



## International Trade & Regulatory ADVISORY ■

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### Additional Sanctions, Export Control Restrictions Imposed on Russia, Belarus by U.S. and Allies

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Since Russia first began its invasion of Ukraine on February 22, 2022, coordinated measures adopted by the United States and its allies, such as in the form of economic sanctions and export control restrictions, have accelerated to punish the Russian state and ensure it or its military will not benefit from further Western financing and advanced technology.

As discussed in advisories published on [February 24](#) and [February 28](#), the United States in the first two “tranches” imposed measures such as: (1) isolating Russian banks from the U.S. financial system by executing partial and full blocking sanctions on some of the largest Russian banks, such as Sberbank, VTB Bank, and VEB; (2) restricting U.S. exports and the transfer of technology through the application of new Foreign Direct Product Rules (FDPR) against Russian importers and the Russian military; and (3) further reducing the Russian Federation’s ability to raise funds via Western financing by restricting certain debt and equity transactions involving U.S. persons as well as prohibiting transactions by U.S. financial institutions involving Russian sovereign debt on the secondary market. Additionally, the United States and other countries sanctioned Russian government officials and elites, including President Vladimir Putin. So far, more than 30 countries, representing half the global economy, have announced some form of sanctions or export controls on Russia.

As the fighting in Ukraine continues and civilian casualties grow, the United States on March 2, 2022, in coordination with its allies, [announced](#) additional measures against Russia as well as new sanctions against Belarus for its support of Russian operations in Ukraine. These new sanctions and export controls highlight the need for companies with connections to either Russia or Belarus to be monitoring changes in real time and to prospectively develop plans to pivot rapidly should new sanctions impact existing business activities. Companies continuing to do business in or with Russia must be vigilant in ensuring their compliance program takes these new restrictions into consideration.

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## SWIFT Cutoff

On March 2, 2022, the EU [announced](#) that seven important Russian banks would be denied access to the SWIFT payment messaging system, which links more than 11,000 banks and other financial organizations in more than 200 countries and territories. This comes after much negotiation within the EU and with allied nations in deciding which Russian banks to include within such a ban, while taking into account financial transactions for crucial Russian energy shipments to Europe. The seven Russian banks to be disconnected from SWIFT have been subject in previous tranches to various multinational sanctions: Otkritie, Novikombank, Promsvyazbank, Bank Rossiya, Sovcombank, VEB, and VTB BANK. Noticeably absent from the ban are Sberbank and Gazprombank, both important banks to the Russian economy, but also significant because their continued presence on SWIFT will allow for the processing of payments for Russian energy exports. SWIFT [announced](#) that the ban would take effect on March 12, 2022.

While the SWIFT system does not itself move money between banks, it is viewed by financial institutions as a critical part of the global payment system infrastructure due to its integration with banks across the globe. While there are some alternative methods of communicating and effecting cross-border payments between banks, they are far less commonly accepted and generally require greater time and effort on the part of financial systems. The immediate impact of the SWIFT cutoff is therefore likely to be that the banks that are cut off will be largely cut off from the ability to process cross-border payments in all currencies. It will remain to be seen whether any major non-Russian banks will seek to facilitate payments via alternative means or whether the majority of Russian cross-border banking will move to Sberbank and Gazprombank and other Russian banks not subject to full blocking sanctions and not included on the list of banks being cut off from SWIFT.

Financial institutions around the world will necessarily be scrambling to evaluate and mitigate the business and operational challenges that will arise when the SWIFT cutoff begins. Companies doing business in Russia should likewise evaluate their connections with the identified banks and determine whether risk mitigation is necessary.

## New U.S. Export Controls on Belarus; Corrections to February 24 Rule

The U.S. Department of Commerce Bureau of Industry and Security (BIS), also acting on March 2, 2022, [imposed](#) additional U.S. export restrictions on Belarus similar to those imposed on Russia in the second tranche of sanctions. These controls extend the new Russia FDPR and Russia Military End User (MEU) FDPR to Belarus. This expansion of export controls is an apparent attempt to curtail access to advanced technology in multiple sectors important to both nations, such as the defense, aerospace, and high-tech commercial sectors. The controls will also limit the Russian and Belarusian militaries' access to the advanced technology needed for technological innovations. Similar export restrictions announced by the European Union would effectively ban the [majority of exports](#) from Belarus into the EU. Additionally, 91 entities across 10 countries that were found to provide support to the Russian security services, military, and defense sectors were also added to Commerce's Entity List, further restricting their access to U.S. exports.

In the same rule, BIS made certain corrections to the earlier February 24 rule imposed on Russia. Specifically, BIS removed the exclusion that was previously available for transactions involving 5A992 and 5D992 items to certain Russian military end-users.

These changes highlight the need for companies with potentially controlled items to evaluate their exposure to the Russian market and determine whether additional export control compliance measures may need to be implemented.

