



Update on US Russia/Ukraine Restrictions as of March 02, 2022

The US government has now issued a series of restrictions on current and future US commerce with Russia and its supporters in response to Russia actions last week regarding Ukraine. US allies and other countries around the world have taken similar and coordinated steps against Russia. This update summarizes the actions taken by US federal authorities up to the start of business on March 2, 2022.

The US restrictions to date do not impose a full ban on all US commerce with Russia. However, they do include important restrictions that will impact the ability of many US companies to continue doing business with the Russian government and Russia-based enterprises and individuals (and in some cases with those based in Belarus and Ukraine). The restrictions prohibit virtually all dealings by any US person (companies and individuals) with certain individuals and companies named by the US Office of Foreign Assets Control (OFAC), with immediate effect. Other restrictions are more limited. The US Commerce Department has also made changes to export control rules to prohibit exports to Russia of US goods, software and technology that was previously permitted without an export license, including “dual use” items that may not be considered sensitive. These restrictions are summarized below.

As a practical matter, because of the scope of the recent US restrictions, any US business that is doing business with Russia – even those not previously impacted by US sanctions or export controls – may be directly impacted by the current US restrictions tied to the Russia/Ukraine conflict. US companies may find it difficult to continue doing even permitted business with Russia, as banks and other necessary intermediaries continue to de-risk their own activities in light of the rapidly changing situation. Any US company that has ongoing or planned dealings in or originating from Russia, Ukraine or Belarus should assess whether the US restrictions directly impact their business and how to manage the legal and practical impacts that global sanctions may have on their payments, supply chains, shipping and other necessary functions, if it has not already done so. US companies should also be aware of international restrictions that may affect the US company, such as banning certain banks from the international bank messaging system (SWIFT) and EU or UK sanctions on additional Russian and Belarus persons. While the US and its allies are closely coordinating, there are differences between the US and non-US restrictions.

US companies that do not already have an active compliance program relating to US sanctions and export controls should pay particular attention to understanding the potential impacts of the new US restrictions on their ability to continue any business with Russia, Ukraine or Belarus. The status of US sanctions and export controls relating to Russian actions in Ukraine is rapidly changing, so it is important to stay informed as the situation evolves. Culhane Meadows clients can contact our Government, Regulatory and Compliance team listed below for more information.

Summary of US Sanctions and Export Restrictions targeting Russia to date

The US already had sanctions in place against certain Russian interests prior to the current Russia-Ukraine conflict. The most recent US actions add to those prior sanctions. The US has not adopted a complete ban on commerce between the US and Russia; however, the scope and targets of the US restrictions are wide ranging and are already having significant impact.

As of March 2, the US has implemented the following types of restrictions:

- **SDN List sanctions:** The US generally prohibits all US persons (companies and individuals) from conducting any business with companies and individuals that have been added to the “List of Specially Designated Nationals” (SDN List) maintained by OFAC. Targeted persons recently added to the SDN List include Russian leaders, oligarchs and powerful elites, the Russian Central Bank and related state-owned enterprises, a key Russian sovereign wealth fund, the largest Russian banks, along with their affiliated individuals and subsidiaries. Companies that are 50% or more owned/controlled by the targeted persons are also subject to sanctions, even if not on the SDN List directly. In addition to refusing to deal with or on behalf of the persons who are on the SDN List, US persons are required to freeze any assets of those persons that the US person

has within its control. Non-US persons can also have obligations to comply with US sanctions related to persons on the SDN List. **These prohibitions are already in effect**, and US persons should cease dealing with the named companies and individuals, unless one of a limited number of exceptions or wind-down provisions apply. OFAC makes the [SDN List](#) available on its website or contact Culhane Meadows to understand the recent additions.

- **Embargo on transactions with Luhansk (LNR) and Donetsk (DNR) regions of Ukraine:** The US has prohibited any US person from making new investments in LNR or DNR, importing into the US any goods, services or technology from LNR or DNR, and exporting/selling any goods, services or technology into LNR or DNR. US persons are also restricted from approving, financing, facilitating or guaranteeing any non-US person from taking these actions. **These prohibitions are already in effect**, although there is a short window until March 23 to wind down pre-existing transactions.
- **Restrictions on transactions with the Russian Central Bank and other state-owned enterprises:** US persons are now prohibited from participating in any transaction involving the Central Bank of Russia, the Russian Ministry of Finance or the National Wealth Fund of the Russian Federation, including any transfer of assets to these entities or any foreign exchange transaction for or on behalf of these entities. The US has also prohibited all US persons from dealing in the secondary markets for Russian sovereign debt (ruble and non-ruble denominated) issued after March 1, 2022 by any of these entities. Sanctions adopted prior to 2022 already prohibit US persons from dealing in the primary market for Russian sovereign debt issued by the same three entities after June 14, 2021 and from lending to these entities. US persons should check whether they have any current or planned dealings with the named Russian state-owned enterprises and if so, check details of the specific US restrictions.
- **Restrictions on buying or selling new debt or equity of certain Russian state-owned and private companies:** US persons are prohibited from transactions in, financing for, and other dealings in any new equity or new debt with a maturity of more than 14 days that has been issued **after March 26, 2022** by certain major Russian state-owned and private companies.
- **Additional restrictions on Russia's Sberbank and its affiliates:** The US has also imposed additional restrictions on one of Russia's largest lending banks and a number of its affiliates. **As of March 26**, these restrictions generally prohibit any US "financial institution" from opening or maintaining correspondent or payable-through accounts for or on behalf of Sberbank and its named affiliates and from processing any transaction involving those entities or their property or interests in property. US "financial institutions" that are affected by these restrictions include banks, check cashers, currency dealers, credit card operators, trust companies, insurance companies, securities and commodities broker/dealers, exchanges, clearing agencies, investment companies, employee benefit plans, and dealers in precious metals, stones or jewels.
- **New export control restrictions on export of many goods, software and technology to Russia:** On February 24, the US also imposed significant new export control restrictions targeting the export of US origin goods, software and technology, as well as items manufactured outside of the US using US equipment, software or technology. The new restrictions impose new requirements in five areas:
 1. All items that are listed in Categories 3 through 9 of the Commerce Control List under the Export Administration Regulations (EAR) may not be exported, reexported or transferred to or within Russia without an export license. With limited exceptions, applications for licenses are expected to be rejected.
 2. Important Russian entities have been added to the so-called Entity List, which effectively bans exports, reexports and transfer of any items subject to the EAR to these entities.
 3. The US extended prohibitions on the export of specific items to military end-use and military end-users in Russia.
 4. As with the OFAC sanctions, an embargo has been placed on export of goods, software and technology to the DNR and LNR regions in Ukraine.
 5. The US has applied the so-called "foreign direct product rule" to restrict the export to Russia of certain items that are produced outside of the US using US origin software, technology, equipment or

equipment components. These export restrictions **are already in effect**.

The US administration has also announced additional planned restrictions in coordination with its allies, such as a ban on certain Russian banks access to the international bank payment messaging system SWIFT, restrictions on citizenship opportunities for Russian oligarchs, bans on certain Russian flights in US airspace and further efforts to freeze Russian assets.

For more information, contact: Kristen Geyer, Partner & Government, Regulatory and Compliance Practice Co-Chair at Culhane Meadows, kgeyer@cm.law or +1.512.960.4039.

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