

ALERTS

## Sanctions Update: US Imposes Sweeping Sanctions Against Russia and Belarus

February 28, 2022

On Feb. 24, 25 and 28, 2022, President Biden and the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") announced expansive sanctions on Russia in the wake of Russia's invasion of Ukraine. [1] In doing so, the United States joins countries and other organizations throughout the world in condemning Russia's aggression through economic measures. The latest sanctions continue to target Russia's financial sector and access to capital markets with designations of dozens of individuals and entities, including the Russian Central Bank, several large publicly traded Russian banks and companies, Russia's sovereign wealth fund and Russian Federation President Vladimir Putin. Along with these actions, President Biden also announced sanctions against Belarus and trade restrictions on Russian exports.

The Russian sanctions situation remains in flux. Additional sanctions are highly likely. Global leaders reached an agreement over the weekend on removing several Russian banks from the SWIFT payment network and the White House issued a statement confirming that the U.S. is "commit[ted] to ensuring that selected Russian banks are removed from the SWIFT messaging system." [2]

The Russian sanctions issued to date are unusually complex. In some instances, OFAC has prohibited all dealings by U.S. persons with designated individuals and entities; in other instances only certain types of dealings are prohibited. Along with the sanctions, OFAC issued a series of General Licenses ("GLs") creating exceptions to the prohibitions, including, in some instances, giving U.S. persons time to exit relationships

with prohibited persons and also released guidance explaining the scope of the sanctions. In light of the rapidly evolving and complex nature of this sanctions program, firms are advised to approach transactions in Russian-related securities or involving Russian persons with caution.

## **Restrictions on Transactions with the Russian Central Bank**

This morning, OFAC issued Directive 4, prohibiting U.S. persons from engaging in “any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russia Federation.”[3] This action was taken pursuant to Executive Order (“E.O.”) 14024, which authorizes OFAC to issue sanctions against political subdivisions, agencies and instrumentalities of the Russian government.[4]

Directive 4 does not provide a definition of what a transaction “involving” these entities consists of, nor has OFAC yet issued any guidance concerning the Directive. But Directive 4 does specify that “any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities” is prohibited.[5] At the same time, pursuant to GL 8A, OFAC has exempted from the prohibition in Directive 4 transactions “related to energy” with the Russian Central Bank, up through June 23, 2022.[6] In today’s announcement, OFAC said it will “follow with other authorizations and guidance as needed.”[7]

Under this Directive, neither the Russian Central Bank nor the National Wealth Fund or Ministry of Finance has been designated as a Specially Designated National and Blocked Person (“SDN”). Therefore, U.S. persons are not at this time required to block assets of these entities that are in, or may come into, their possession. While U.S. persons are broadly prohibited from engaging in any “transaction involving” these entities, all other activities with these entities, or involving their property or interests in property, are specifically permitted unless otherwise prohibited by law. [8]

## **Designation of Russian Financial Institutions as SDNs**

OFAC added several Russian financial institutions to its Specially Designated Nationals And Blocked Persons List (“SDN List”).[9] The newly

designated SDNs include VTB Bank Public Joint Stock Company (“VTB Bank”), Public Joint Stock Company Bank Financial Corporation Otkritie (“Otkritie”)[10], Sovcombank Open Joint Stock Company (“Sovcombank”) and Joint Stock Commercial Bank Novikombank (“Novikombank”).[11] Each has operated in the financial services sector of the Russian Federation economy, as determined by OFAC, and is therefore subject to being blocked under E.O. 14024.[12] Together with the Feb. 22, 2022 designation of State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (“VEB”) and Promsvyazbank Public Joint Stock Company (“PSB”) as SDNs,[13] OFAC has now imposed full blocking sanctions on a total of six Russian banks, as well as numerous of their subsidiaries.