## New U.S. Export Controls on Russian Oil Refining Operations

On March 4, 2022, BIS issued an [additional](#) round of new export controls, with similar controls meted out by the allies, that restrict the export, reexport, or in-country transfer of certain commodities and technology that are necessary for oil refining. These additional controls, which build on oil and gas industry controls first enacted in 2014, will severely affect the modernization of Russian oil refineries and reduce a crucial revenue source for the Russian state. These new export controls align with similar restrictions on oil refinery technology previously announced by the European Union. However, because Russia is a leading energy supplier, to ensure a steady flow of crude oil to the global market, the United States, as well as allies, allowed American banks through a [general license](#) released during the second tranche of measures to continue processing payments related to energy, from production to consumption, from Russian sanctioned financial institutions, such as Sberbank and VTB Bank, until 12:01 a.m. eastern daylight time, June 24, 2022.

## Further Blocking Sanctions of Russian Oligarchs and Defense Companies

The U.S. Department of the Treasury imposed sanctions on additional Russian oligarchs and their family members connected to Putin, such as the wife and children of Putin confidante Yevgeny Prigozhin, with allies taking similar actions. Notably, Alisher Usmanov, reportedly the [99th wealthiest person in the world](#), was among those recently sanctioned. However, a [general license](#) released by Treasury allows U.S. persons to continue doing business with companies 50% or more owned by Usmanov, unless those companies themselves are also sanctioned by Treasury. In addition, 26 Russia- and Ukraine-based individuals and seven Russian entities connected to Russian intelligence organizations were also sanctioned due to their activities in disinformation and influencing operations on topics such as the Ukrainian government and the COVID-19 pandemic. On March 3, 2022, the U.S. Department of State, acting in coordination with Treasury, [designated](#) 22 Russian defense-related entities that have directly contributed to Russian hostilities in Ukraine through their material and services. OFAC added these entities to the Specially Designated National (SDN) List, and U.S. persons and entities will now be prohibited from virtually all dealings with these entities and any entities that are 50 percent or more owned, directly or indirectly, in the aggregate by such entities.

## DOJ Operation KleptoCapture

On March 2, 2022, the U.S. Department of Justice [announced](#) the launch of a task force to enforce the sweeping sanctions and export controls against Russian entities and individuals, many of which have only been in place for a week. The standing up of this interagency task force, called “KleptoCapture,” is unprecedented—the U.S. government usually allows for a period of adjustment with such changes before it starts enforcement investigations. KleptoCapture’s formation so soon after the first two tranches of economic sanctions signals that the Biden Administration believes these measures are critical to national security and confirms the Administration’s dedication to tracing and seizing the assets of designated Russian individuals and entities, a process that is extremely complex and resource-intensive.

With the establishment of the KleptoCapture task force, U.S. financial institutions and U.S. companies more generally should expect an increase in law enforcement requests and subpoenas as the U.S. government seeks to untangle the web of Russian SDN ownership of assets around the world. The task force will also undoubtedly focus on confirming that U.S. persons and entities are complying with the new Russia sanctions and prosecuting those that seek to circumvent sanctions.

The U.S. task force mirrors the establishment of similar task forces in other allied nations, suggesting that the United States and its allies intend to conduct their investigations in concert.

## DOT and FAA Airspace Restrictions

On March 2, 2022, the U.S. Department of Transportation, and its Federal Aviation Administration, issued orders, in the form of a [Notice to Air Missions](#), denying Russian aircraft from entering or using U.S. airspace. Similar prohibitions were previously announced by Canada, the EU, and the UK. In total, the United States joins over 30 countries in barring Russian aircraft from their airspace. Russia has also imposed reciprocal bans on these countries. As a result, these bans will require replaced aircraft, such as those flying routes from Europe to Asia, to take indirect routes to avoid prohibited airspace, resulting in longer flight times and added fees.

## Russian (Counter) Blocking Sanctions

In response to the multilateral sanctions imposed on Russia by the United States, EU, UK, and several other countries, Russia has announced its intent to enact counter sanctions. On February 28, 2022, Putin issued "Decree 79," "On the Application of Special Economic Measures in Connection with the Unfriendly Actions of the United States of America and Foreign States and International Organizations Who Have Joined the United States of America." These measures will require Russian residents to sell 80% of foreign currency received under contracts with foreign persons. On the following day, Putin issued Decree 81, which is intended to require Russian government approval for certain transactions with "unfriendly countries," including providing loans to foreign persons and transactions that would give rise to a property right to securities or real estate in Russia.

As these counter sanctions measures are relatively new, it is not clear what enforcement will look like. Historically, we have seen companies devise strategies to balance competing compliance obligations in the face of other blocking measures, though the Russian legal system is less reliable than others. Companies that continue to operate in Russia need to be aware of these measures and continually evolving political risk.

## Conclusion

The current situation remains very fluid. The United States, EU, UK, and other nations continue to impose new measures on an almost daily basis. Companies should be prepared to adjust accordingly to ensure compliance during this extraordinary time.

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