

## Insights

# **RUSSIA SANCTIONS UPDATE: PROHIBITIONS REGARDING CERTAIN PROFESSIONAL SERVICES, ADDITIONAL SDN DESIGNATIONS, VISA RESTRICTIONS, AND EXPANSION OF U.S. EXPORT CONTROLS**

May 13, 2022

Following a meeting of G7 leaders on May 8, 2022, the United States enacted additional sanctions and export control measures in response to the ongoing conflict in Ukraine. Among the changes: a prohibition on U.S. persons providing accounting, trust and corporate formation, and management consulting services to persons in Russia, sanctions on Russian state-controlled television stations, further SDN designations of persons, entities, and vessels, a new visa restriction policy, and an expansion of export license requirements for items destined to Russia. Organizations should ensure they are continuing to evaluate and update their compliance procedures to address potential touchpoints to these new sanctions and export control measures.

## **Prohibition on the Provision of Certain Professional Services**

On May 8, 2022, the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) issued a determination that the designation authority in Section 1(a)(i) of Executive Order 14024 extends to persons determined to have operated in the accounting, trust and corporate formation, and management consulting sectors of the Russian economy, further expanding the ability of OFAC to impose sanctions on persons operating in Russia and adding to the designation authority pursuant to Executive Order 14024, which already applies to the financial services, technology, defense and related material, aerospace, electronics, and marine sectors in Russia.

OFAC further issued a determination that the prohibitions in section 1(a)(ii) of E.O. 14071 apply to the designated categories of professional services, effectively prohibiting the export, reexport, sale, or supply, directly or indirectly, from the United States, or by any U.S. person, wherever located, of such services to any person located in the Russian Federation. Excluded from the scope of the determination (and, thus, the prohibitions) are services provided to entities located in Russia that are owned or controlled, directly or indirectly, by a U.S. person and services in connection with the wind down or divestiture of an entity in Russia that is not owned or controlled, directly or indirectly, by a Russian person. In connection with these designations, OFAC issued new general licenses ("GLs") permitting wind down activities involving such services as follows:

- [GL 34](#) permits wind down activities incident and necessary to the provision of accounting, trust and corporate formation, and management services to any person within Russia; the general license expires at **12:01 a.m. eastern daylight time, July 7, 2022.**
- [GL 35](#) permits wind down activities incident and necessary to the provision of credit rating or auditing services to any person within Russia; the general license expires at **12:01 a.m. eastern daylight time, August 20, 2022.**

## **New SDN Designations Targeting Russian Television Stations and Bank Officials**

Also on May 8, OFAC announced additional SDN designations of a number of persons, entities, and vessels pursuant to EO 14024. This most recent round of designations includes three Russian television stations that are directly or indirectly state controlled: Joint Stock Company Channel One Russia, Television Station Russia-1, and Joint Stock Company NTV Broadcasting Company. OFAC also issued [GL 33](#) permitting wind down activities involving these entities, which will expire at **12:01 a.m. eastern daylight time June 7, 2022.**

On the same day, OFAC sanctioned Limited Liability Company Promtekhnologiya, which produces rifles and other weapons; seven shipping companies, which own or operate 69 vessels; and one marine towing company. OFAC further announced designations of a number of Sberbank and Gazprombank executives and their families. U.S. persons are prohibited from providing funds, goods, or services to or for the benefit of any of the designated parties and from receiving funds, goods, or services from any designated parties, unless authorized by OFAC. In addition, any interests in property of those entities that are or come within the United States or within the possession or control of a U.S. person must be blocked and reported. The prohibitions related to dealings with SDNs and the blocking and reporting requirements also extend to entities owned 50% or more, directly or indirectly, by one or more blocked persons, even if such persons are not separately identified on the SDN List. Ongoing activities by non-U.S. persons with such SDNs may trigger secondary sanctions risks, which could include the non-U.S. party itself being designated as an SDN.

Separately, OFAC issued [GL 25A](#) to EO 14024, updating GL 25 issued on April 7, 2022, which authorizes transactions ordinarily incident and necessary to the receipt or transmission of telecommunications involving Russia and the export, reexport, sale or supply by U.S. persons or from the United States to Russia of certain services, software, hardware, or technology incident to the exchange of communications over the internet to the extent such activities are prohibited under the Russian Harmful Foreign Activities Sanctions Regulations. Those relying on GL 25A must ensure compliance with the restrictions outlined in paragraph (c) on activities authorized under the general license.

## **New Visa Restrictions**

In addition to the expanding designations of SDNs, on May 8 the United States Department of State announced the imposition of approximately 2,600 visa restrictions on Russian and Belarusian military officials. The State Department also announced a new visa restriction policy that applies to certain Russian Federation military officials and Russia-backed or Russia-installed purported authorities alleged to have been involved in human rights abuses, violations of international humanitarian law, or public corruption in Ukraine.

## **Expansion of Export Controls**

On May 9, 2022, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) published a [Final Rule](#) further expanding license requirements for exports, reexports, and transfers to and within Russia for more than 200 items relating to Russia's industrial sector, including a broad range of inputs and products including wood products, industrial engines, boilers, motors, fans, and ventilation equipment, bulldozers, and many other items with industrial and commercial applications. Applications for licenses pursuant to this section will be reviewed under a policy of denial; however, items that may be necessary for health and safety reasons or items that meet humanitarian needs will be reviewed on a case by case basis. The changes introduced by this rule went into effect on May 9, 2022, and are intended to further align U.S. restrictions with those enacted by the European Union.

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