Zenit Public Joint Stock Company (and Russia-based financial institutions OOO Zenit Finance, OOO Zenit Leasing, and OOO Zenit Factoring MSP, for being owned or controlled or having acted or purported to act for or on behalf of Bank Zenit).

Wealth Management-Related Entities & Individuals. OFAC has also sanctioned at least eleven wealth management entities and their founders or leaders pursuant to E.O. 14024 for providing services such as asset structuring and wealth management to Russian high-net-worth individuals and thereby operating in the Russian financial services sector. Those designated are as follows:

- CONFIDERI Pte Ltd (and founders Olga Borisovna Raykes and Marat Maratovich Savelov)
- IC Veles Capital LLC (and leaders Dmitry Vitalyevich Bugayenko and Aleksei Dmitrievich Gnedovskii)
- Veles Aktiv OOO
- Veles Management Ltd
- Limited Liability Company Veles Trust
- Veles International Limited
- Hadlerco Limited

Three high-net-worth individuals have also been subject to blocking sanctions for their positions in Rosbank, Alfa-Bank, and Sberbank, respectively: **Ulan Vladimirovich Ilshkin**, **Alina Olegovna Nazarova**, and **Evgeniya Sergeyevna Tyurikova** (finance professional in Sberbank).

At the same time it designated the financial institutions mentioned above, OFAC also issued General Licenses (GL) that authorize:

- Certain energy-related transactions^[1] by Bank Zenit and Bank Saint-Petersburg (GL 8F).
- The payment of taxes, fees, or import duties, and the purchase or receipt of permits, licenses, registrations, or certifications, for transactions involving the Russian Central Bank, the Russian National Wealth Fund, or the Russian Ministry of Finance (GL 13D).
- The wind-down of transactions involving all the designated banks except for Public Joint Stock Company MTS Bank and Novosibirsk Social Commercial Bank Levoberezhny Public Joint Company through May 25, 2023 (GL 6Q).
- The wind-down of transactions incident to the divestment or transfer of debt or equity of certain designated financial institutions through May 25, 2023 (GL 61).

Ramping up efforts to counter sanctions evasion. OFAC designated several companies, financial institutions, and over 30 individuals from third-party countries for attempts to evade the sanctions regime against Russia.

- **Designations related to the procurement of sensitive western technologies and equipment.** OFAC designated Swiss-Italian businessman **Walter Moretti** and Moretti's UAE's based companies pursuant to E.O. 14024 for covertly procuring sensitive Western technologies and equipment for Russian intelligence services and the Russian military, including hydraulic presses, armament packages, and armor plating. Moretti was also involved in procuring equipment for Russia's nuclear weapons laboratories. Other related designations include a Malta-based company (and one of its board members) that is owned or controlled by one of Moretti's UAE-based companies and other nationals and entities from Switzerland and Germany that provided financial, material, or technological support to Moretti.
- **Designations related to the dealing of arms in support of Russia and Belarus.** Pursuant to Belarus-related E.O. 14038, OFAC designated a Russian-Turkmen arms dealer, **Nurmurad Kurbanov**, for representing OKB TSP in its

sales efforts of a short-range air defense system and facilitating military and technical cooperation efforts between Russia and foreign countries.

- **Designations related to illicit financial activity.** OFAC, pursuant to E.O. 14024, designated Russian businessman **Aleksandr Yevgenyevich Udodov** and his Moscow-based management consulting firm, **Limited Liability Company Aforra Management**, for providing management consulting services in the Russian economy. Udodov has been linked to business dealings with Russian Prime Minister Mikhail Mishustin and has been investigated for manipulating value-added tax revenues and money laundering. Several additional Russia-based companies were designated for being owned or controlled by Udodov, or for having acted or purported to act for or on his behalf, directly or indirectly.

Imposing costs on and restricting Russia's military capabilities. In an effort to further restrict key entities that support Russia's military capabilities, OFAC, pursuant to E.O. 14024, imposed sanctions on individuals and entities connected to Russia's defense industries.

