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Trade Compliance Flash: OFAC Announces Hundreds of Russia-related Sanctions to Mark the Second Anniversary of the Invasion of Ukraine

International Alert

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On February 23, 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) sanctioned almost 300 individuals and entities under its Russian Harmful Foreign Activities Sanctions program, noting it was the "largest number of sanctions imposed since Russia's invasion of Ukraine." This latest tranche of Russia-related sanctions was a coordinated effort by the Treasury, the Department of Commerce (Commerce), and the Department of State (State) to mark the second anniversary of Russia's invasion of Ukraine and the death of Russian opposition leader Alexei Navalny. The sanctioned entities and individuals (persons) are largely concentrated in Russia's military-industrial and financial sectors. The targets include 26 persons in third countries that OFAC had determined to be "facilitators" of Russia-related sanctions evasion.

New Russia-related Sanctions Designations

OFAC highlighted four categories of new additions to its List of Specially Designated Nationals and Blocked Persons (SDN List):

Russian financial institutions: The sanctions target Russian banks, investment firms, and financial technology (fintech) companies, seeking to further restrict Russia's access to the international financial system. A notable addition in this category is the state-owned operator of the Mir card payment system, National Payment Card System Joint Stock Company (NSPK).

Third-country facilitators: In addition to designating many Russian persons, OFAC sanctioned 26 "persons outside of Russia who [it determined] facilitate, orchestrate, engage in, and otherwise support the transfer of critical technology and equipment to Russia's military-industrial base." These entities are concentrated in China, Eastern Europe, and Central Asia, but include companies from Western Europe as well.

Russia's unmanned aerial vehicles (UAVs) network: The sanctions target certain Russian and Iranian entities that operate to produce and acquire UAVs for use in the war in Ukraine.

Russian military-industrial base: Noting that "an increasing number of entities across Russia are directly or indirectly contributing to Russia's war machine," OFAC added a significant number of persons who, it stated, make economic contributions to the Russian war effort.

In a separate announcement, OFAC sanctioned Sovcomflot, Russia's largest state-owned shipping company. In its press release, OFAC stated that the designation of Sovcomflot aims to "responsibly reduce Russia's revenue from oil sales," as part of the broader effort to implement the goals of the Price Cap Coalition. As part of this sanctions tranche, 14 oil tankers owned by the shipping company were designated. Simultaneously, OFAC issued Russia-related General License (GL) 92, a 45-day wind-down authorization for offloading of cargo from such designated tankers, and Russia-related GL 93 authorizing all other transactions with vessels owned by Sovcomflot, which are not independently designated on OFAC's SDN List.

OFAC issued several other GLs. GL 88 and GL 89 authorize a wind-down period of 45 days for transactions with certain persons sanctioned on February 24. GL 90 and GL 91 authorize certain transactions involving sanctioned persons related to debt, equity, and derivative contracts, and certain safety and environmental transactions, respectively.

In conjunction with the OFAC designations, Commerce's Bureau of Industry and Security (BIS) imposed export controls restrictions on 93 entities connected to the Russian war effort. While most of the persons added to the BIS Entity List are Russian, about one third of the entities are based in China, Turkey, the United Arab Emirates, the Kyrgyz Republic, India, and South Korea. In its announcement, BIS noted that it has now added more than 900 parties to the BIS Entity List in connection with the invasion of Ukraine.

Key Takeaways

- The continuing sanctions and export controls coordination among OFAC, State, and Commerce, and the sheer size of the Russia sanctions program demonstrate the centrality of economic sanctions in the Biden administration's foreign policy strategy towards Russia. For example, the OFAC press release noted that **over 4,000 individuals and entities have now been sanctioned under its authority**, making the program's designations **larger than any other OFAC-administered sanctions program** .
- OFAC's focus on facilitators in this sanctions tranche underscores the risks for non-Russian parties that continue to operate in sanctioned Russian sectors or that provide assistance to sanctioned Russian persons. As part of this latest round of sanctions, the 26 non-Russian persons sanctioned as part of this action were designated for their participation in potential sanctions evasion and circumvention activities.
- The GLs announced in conjunction with the sanctions included multiple wind-down licenses authorizing transactions with certain of the newly designated persons for a period of 45 days. These wind-down licenses are notable for their shorter-than-usual duration, signaling that OFAC expects contracting parties to swiftly cease all transactions with blocked entities. At the same time, GL 93, authorizing all transactions with Sovcomflot, except those involving the 14 named oil tankers, suggests that OFAC is still considering the impact of U.S. sanctions on allied parties that have significant business with the shipping company.

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