As a general matter, U.S. persons are prohibited from all transactions with individuals or entities on OFAC’s SDN List, and any property owned by an SDN that is currently possessed or controlled by a U.S. person cannot be “transferred, paid, exported, withdrawn, or otherwise dealt in” (i.e., the property is blocked).[14] Under OFAC’s “50 Percent Rule,” this block extends to any entity in which an SDN has a 50% or greater ownership interest, whether direct or indirect.[15] As with most designations, U.S. persons are also prohibited from structuring transactions in a manner designed to circumvent sanctions.[16]

However, in conjunction with these designations, OFAC has issued several GLs that permit, for specified periods of time, certain transactions involving certain of these Russian bank SDNs. These GLs authorize transactions only with four of the six SDNs: VEB, VTB, Otkritie and Sovcombank (as well as any entities in which they have a 50% or greater ownership interest).[17] To understand the current impact of the sanctions on these SDNs and trading in their securities, it is necessary to consider these GLs as well.[18]

### *Energy-Related Transactions*

GL 8A permits transactions “related to energy” with VEB, VTB, Otkritie and Sovcombank through June 23, 2022.[19] OFAC goes on to provide an expansive definition of “related to energy,” which includes all aspects of petroleum, gas, oil and other similar products.[20]

It should be noted that GL 8A only permits energy-related transactions with the entities specified in the license — not with any other Russian entities who may be subject to sanctions. For example, pursuant to E.O.

13662 issued by President Obama following Russia's 2014 invasion of Crimea, U.S. persons are prohibited from providing certain forms of support for deep-water, Arctic offshore or shale projects that have the potential to produce oil in Russia.[21] Those sanctions remain in place.

#### *Wind-Down of Transactions with Blocked Entities*

GL 11, together with GL 3 issued on Feb. 22, gives U.S. persons 30 days to engage in transactions “ordinarily incident and necessary to the wind down of transactions” involving VEB, VTB, Otkritie and Sovcombank.[22] In the case of VEB, this authorization expires on March 23, 2022.[23] In the case of VTB, Otkritie and Sovcombank, the authorization expires on March 25, 2022.[24]

Additionally, GL 12 allows U.S. persons, during this one-month period, to “reject” transactions with VTB, Otkritie and Sovcombank, instead of “blocking” transactions as is normally required with an SDN. [25] OFAC has not, however, issued any similar GL allowing for transactions with VEB to be rejected rather than blocked.

#### *Transactions Related to Dealings in Debt or Equity*

GL 9 provides a divestment period for otherwise prohibited transactions that are incident and necessary to dealings in debt or equity of VEB, VTB, Otkritie and Sovcombank issued prior to Feb. 24, 2022, “provided that any divestment or transfer of, or facilitation of divestment or transfer of, covered debt or equity must be to a non-U.S. person[.]”[26] The divestment period lasts through May 24, 2022.[27] In addition, to allow the closing of trades initiated before the specified SDNs were blocked, GL 9 explicitly authorizes facilitating, clearing and settling such trades through May 24, 2022, provided that the trade was placed before 4:00 p.m. EST on Feb. 24, 2022, including debits to accounts on the books of U.S. financial institutions of the GL 9 covered entities.[28]

In an FAQ, OFAC has clarified how these sanctions impact U.S. funds and investors. U.S. funds cannot buy, sell or otherwise engage in transactions related to the debt or equity securities of the Russian bank SDNs and must block such holdings, “unless authorized under GL 9” (or otherwise authorized by OFAC). As long as blocked holdings held by the fund represent “less than a predominant share by value” of debt or equity of the blocked person, then the fund itself is not considered a blocked entity. Thus, U.S. funds may continue to operate, and U.S. persons may continue

to invest in funds that hold the blocked securities. To avoid having to block the securities (and file a blocked property report with OFAC), the fund may divest itself of the holdings consistent with GL 9 by selling them to a non-U.S. person by May 24, 2022.[29]

Notably, OFAC explicitly authorizes U.S. persons, including financial institutions, registered broker-dealers, securities exchanges and other market intermediaries and participants, to rely on information available to them in the ordinary course of business, “including reasonable reliance on information about the underlying transaction provided by the parties.”[30]