- **Designations of Russian entities that produce carbon fiber and related materials.** OFAC designated UMATEx, Russia's largest producer of carbon fibers and fiber-based items, for operating or having operated in Russia's technology sector. UMATEx focuses on the production of high-technology carbon fiber and other high-technology products. OFAC also designated three UMATEx subsidiaries for being owned or controlled by, or having acted or purported to act for or on behalf of, directly or indirectly, UMATEx. Separately, OFAC also designated another entity, UVICOM LTD, for operating or having operated in Russia's technology sector. UVICOM LTD produces, and develops technologies for, carbon fibrous materials.
- **Designations of entities that operate in Russia's aerospace sector.** OFAC designated at least five entities for operating or having operated in the aerospace sector of the Russian economy. These entities produce materials used in aircraft engineering or study and develop carbon materials and products as well as composite goods for rocket-and-space hardware. OFAC also designated two entities for having operated in the defense and related materiel sector of the Russian economy. These entities are involved in the development, application, or fabrication of weapons, military hardware, artillery, and missile systems.
- **Designations of entities operating in Russia's technology & electronics sectors.** OFAC designated at least 6 individuals and 16 entities for operating in the technology sector of the Russian economy, specifically entities in the cybersecurity space supporting Russia by: providing intelligence to Russian intelligence services; working on behalf of Russian intelligence services; designing and selling internet monitoring and influence technology to the Russian government; purchasing U.S. origin equipment on behalf of sanctioned end-users; attempting to procure export-controlled equipment from the U.S. for the Russian defense industry; manufacturing spectral analytical instruments; providing server hardware; developing software to enable mobile device monitoring or that support Russia's offensive cyber operations; providing technology equipment and consulting services; providing programming services related to telecommunications to Russia's government; assisting Russia in obtaining advanced equipment with applications in the microelectronics and quantum industries or with nuclear applications; or manufacturing electronic instruments for Russian amphibious and military aircraft.
- **Designations of other entities supporting Russia's war.** OFAC has also designated three entities for operating in Russia's defense and materiel sector. One of these entities plays an important role in the command and control systems of Russia's armed forces, another one is a mercenary group that purports to provide security services, and the other one provides insurance services to companies in Russia's defense sector.

Expanding sanctions into the metals and mining sector. OFAC has also issued a determination pursuant to E.O. 14024 that expands sanctions to the metals and mining sector of Russia's economy. Furthermore, OFAC designated four entities for operating or having operated in the metals and mining sector. More specifically, these entities are involved in the manufacturing of artillery, metals, armaments, ammunition, and unique metal alloys and products for Russia's defense industries.

Export Control Restrictions -- Additional Export Restrictions on Low-technology Consumer Goods

On February 24, 2023, the Commerce Department's Bureau of Industry and Security ("BIS") released the following four rules to deny the Russian military the materials necessary to continue its war of aggression:^[2]

Rule 1: “Implementation of Additional Sanctions Against Russia and Belarus Under the Export Administration Regulations (EAR) and Refinements to Existing Controls”

This rule revises the Export Administration Regulations (“EAR”) to better align the Russian and Belarusian Russian Industry Sector Sanctions with the U.S. allies’ and partners’ export controls. In particular, the following measures were imposed:

- ***Expansion of sanctions on luxury goods***—by adding 276 additional luxury items such as smartphones, superchargers, laser printers, electric tea or coffee makers, electric can openers, microwave ovens, dishwasher machines, refrigerators, drying machines, electric hair dryers, vacuum cleaners, disk drive units, burglar alarms, record players, among many others, that will require a license for export or reexport to, or transfers within, Russia or Belarus under §§ 746.10(a)(1) and (2).
- ***Expansion of sanctions on chemical and biological precursors***—by adding chemical and biological precursors to the list of items that require a license under § 746.5(a)(1)(iii).
- ***Expansion of sanctions on commercial and industrial items***—by adding 322 industrial items that will require a license for export or reexport to, or transfer within, Russia or Belarus under § 746.5(a)(1)(ii).
- ***Denial of licenses for oil and gas production.*** Under § 746.5, BIS will deny applications for the export, reexport, or transfer (in-country) of items used “for exploration or production from deepwater (greater than 500 feet), Arctic offshore, or shale projects in Russia or Belarus that have the potential to produce oil or gas.”
- ***Exclusion of Taiwan from the Foreign Direct Product rules’ license requirements.*** BIS recognized that Taiwan has committed to implementing substantially similar export controls as the U.S. on Russia and Belarus under their domestic laws and, therefore, added Taiwan to the list of countries to the list of exempted countries from the new licensing requirements pertaining to foreign-produced items under § 746.8.

Rule 2: “Export Control Measures on Iran Under the Export Administration Regulations (EAR) to Address Iranian Unmanned Aerial Vehicles (UAV) and Their Use by Russia Against Ukraine”

This rule imposes new export control measures on Iran in order to address the use of Iranian UAVs by Russia on the battlefield in Ukraine.

