

U.S. Imposes New Sanctions Targeting Russian Sovereign Debt, Banks, Elites and Nord Stream 2 in Response to Russian Actions Relating to Ukraine

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Between February 21 and February 23, 2022, in response to recent actions by the Russian Federation (“Russia”) that threaten the peace, stability, sovereignty and territorial integrity of Ukraine, U.S. President Joseph R. Biden Jr. (the “President”) ordered the implementation of a number of sanctions-related measures, as further described below. First, on February 21, 2022, the President issued Executive Order 14065, which, based on a finding that Russia’s purported recognition of the so-called Donetsk People’s Republic (“DNR”) and Luhansk People’s Republic (“LNR”) regions of Ukraine contradicts Russia’s commitments under the Minsk agreements (a series of international agreements entered into in 2014 and 2015 and intended to end hostilities in the Donbas region of Ukraine), establishes a comprehensive sanctions program targeting the DNR and LNR regions. Subsequently, on February 22 and February 23, 2022, the President imposed additional U.S. sanctions targeting Russian sovereign debt, prominent Russian state-owned financial institutions, several Russian elites and their family members who have close ties to the Kremlin and the Nord Stream 2 gas pipeline.

Sanctions Targeting DNR & LNR

Executive Order 14065 imposes a comprehensive embargo on dealings involving the so-called DNR and LNR regions of Ukraine, prohibiting specifically: (a) new investment in such regions, or any other regions of Ukraine as may be determined by the U.S. Secretary of the Treasury, in consultation with the U.S. Secretary of State (collectively, “Covered Regions”), by any U.S. person; (b) importation into the United States, directly or indirectly, of any goods, services or technology from any Covered Region; (c) exportation, reexportation, sale or supply, directly or indirectly, from the United States, or by any U.S. person, wherever located, of any goods, services or technology to any Covered Region; and (d) any approval, financing, facilitation or guarantee by any U.S. person, wherever located, of a transaction by a foreign person that would be prohibited under Executive Order 14065 if performed by a U.S. person or within the United States.

Executive Order 14065 also directs the blocking of all property and interests in property that are in the United States, that come within the United States, or that are or come within the possession or control of any U.S. person, of any person determined by the U.S. Secretary of the Treasury, in consultation with the U.S. Secretary of State: to be operating or to have operated in any Covered Region; to be a leader, official, officer or director of an entity operating in any Covered Region; or to be owned or controlled by or acting for or on behalf of, or to have materially supported, any of the foregoing.

General Licenses

The Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury issued six new General Licenses on February 21, 2022. General License 17 authorizes certain wind down transactions involving any Covered Region through March 23, 2022. General Licenses 18, 19, 21 and 22 authorize the exportation and reexportation of agricultural commodities, medicine, medical devices, services and software incident to internet-based communications, and noncommercial, personal remittances to, and the transmission of telecommunications and mail to or from, any Covered Region. General License 20 allows certain international organizations and their employees, grantees and contractors to engage in transactions involving any Covered Region that would otherwise be prohibited by Executive Order 14065.

Additional Sanctions-Related Actions Targeting Russia

In addition to the comprehensive embargo and blocking sanctions imposed pursuant to Executive Order 14065, the President directed the following sanctions-related actions targeting Russia:

- **Expansion of Restrictions Targeting Russian Sovereign Debt:** OFAC issued Directive 1A (the “Directive”) under Executive Order 14024 of April 15, 2021, thereby amending and superseding a prior version of the Directive, in order to expand restrictions relating to dealings involving the sovereign debt of Russia. The Directive now prohibits U.S. financial institutions from participating in the secondary market for ruble or non-ruble denominated bonds issued after March 1, 2022 by the Central Bank of Russia, the National Wealth Fund of Russia or the Ministry of Finance of Russia (collectively, the “Covered Entities”). Pursuant to the original version of the Directive, U.S. financial institutions were already prohibited from lending any ruble or non-ruble denominated funds to any of the Covered Entities or participating in the primary market for ruble or non-ruble denominated bonds issued after June 14, 2021 by any of the Covered Entities.
- **Imposition of Blocking Sanctions on Russian Banks:** OFAC added State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (“VEB”) and Promsvyazbank Public Joint Stock Company (“Promsvyazbank”) and a number of their respective subsidiaries to the list of Specially Designated Nationals and Blocked Persons (the “SDN List”), resulting in a broad prohibition on dealings by any U.S. person with or involving any such entity and the blocking of the property, and interests in property, of each such entity, to the extent within the United States or within the possession or control of any U.S. person. By operation of law, OFAC’s designation of each of VEB and Promsvyazbank as a blocked person extends to any entity that is 50 percent or more owned, directly or indirectly, by VEB or Promsvyazbank.
- **Designation and Blocking of Russian Elites and Their Family Members:** OFAC added several Russian individuals to the SDN List based on a determination that they benefit directly from their connections to the Kremlin. OFAC’s designation of each such individual as a blocked person results in a broad prohibition on dealings by any U.S. person with or involving any such individual and the blocking of the property, and interests in property, of each such individual, to the extent within the United States or within the possession or control of any U.S. person, and extends to any entity that is 50 percent or more owned, directly or indirectly, by one or more of any such individuals.
- **Designations Targeting Nord Stream 2:** OFAC added Nord Stream 2 AG, the project company established to plan, construct and operate the Nord Stream 2 gas pipeline from Russia to Germany, and Matthias Warnig, a German national who serves as the company’s Chief Executive Officer, to the SDN List. OFAC’s designation of each of Nord Stream 2 AG and Mr. Warnig as a blocked person results in a broad prohibition on dealings by any U.S. person with or involving either of them and the blocking of their respective property, and interests in property, to the extent within the United States or within the possession or control of any U.S. person. Such designations extend, by operation of law, to any entity that is 50 percent or more owned, directly or indirectly, by either of Nord Stream 2 AG or Mr. Warnig.

General Licenses

OFAC also issued three new General Licenses on February 22, 2022 and February 23, 2022 to authorize certain transactions involving VEB or Nord Stream 2 AG. A summary of these General Licenses is set forth below:

- **General License 2** (*Authorizing Certain Servicing Transactions Involving VEB*): Authorizes all transactions involving VEB or any entity that is 50 percent or more owned, directly or indirectly, by VEB that are ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022 by the Central Bank of Russia, the National Wealth Fund of Russia or the Ministry of Finance of Russia.
- **General License 3** (*Authorizing the Wind Down of Transactions Involving VEB*): Authorizes, through March 24, 2022, all transactions that are ordinarily incident and necessary to the wind down of transactions involving VEB or any entity that is 50 percent or more owned, directly or indirectly, by VEB.
- **General License 4** (*Authorizing the Wind Down of Transactions Involving Nord Stream 2 AG*): Authorizes, through March 2, 2022, all transactions that are ordinarily incident and necessary to the wind down of transactions involving Nord Stream 2 AG or any entity that is 50 percent or more owned, directly or indirectly, by Nord Stream 2 AG.

This Client Alert is not comprehensive as to the full scope of U.S. sanctions relating to Ukraine or Russia or any other U.S. sanctions program and provides only a high-level overview of recent U.S. sanctions-related developments.

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