GL 10 provides a wind-down period for transactions ordinarily incident and necessary to wind down derivative contracts entered into prior to 4:00 p.m. EST on Feb. 24, 2022 that either include VEB, VTB, Otkritie or Sovcombank or are linked to debt or equity of VEB, VTB, Otkritie or Sovcombank. This wind-down period also lasts through May 24, 2022.[31] Notably, these activities are only permitted if any payments to a blocked person are made into a blocked account. Debits to accounts on the books of U.S. financial institutions of blocked entities are authorized to the extent necessary to effect transactions permitted under this GL.[32]

Similar to GL 9, OFAC permits U.S. persons to rely on reasonable information provided in the ordinary course of business in determining whether transactions are authorized pursuant to GL 10.[33]

It should be noted that VEB and VTB, as well as numerous of their subsidiaries, have been subject to sanctions since 2014 pursuant to E.O. 13662 and appear on OFAC’s Sectoral Sanctions Identification (“SSI”) List. The 2014 sanctions forbid U.S. persons from engaging in transactions related to new equity or debt of certain maturities issued by VEB or VTB after the date of their designations to the SSI List. Those sanctions remain in effect and the authorizations in the GLs described above only affect VEB’s and VTB’s designations as SDNs under E.O. 14024, not their status as SSIs under E.O. 13662.[34]

## **Prohibitions on Debt and Equity Transactions for Other Russian Entities**

In addition, OFAC has issued Directive 3 under E.O. 14024, restricting 13 other Russian companies from accessing the equity and debt markets. Directive 3 prohibits transacting, financing or otherwise dealing in certain new debt and equity of entities listed in Annex 1 to Directive 3.[35]

Specifically, U.S. persons are no longer permitted to transact in, finance or deal in new debt of longer than 14 days maturity or new equity of these entities if such debt or equity is issued on or after March 26, 2022.[36] Directive 3 further prohibits “any transaction that evades or avoids, . . . causes a violation of, or attempts to violate any prohibitions” and “any conspiracy formed to violate any the prohibitions of this Directive.”[37]

Annex 1 of Directive 3 lists 13 major firms, including six financial institutions and companies critical to the Russian economy,[38] determined to “operate or have operated in the financial services sector of the Russian Federation economy, or are owned or controlled by . . . the Government of the Russian Federation” (the “Directive 3 Covered Entities”).[39] The companies listed in Annex 1 are:

- Credit Bank of Moscow Public Joint Stock Company
- Gazprombank Joint Stock Company
- Joint Stock Company Alfa-Bank
- Joint Stock Company Russian Agricultural Bank
- Joint Stock Company Sovcomflot
- Open Joint Stock Company Russian Railways
- Public Joint Stock Company Alrosa
- Public Joint Stock Company Gazprom
- Public Joint Stock Company Gazprom Neft
- Public Joint Stock Company Rostelecom
- Public Joint Stock Company Rushydro
- Public Joint Stock Company Sberbank of Russia
- Public Joint Stock Company Transneft

Directive 3 Covered Entities are subject to the 50 Percent Rule, so the restrictions set forth in Directive 3 also apply to those subsidiaries 50% or more owned directly or indirectly, individually or in the aggregate, by one or more of these companies.[40]

“Debt” as defined for purposes of Directive 3 includes “bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers acceptances, discount notes or bills, or commercial paper.” OFAC has also clarified that debt includes the rollover of existing debt, assuming such rollover results in the creation of new debt with a maturity of longer than 14 days. For debt that takes the form of revolving credit facilities or long-term loan agreements, as long as those agreements were entered into prior to the effective date of the sanctions, drawdowns and disbursements are permitted only if they either (1) have repayment terms of 14 days or less or (2) have contractually-agreed terms that pre-dated the sanctions effective date and are not modified thereafter.

“Equity” includes “stocks, share issuances, depositary receipts or any other evidence of title or ownership.”

Directive 3 leaves open the possibility that additional entities may be named in Annex 1. If so, the same provisions will come into effect 30 days after the date of the additions.

The prohibitions in Directive 3 mirror the restrictions on trading newly issued debt or equity of Russian companies previously designated by OFAC on the SSI List under E.O. 13662. Indeed, certain of the 13 firms named in Directive 3 or their affiliates were previously designated on the SSI List. The SSI sanctions remain in effect. As a result, in transacting in the debt or equity securities of any of these companies, consideration should be given both to Directive 3 and to the SSI List.

