



# TRADE AND MANUFACTURING MONITOR

NEWS AND INSIGHT FROM OUR INTERNATIONAL TRADE PRACTICE GROUP

## U.S. imposes embargo on separatist regions of Ukraine

By Robert Slack on February 21, 2022

Today President Biden issued an Executive Order (E.O.) imposing an embargo on the “so-called Donetsk People’s Republic (DNR) and Luhansk People’s Republic (LNR)” following Russian recognition of the breakaway regions of Ukraine.

The embargo is similar in scope to that imposed on the Crimea region, prohibiting:

- New investment in the “Covered Regions;”
- The direct or indirect import of goods, services, or technology from the Covered Regions to the United States;
- The export or reexport of services from the United States or by a U.S. person directly or indirectly to the Covered Regions;
- The approval, financing, facilitation, or guarantee by a United States person of a transaction or other business dealings by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. person.

The E.O. also provides the Office of Foreign Assets Control (OFAC), the agency with primary responsibility for implementing the E.O., with authority to sanction individuals and entities that are determined to:

- Operate or have operated in the Covered Regions since the effective date of the order;
- Be or have been a leader, official, senior executive officer, or member of the board of directors of an entity operating in the Covered Regions;
- Be owned or controlled or acted on behalf of parties subject to blocking sanctions under the E.O.; or
- Materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of parties subject to blocking sanctions under the E.O.

It is important to note that the E.O. authorizes the Secretary of the Treasury to expand the definition of “Covered Regions” in response to changes in the situation on the ground in Ukraine, so it is possible that the territory subject to the embargo will expand.

Following the issuance of the E.O., the Office of Foreign Assets Control (OFAC) issued a series of general licenses authorizing certain limited dealings with the Covered Regions, including:

- General License No. 17, authorizing transactions that are ordinarily incident and necessary to the wind down of transactions involving the DNR or LNR regions through 12:01 a.m. EST March 23, 2022. Authorized transactions include the winding down of operations, contracts, or other agreements in effect prior to February 21 involving the exportation, reexportation, sale, or supply of goods, services, or technology to, or importation of any goods, services, or technology from the DNR or LNR;
- General License No. 18, authorizing certain exports of food, medicine, medical devices, and certain COVID-19 treatments to the Covered Regions;
- General License No. 19, authorizing certain transactions ordinarily incident and necessary to the receipt or transmission of telecommunications;
- General License No. 20, authorizing activities by certain international organizations;
- General License No. 21, authorizing certain personal, non-commercial remittances, and the operation, maintenance, and closure of certain personal accounts; and
- General License No. 22, authorizing the export of certain services and software incident to the exchange of personal communications over the internet.

Companies with dealings in these regions or with persons who ordinarily reside in these regions should carefully review the E.O. and general licenses and monitor communications from OFAC for further guidance. A first step will include determining how to update sanctions screening systems to identify customers and transactions involving the Covered Regions.

Please contact our sanctions compliance team with any questions regarding these developments.

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