



TRADE AND MANUFACTURING MONITOR

NEWS AND INSIGHT FROM OUR INTERNATIONAL TRADE PRACTICE GROUP

U.S. Imposes New Sanctions on Russia in Response to Claimed Annexation & Warns of Further Measures

By Terry Frederic on September 30, 2022

Today, the U.S. Treasury Department and Commerce Department imposed new sanctions on Russia and Belarus as part of the G-7's collective response to Russia's claimed annexation of additional Ukraine territory. The new sanctions target supporters of Russia's military and defense sectors in Russia, Belarus, and third countries.

The Treasury Department's Office of Foreign Assets Control (OFAC) and the Commerce Department's Bureau of Industry and Security (BIS) also issued guidance today warning of the U.S. government's intention to aggressively use existing authorities to impose sanctions against third country supporters of Russia's military and defense sectors.

Blocking Sanctions

OFAC imposed blocking sanctions on companies in Russia, Belarus, China, and Armenia involved in supporting Russia's military and related illicit procurement networks, including:

- Scientific-Technical Center for Electronic Warfare, engaged in research and development for Russia's Ministry of Defense;
- Rotek Elpom, engaged in creation of certain stationary and vehicular-mounted security systems;
- ZAO NTTs Modul, engaged in production of computer and equipment and software used in Russia's aviation and space sectors;
- OOO Valtex-ST, engaged in procurement of high technology scientific and industrial equipment;

- OAO Radioavionika (Radioavionika), engaged in production of technological products for Russia's military defense; and
- Open Joint Stock Company Svetlogorsk Khimvolokno, Belarusian supplier to Russia's defense-industrial base.
- Vladimir Aleksandrovich Ivanov, Sergey Vyacheslavovich Byzov, and Dmitrii Vladimirovich Galin, of Radioavionika's leadership team;
- Novastream Limited and its General Director, Andrei Vladimirovich Khokhlov, operating in close coordination with Radioavionika; and
- Third Country Parties Sinno Electronics Co., Limited, of the People's Republic of China, and Taco LLC, of Armenia, suppliers working with and supporting Radioavionika.

OFAC has also added hundreds of Russian government officials and their family members to the Specially Designated Nationals (SDN) List.

Business with—and any dealings in the property or property interests of—an SDN is broadly prohibited absent prior authorization from OFAC. This includes entities owned 50 percent or more, individually or in the aggregate, by one or more SDNs. U.S. persons must report any property or interests in property of the blocked parties in their possession or control to OFAC within 10 business days.

Entity List Designations

BIS also added 57 entities located in Russia and the Crimea region of Ukraine to its Entity List today, generally barring the export, re-export, or transfer of items subject to the Export Administration Regulations to the listed parties without a license. Companies added to the list include those involved in acquiring U.S. technology in support of Russia and firms that develop quantum technologies that may enable Russia to engage in malicious cyber activities or otherwise enhance Russia's advanced production and development capabilities. Fifty of the 57 entries are subject to a "footnote 3" designation, subjecting those entities to the expansive Russia/Belarus-Military End User (MEU) Foreign Direct Product (FDP) rule.

Inclusion on BIS's Entity List broadly prohibits the export, re-export, or transfer of items subject to the Export Administration Regulations to the listed parties without a license from BIS. For those subject to a "footnote 3" MEU FDP designation, complex licensing requirements may apply to export transactions with the listed entity involving foreign items that are the direct product of U.S. knowhow.

Warning of Additional Sanctions

Both OFAC and BIS issued guidance warning of a more aggressive sanctions response against third country supporters of Russian aggression.

OFAC indicated that the United States is prepared to use existing authorities to sanction targets that, among other things, engage in the following activities:

- Provide material support for the organization of Russia's sham referenda or annexation;
- Provide material support to Russia's military and defense industrial base;
- Attempt to circumvent or evade U.S. sanctions on Russia and Belarus; or
- Provide material support to blocked Russian parties.

OFAC reiterated that U.S. sanctions are not intended to target Ukraine or hinder the provision of food or medicine or humanitarian services.

BIS similarly advised that it is prepared to place export restrictions on companies and government entities in third countries that support Russia's aggression. According to BIS, the agency will target those inside and outside of Russia that provide material support to Russia and Belarus's military and industrial sectors, including those who replenish or backfill technologies subject to export control restrictions imposed by the United States and its allies.

G-7 and European Union Response

G-7 countries have also announced and implemented additional restrictions against Russia. Earlier this week, the United Kingdom imposed asset freeze restrictions targeting collaborators of Russia's illegal sham referenda. The European Union is expected to follow suit, with reports indicating additional restrictions on Russia's technology sector, trade in steel and steel products, and more.

Please contact our sanctions and export team with any questions regarding these latest developments.

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