## **Prohibitions on Maintaining Accounts for or Processing Transactions Through Sberbank**

Directive 2 is targeted toward certain banking transactions with Russia’s largest financial institution, the Public Joint Stock Company Sberbank of Russia (“Sberbank”), majority-owned by the Government of the Russian Federation, as well as 25 of its subsidiaries.<sup>[41]</sup> More specifically, Directive 2 prohibits U.S. financial institutions<sup>[42]</sup> from (i) opening or maintaining a correspondent account or payable-through account for or on behalf of any entity subject to Directive 2 or their property or interests in property; and (ii) processing transactions involving entities subject to Directive 2 or their property or interests in property.<sup>[43]</sup> OFAC directs U.S. financial institutions to reject such transactions unless exempt or authorized by

OFAC.[44] Within 30 days, all U.S. financial institutions must close any Sberbank correspondent or payable-through accounts and reject any future transactions involving Sberbank, its foreign financial institution subsidiaries or their property and interests.[45]

In addition to Sberbank itself, Annex 1[46] to Directive 2 identifies 25 foreign financial institution subsidiaries that are 50% or more by owned by Sberbank, directly or indirectly, including banks, trusts, insurance companies and other financial companies located in Russia and six other countries (“Directive 2 Covered Entities”).[47] Sberbank and other affiliated entities determined to be subject to Directive 2 have also been added to the OFAC sanctions list entitled “List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions” (“CAPTA List”).[48]

Directive 2’s prohibitions take effect on March 26, 2022, at which time U.S. financial institutions must have closed any correspondent or payable-through account maintained for the Directive 2 Covered Entities, along with all foreign financial institutions owned 50% or more by the same.[49] Thereafter, U.S. financial institutions must reject such transactions.[50]

GL 8A, described above, permits, through June 24, 2022, transactions involving Sberbank related to energy that may otherwise be prohibited by Directive 2, but does not authorize opening or maintaining correspondent accounts or payable-through accounts for or on behalf of Sberbank and the entities listed in Annex 1.[51]

## **Designation of Russian Sovereign Wealth Fund**

In order to “terminat[e] yet another route through which Russia has benefitted from access to the U.S. financial system,” OFAC has designated the Russian Direct Investment Fund (“RDIF”), a Russian sovereign wealth fund, as an SDN subject to blocking sanctions. RDIF operates in a number of industries, such as insurance and financial services. According to OFAC, RDIF is “widely considered a slush fund” for President Putin and is “emblematic of Russia’s broader kleptocracy.”[52]

At the same time, OFAC has designated RDIF’s management company, Joint Stock Management Company of the Russian Direct Investment



Fund (“JSC RDIF”) and a subsidiary of the management company, Limited Liability Company RVC Management Company, as SDNs as well.[53]

## **Russian Individual Designations**

OFAC continues to designate individuals as SDNs in an effort to exact severe costs for Russian aggression. Most significantly, the U.S. took the rare step of designating President Vladimir Putin as an SDN. He is only one of a few heads of state designated by OFAC. Russia’s Minister of Foreign Affairs, Sergei Lavrov, was also designated as an SDN. Several other members of the Russian Security Council were also designated.[54]

Over the last several days, OFAC designated a number of Russian business executives, including Sergei Sergeevich Ivanov (CEO of state-owned mining company Alrosa), Andrey Patrushev (previously of Gazprom Neft, currently working in the energy sector) and Ivan Igorevich Sechin (a top executive at the oil company Rosneft) — all three of whom are sons of high-ranking Russian government officials said to be close allies of Putin who were previously designated by OFAC — as well as Alexander Aleksandrovich Vedyakhin (First Deputy Chairman of the Executive Board of Sberbank), Andrey Sergeyevich Puchkov (a VTB Bank executive),[55] Yuriy Alekseyevich Soloviev (another VTB Bank executive), his wife, Galina Olegovna Ulyutina, and Kirill Aleksandrovich Dmitriev (CEO of RDIF and JSC RDIF, with ties to U.S. firms and universities).[56]