- ***Imposition of license requirements***—by requiring licenses under § 746.7 for a subset of generally low-technology (EAR99) items, including semiconductors that are destined for Iran, whether or not a U.S. person is involved in the transaction. These items are useful in Iran’s UAV program and manipulated by Russia for its invasion of Ukraine.
- ***Expansion of products under the FDP Rules***—by revising the § 734.9 Foreign-Direct Product (FDP) Rules to include “parts” and “components” that are used in UAVs, branded as U.S. or U.S.-origin, and have been found on the battlefield in Ukraine.
- ***Imposition of new license requirements***—by establishing a new list of items (Supplement No. 7 to part 746) requiring licenses under § 746.7 for export or reexport, including radio navigational aid apparatus, amplifiers, processors and controllers, etc.
- ***Establishment of an “Iran Foreign Direct Product (FDP) Rule.”*** Under § 734.9 of the EAR, the Iran FDP rule establishes jurisdiction over foreign-produced items that are the direct product of U.S.-origin software or technology.
- ***Revision of the Russia/Belarus FDP rule***—by including the foreign-produced (EAR99) items under the Iran FDP rule into the Russia/Belarus FDP rule and ensuring that U.S. products are not available for shipment to Iran for use in the manufacture of UAVs.

Rules 3 and 4: Additions of Entities to the Entity List

The Department of Commerce added 86 entities to the Entity List, pursuant to § 744.11(b) of the EAR, which identifies persons or entities reasonably believed to be involved, or to pose a significant risk of being or becoming involved,

in activities contrary to the national security or foreign policy interests of the U.S. These entities were added for their support of Russia's defense-industrial sector and war effort.

- 76 entities at [88 Fed. Reg. 12155](#)
- 10 non-Russian entities (under 13 entries) at [88 FR 12170](#): 5 Chinese entities, 2 Canadian entities, 1 French, 1 Luxembourgish, and 1 Dutch. The list of the non-Russian entities includes the following:
 1. Canada: **CPUNTO Inc.**, and **Electronic Network Inc.**
 2. China: **AOOK Technology Ltd.**, **Beijing Ti-Tech Science and Technology Development Co.**, **Beijing Yunze Technology Co., Ltd.**, **China HEAD Aerospace Technology Co.**, and **Spacety Co. Ltd.**
 3. France: **China HEAD Aerospace Technology Co.**
 4. Luxembourg: **Spacety Co., Ltd.**
 5. Netherlands: **China HEAD Aerospace Technology Co.**

UNITED KINGDOM

On Friday, February 24, 2023, the United Kingdom (UK) also issued a new package of sanctions internationally coordinated against Russia. The main sanctions announced include:

- Export bans on every item Russia has been found using on the battlefield in Ukraine, including aircraft parts, radio equipment, and electronic components.
- Import bans on 140 goods, including iron and steel products processed in third countries.
- Extension of existing measures against Crimea and the non-government-controlled areas of Donetsk and Luhansk to the non-government-controlled areas of Kherson and Zaporizhzhia.
- Designations of 92 individuals and entities pursuant to the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019 \(S.I. 2019/855\)](#).^[3] Those designated include:
 - Senior executives at Russian state-owned nuclear power company Rosatom. Rosatom has deep connections to the Russian military-industrial complex firm has reportedly been supplying arms manufacturers with the technology and materials needed to resupply Russia's front line, including to defense firms that are under sanctions.
 - Executives from Russia's 2 largest defense companies: Rostec, Russia's multibillion owned defense conglomerate, and Almaz-Antey Corporation, a state owned Russian company specializing in producing surface to air missiles and firearms for aircraft
 - Several Russian banks, including:
 - Bank St. Petersburg PJSC
 - Bank Uralsib PJSC
 - Bank Zenit PJSC
 - MTS Bank Public Joint-Stock Company
 - Russian entities involved in the manufacture or repair of military equipment for Russia's armed forces, including aviation and navy. These include:
 - All-Russian Research Institute of Experimental Physics (VNIIEF)
 - AO Izumrud
 - AO Zavod Elekin

- Federal State Unitary Enterprise Zababakhin All-Russia Research Institute of Technical Physics (VNIITF)
- Joint Stock Company “Repair Base for Repair of Aircraft Instruments and Aerodrome Equipment”
- JSC Lomo
- JSC Zvezda
- LLC Zavod Sokol
- Senior Iranian executives in Qods Aviation Industry, the company manufacturing the drones used in Ukraine

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