Still, relatively few Russian oligarchs have been sanctioned to date. At his press conference on Feb. 24, President Biden signaled that more such sanctions are coming, saying: “We will keep up this drumbeat of those designations against corrupt billionaires in the days ahead.”[57]

## **Application of Sanctions to Non-U.S. Persons**

As part of the sanctions announced on Feb. 24, OFAC also issued guidance highlighting the “risk” that non-U.S. persons could find themselves subject to sanctions by OFAC if they engage in activity with Russian companies or individuals sanctioned under E.O. 14024. In particular, OFAC explained that, under E.O. 14024, non-U.S. persons may be designated if they have “materially assisted, sponsored or provided financial, material, or technological support for or goods or services to or

in support of,” a blocked person or activity hostile to the U.S. or its allies. However, non-U.S. persons “generally do not risk exposure” for engaging in transactions with “persons subject to the prohibitions of the directives under E.O. 14024,” i.e., persons who are not subject to blocking sanctions under E.O. 14024.[58] Non-U.S. persons should still be aware that E.O. 14024 and its related directives prohibit attempts to evade or avoid their prohibitions or cause a violation by a U.S. person.[59] Efforts to comply with sanctions that involve replacing a sanctioned service provider with a non-sanctioned service provider will not be viewed as “evading or avoiding.”[60]

## **Trade Export Restrictions**

In concert with international allies, the U.S. also took major steps to limit exports of sensitive technology and equipment to Russia.[61] Under the authority of the Export Control Reform Act of 2018,[62] the Department of Commerce (“Commerce”) promulgated a Final Rule[63] on Feb. 24, 2022, that it describes as “the most comprehensive application of Commerce’s export authorities on U.S. items . . . targeting a single nation.”[64] The Final Rule includes an expansion of license requirements for electronics, navigation equipment, avionics and marine equipment; changes the review policy for denial of export licenses; creates new controls on the export to Russia of foreign-produced items that are the direct product of U.S.-origin software or technology; and expands controls on exports that would reach Russian military end-users.[65]

## **Belarus Sanctions: Defense and Finance Sectors**

In connection with its sanctions against Russia, OFAC has also designated 24 Belarusian individuals and entities pursuant to its authority under E.O. 14038.[66] The Belarus sanctions program has been fairly limited up until this point, previously targeting Belarusian sovereign debt in response to human rights abuses and anti-democratic activity.[67] The newly-announced measures focus on Belarus’s ties to Russia and its support for the invasion of Ukraine.[68]

Among the targeted entities are two state-owned banks that conduct direct and indirect financial activity for the Government of Belarus: the Belarussian Bank of Development and Reconstruction Belinvestbank Joint Stock Company and Bank Dabrabyt Joint Stock Company

(previously known as Bank Moscow Minsk JSC).[69] Additionally, a real-estate firm, Limited Liability Company Belinvest-Engineering and a financial leasing company, CJSC Belbizneslizing, were also designated.[70] The other 20 designated individuals and entities are all tied to the Belarusian defense sector, including manufacturers, industry executives, state agencies and government defense officials. Each has operated in or contributed to the defense sector or was a leader or official of the Government of Belarus. U.S. international partners, including the UK and Canada, have also sanctioned several of these new designees.[71]

However, under GLs 6 and 7 pursuant to E.O. 14038, otherwise prohibited transactions are permitted for conducting official U.S. government business or official business of certain international organizations.[72]

OFAC also revised its guidance concerning Belarusian sovereign debt.[73] Last December, OFAC released Directive 1, which prohibits U.S. persons dealing in new debt issued on or after Dec. 2, 2021 by certain Belarusian banks.[74] While debt agreements that existed before Dec. 2, 2021 are not sanctioned, previous guidance from OFAC indicates that it views changes to contractual terms of pre-existing debt as prohibited dealing.[75] However, because the United Kingdom ceased use of LIBOR benchmark rates, debt agreements that are modified to replace LIBOR with another reference rate “will not be treated as new debt for OFAC sanctions purposes.”[76]

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If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

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[1] Press Release, U.S. Dep’t of Treasury, “U.S. Treasury Announces Unprecedented & Expansive Sanctions Against Russia, Imposing Swift and Severe Economic Costs” (Feb. 24, 2022), available here (“2/24/22 Treasury Press Release”); Press Release, U.S. Dep’t of Treasury, “U.S. Treasury Imposes Sanctions on Russian Federation President Vladimir Putin and Minister of Foreign Affairs Sergei Lavrov” (Feb. 25, 2022), available here (“2/25/22 Treasury Press Release”); Press Release, U.S. Dep’t of Treasury, “Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia’s Wealth” (Feb. 28, 2022), available here (“2/28/22 Treasury Press Release”).

[2] White House, Joint Statement on Further Restrictive Economic Measures (Feb. 26, 2022), available here; Laurence Norman et al., *EU, U.K., Canada, U.S. Plan to Cut Some Russian Banks From Swift*, Wall. St. J. (Feb. 26, 2022), available here.

[3] U.S. Dep't of Treasury, Directive 4 Under E.O. 14024 (Feb. 28, 2022), available here.

[4] E.O. 14024, "Blocking Property With Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation" (April 15, 2021), available here.

[5] Directive 4 at 1.

[6] Specifically, 12:01 AM EDT on June 24, 2022. GL 8A, available here. GL 8A, issued on Feb. 28, 2022, replaced and superseded GL 8 which was issued on Feb. 24, 2022, available here.

[7] 2/28/22 Treasury Press Release.

[8] Directive 4 at 1.

[9] 2/24/22 Treasury Press Release. *See also* OFAC, SDN List (changes since Jan. 1, 2022), available here.

[10] Alternatively, "Otkrytie." *See* SDN List.

[11] 2/24/22 Treasury Press Release.

[12] E.O. 14024. VTB Bank and Otkritie have also been determined to be "owned or controlled by, or have acted or purported to act for or on behalf of, directly or indirectly, the Government of the Russian Federation." *Id.*; 2/24/22 Treasury Press Release.

[13] Press Release, U.S. Dep't of Treasury, "U.S. Treasury Imposes Immediate Economic Costs in Response to Actions in the Donetsk and Luhansk Regions" (Feb. 22, 2022), available here.

[14] E.O. 14024.

[15] U.S. Dep't of Treasury, "Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property are Blocked" (Aug. 13, 2014), available here ("Revised Guidance" or "50 Percent Rule").

[16] E.O. 14024.

[17] No transactions are authorized with Novikombank or PSB, both of which operate in the Russian defense sector.

[18] OFAC also issued other General Licenses that do not specifically reference or apply to the Russian banks designated as SDNs. *E.g.*, GL 5, available here (permitting official business of certain international organizations and entities); GL 6, available here (permitting certain transactions related to agriculture, medicine and medical devices or their replacement parts and software, and COVID-19 related items); GL 7, available here (authorizing transactions incidental to overflights, emergency landings, and air ambulance services).

[19] Specifically, 12:01 AM EDT on June 24, 2022. GL 8A.

[20] *Id.*

[21] U.S. Dep't of Treasury, Directive 4 Under Executive Order 13662 (as amended on Oct. 31, 2017), available here; E.O. 13662, "Blocking Property of Additional Persons Contributing to the Situation in Ukraine" (Mar. 20, 2014), available here.

[22] GL 11, available here; GL 3, available here.

[23] Specifically, 12:01 AM EDT, Mar. 24, 2022. GL 3.

[24] Specifically, 12:01 AM EDT, Mar. 26, 2022. GL 11.

[25] This period lasts until 12:01 AM EST on March 26, 2022. GL 12, available here. *See also* OFAC FAQ 975, available here.

[26] GL 9, available here.

[27] Specifically, 12:01 AM EDT on May 25, 2022. GL 9.

[28] *Id.* GL 9 also excludes certain actions from this wind-down period, including: (1) selling a covered debt or equity to a blocked person; (2) investing in a covered debt or equity, "other than purchases of or investments in covered debt or equity that are ordinarily incident and necessary to the divestment or transfer of covered debt or equity"; (3) opening or maintaining of a correspondent account or payable-through account for an entity subject to Directive 2 (discussed below); and (4) "[a]ny transactions involving any person blocked pursuant to E.O. 14024 other than the blocked persons described" in paragraph a of GL 9 "unless separately authorized."

[29] OFAC FAQ No. 982 (Feb. 24, 2022), available here.

[30] OFAC FAQ No. 981 (Feb. 24, 2022), available here.

[31] Specifically, 12:01 AM EDT on May 25, 2022. GL 10, available here.

[32] *Id.* GL 10 specifically excludes any conduct that would otherwise be permitted by GL 10 that relates to (1) the opening or maintaining of a correspondent or payable through account for an entity subject to Directive 2 or (2) transactions involving blocked persons other than those specifically named in GL 10.

[33] OFAC FAQ No. 981.

[34] *See, e.g.*, GL 9 (authorizing certain transactions “prohibited by Executive Order (E.O.) 14024” without indicating that any transactions prohibited by E.O. 13662 are authorized). *See also* OFAC FAQ 886 (updated Feb. 24, 2022), available here (describing E.O. 14024 as addressing a separate national emergency from previous E.O.s including 13662).

[35] 2/24/22 Treasury Press Release; *see also* U.S. Dep’t of Treasury, Directive 3 Under Executive Order 14024 (Feb. 24, 2022), available here (“Directive 3”).

[36] *See* Directive 3; OFAC FAQ No. 984 (Feb. 24, 2022), available here.

[37] Directive 3 at 2; *see also* OFAC FAQ No. 984.

[38] 2/24/22 Treasury Press Release.

[39] Directive 3 at 1.

[40] Treasury, Revised Guidance.

[41] U.S. Dep’t of Treasury, Directive 2 under Executive Order 14024, (Feb. 24, 2022), available here (“Directive 2”).

[42] Directive 2 utilizes the same definition of “U.S. financial institution” as Directive 1A (Feb. 22, 2022). *See* SRZ Client Alert, “Sanctions Update: US Begins to Roll Out Sanctions Against Russia” (Feb. 23, 2022), available here. *See also* OFAC FAQ 676 (updated Feb. 24, 2022), available here.

[43] *See* 2/24/22 Treasury Press Release.

[44] *Id.*

[45] *Id.*

[46] Directive 2 at 3-4.

[47] *See* 2/24/22 Treasury Press Release.

[48] U.S. Dep't of Treasury, List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (CAPTA List) (Updated Feb. 24, 2022), available [here](#). The CAPTA list is “a reference tool that provides actual notice of OFAC actions with respect to foreign financial institutions for which the opening or maintaining of a correspondent account or a payable-through account in the United States is prohibited or subject to one or more strict conditions.” 2/24/22 Treasury Press Release. All foreign financial institutions owned 50% or more, directly or indirectly, by Sberbank are covered by Directive 2's prohibitions, even if not identified on OFAC's CAPTA List. *Id.* Transacting in, providing financing for, or otherwise dealing in new equity instruments of persons subject to Directive 2 is permissible, however—U.S. financial institutions may continue to maintain correspondent accounts and process U.S. dollar-clearing transactions for persons subject to Directives 2 and 3 as long as those activities: (i) do not involve transacting in, providing financing for, or otherwise dealing in transaction types prohibited by these Directives; and (ii) are not prohibited by other sanctions authorities. OFAC FAQ 371 (updated Feb. 24, 2022), available [here](#). *See also, e.g.*, OFAC FAQ 964 (Feb. 24, 2022), available [here](#).

[49] *See* 2/24/22 Treasury Press Release.

[50] *Id.*

[51] GL 8. GLs 9 and 10, which as discussed above authorize certain dealings in equity, debt and derivatives involving Russian banks designated as SDNs, also name Sberbank. But, since Sberbank has not been designated as an SDN, it is not clear how these licenses apply to Sberbank.

[52] 2/28/22 Treasury Press Release.

[53] *Id.*

[54] 2/25/22 Treasury Press Release.

[55] Puchkov has interests in Limited Liability Company Atlant S and Limited Liability Company Inspira Invest A, which OFAC also designated. 2/24/22 Treasury Press Release.

[56] *Id.*; 2/28/22 Treasury Press Release. For further identifying information on these individuals and a complete list of other individuals added to the SDN List, see U.S. Dep't of Treasury, "Russia-related Designations; Belarus Designations; Issuance of Russia-related Directive 2 and 3; Issuance of Russia-related and Belarus General Licenses; Publication of new and updated Frequently Asked Questions" (Feb. 24, 2022), available [here](#), and U.S. Dep't of Treasury, "Specially Designated Nationals List Update" (Feb. 25, 2022), available [here](#).

[57] White House, Remarks by President Biden on Russia's Unprovoked and Unjustified Attack on Ukraine (Feb. 24, 2022), available [here](#).

[58] OFAC FAQ 980, available [here](#).

[59] E.O. 14024.

[60] OFAC FAQ 980.

[61] Press Release, U.S. Dep't of Commerce, "Commerce Implements Sweeping Restrictions on Exports to Russia in Response to Further Invasion of Ukraine" (Feb. 24, 2022), available [here](#) ("Restrictions on Exports to Russia").

[62] 50 U.S.C. §§ 4801 et seq., available [here](#).

[63] U.S. Dep't of Commerce, Implementation of Sanctions Against Russia Under the Export Administration Regulations, Final Rule (Feb. 24, 2022) (to be codified at 15 C.F.R. pts. 734, 738, 740, 742, 744, 746, and 772), prepublication version available [here](#) ("Final Rule, Russia Sanctions").

[64] Press Release, Restrictions on Exports to Russia.

[65] Final Rule, Russia Sanctions; *see also* U.S. Department of Commerce & Bureau of Industry and Security Russia Rule Fact Sheet (Feb. 24, 2022), available [here](#). Exceptions to tighter exporter licensing requirements are limited to situations involving, among others, items used for news media, certain government activities, software updates for civil use, and consumer products not "destined for government end users or certain individuals associated with the government." *Id.*



[66] Press Release, U.S. Dep't of Treasury, "U.S. Treasury Targets Belarusian Support for Russian Invasion of Ukraine," (Feb. 24, 2022), available here ("U.S. Targets Belarus"); E.O. 14038, "Blocking Property of Additional Persons Contributing to the Situation in Belarus" (Aug. 9, 2021), available here.

[67] Press Release, U.S. Dep't of Treasury, "Treasury Expands Sanctions Against Belarusian Regime with Partners and Allies" (Dec. 2, 2021), available here.

[68] U.S. Targets Belarus Press Release.

[69] *Id.*

[70] *Id.*

[71] *Id.* For a complete list of the newly designated entities, see U.S. Dep't of Treasury, "Russia-related Designations; Belarus Designations; Issuance of Russia-related Directive 2 and 3; Issuance of Russia-related and Belarus General Licenses; Publication of new and updated Frequently Asked Questions," (Feb. 24, 2022), available here.

[72] U.S. Dep't of Treasury, GL 6, Belarus Sanctions Regulations 31 CFR part 548, Official Business of the United States Government (Feb. 24, 2022), available here; U.S. Dep't of Treasury, GL 7, Belarus Sanctions Regulations 31 CFR part 548, Official Business of Certain International Organizations and Entities (Feb. 24, 2022), available here.

[73] U.S. Dep't of Treasury, Directive 1 Under Executive Order 14038 (Dec. 2, 2021), available here.

[74] Directive 1. For more information on Directive 1, see SRZ Alert, "U.S. Expands Sanctions Against Belarus, Barring New Sovereign Debt Transactions" (Dec. 10, 2021), available here.

[75] OFAC FAQ 942 (Dec. 2, 2021), available here.

[76] OFAC FAQ 956 (updated Feb. 24, 2022), available here. This same authorization applies to debt issued under Directive 3.

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## Attachments

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