

Sanctions and Export Controls Update: US, UK, and EU Developments Relating to Russia

New rules and announcements expand existing sanctions and export controls relating to Russia.

This Client Alert is published in the context of ongoing developments and should be read in conjunction with the Latham & Watkins Client Alerts published on [25 February](#), [1 March](#), [8 March](#), [11 March](#), and [April 12](#).

US Sanctions

New OFAC Determinations

On 8 May 2022, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) issued two "determinations" that impose sanctions on new sectors of the Russian economy.

- OFAC issued a [determination](#) pursuant to [Executive Order 14024](#), authorising the blocking of property, or interests in property, of persons determined to operate or to have operated in the accounting, trust and corporate formation services and management consulting sectors of the Russian Federation economy. No designations have been made under this determination to date. OFAC [clarified](#) that "a sector determination ... exposes persons that operate or have operated in an identified sector to sanctions risk; however, a sector determination does not automatically impose sanctions on all persons who operate or have operated in the sector."
- OFAC issued a [determination](#) pursuant to [Executive Order 14071](#) that will prohibit, effective 7 June 2022, the exportation, reexportation, sale, or supply, directly or indirectly, from the United States or by a US person, wherever located, of accounting, trust and corporate formation and management consulting services. This determination does not apply to:
 - The provision of a service to an entity located in the Russian Federation that is owned or controlled, directly or indirectly, by a US person (as defined in Executive Order 14071); and
 - the provision of a service in connection with the wind down or divestiture of an entity located in the Russian Federation that is not owned or controlled, directly or indirectly, by a Russian person.

While key definitions have not yet been defined in the regulations, OFAC issued [FAQ 1034](#), which indicates OFAC's intent to define key terms as follows:

- **“Accounting services”** — includes services related to the measurement, processing, and transfer of financial data about economic entities.
- **“Trust and corporate formation services”** — includes services related to assisting persons in forming or structuring legal persons, such as trusts and corporations; acting or arranging for other persons to act as directors, secretaries, administrative trustees, trust fiduciaries, registered agents, or nominee shareholders of legal persons; providing a registered office, business address, correspondence address, or administrative address for legal persons; and providing administrative services for trusts.
- **“Management consulting services”** — includes services related to strategic advice; organisational and systems planning, evaluation, and selection; development or evaluation of marketing programs or implementation; mergers, acquisitions, and organisational structure; staff augmentation and human resources policies and practices; and brand management.
- **“Russian person”** — an individual who is a citizen or national of the Russian Federation, or an entity organized under the laws of the Russian Federation.

In connection with this determination pursuant to [Executive Order 14071](#), OFAC issued [General License 34](#), which authorises “all transactions ordinarily incident and necessary to the wind down of the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of accounting, trust and corporate formation, or management consulting services to any person located in the Russian Federation.” This license expires on 7 July 2022.

On 8 May 2022, OFAC issued [General License 35](#), which authorises, with exceptions, “all transactions ordinarily incident and necessary to the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of credit rating or auditing services to any person located in the Russian Federation.” This license expires on 20 August 2022.

New SDN List Designations

On 8 May 2022, OFAC [added](#) board members, including senior executives, of two of Russia's largest banks (Sberbank and Gazprombank) to its Specially Designated Nationals and Blocked Persons (SDN) List. OFAC also designated one state-supported defense entity (LLC Promtekhlogiya), three Russian state-owned television stations (Joint Stock Company Channel One Russia, Television Station Russia-1 and Joint Stock Company NTV Broadcasting Company), as well as Russian state-owned bank Joint Stock Company Moscow Industrial Bank (MIB), and 10 of its subsidiaries. OFAC stated in its announcement that MIB had taken on business on behalf of other previously designated banks, had worked with such banks to move US dollars, and had facilitated transactions for Russian intelligence services.

Pursuant to OFAC's so-called “50 percent rule”, entities that are owned 50% or more, by one or more sanctioned parties, should be treated as subject to the same sanctions, even if those parties are not identified on the applicable sanctions list. Most dealings by US persons with SDNs are prohibited unless licenced, and US persons are obligated to block property and interests in property of an SDN that is within a US person's possession or control. Further, certain significant dealings with SDNs can expose non-US parties to so-called “secondary sanctions”.

Additional Russia-Related General Licenses

On 5 May 2022, OFAC issued [General License 31](#), which authorises certain transactions in connection with a patent, trademark, copyright, or other form of intellectual property (IP) protection in the United States or the Russian Federation that would otherwise be prohibited by Russia sanctions, including:

- the filing and prosecution of any application to obtain a patent, trademark, copyright, or other form of IP protection;
- the receipt, renewal, or maintenance of a patent, trademark, copyright, or other form of IP protection; and
- the filing and prosecution of any opposition or infringement proceeding with respect to a patent, trademark, copyright, or other form of IP protection, or the entrance of a defense to any such proceeding.

On 8 May 2022, OFAC issued [General License 33](#), which authorises all transactions ordinarily incident and necessary to the wind down of operations, contracts, or other agreements involving one or more of the following blocked persons that were in effect prior to 8 May 2022:

- Joint Stock Company Channel One Russia
- Joint Stock Company NTV Broadcasting Company
- Television Station Russia-1
- Any entity 50% or more owned, directly or indirectly, by one or more of the above persons

This license expires on 7 June 2022.

New Export Restrictions

On 11 May 2022, the US Department of Commerce's Bureau of Industry and Security (BIS) published a [new rule](#) expanding restrictions on the exports, re-exports, or transfers (in-country) to and within Russia of additional items subject to the Export Administration Regulations (EAR).

The rule imposes a license requirement for exports, reexports, or transfers to or within Russia for additional items subject to the EAR and identified under 478 specified Schedule B numbers or 205 Harmonized Tariff Schedule codes. The list consists of a wide range of machinery, parts, and related industrial items, such as, among others, certain boring machines, gear grinding or finishing machines, planing machines, bulldozers, bending or assembling machines, doweling machines, sorting machines, machine tools, wood veneer, barrels and casks, hydraulic power engines, parts of air or vacuum pumps, air conditioning machines, automotive air condenser, heat exchangers, icemaking machines, refrigerated drinking water coolers, soda fountain and beer dispensing equipment, oil or fuel filters for internal combustion engines, fire extinguishers, printing machines, and dry-cleaning machines.

Consistent with previous restrictions relating to Russia, BIS will review license applications for restricted items pursuant to a policy of denial, with the exception of items "that may be necessary for health and safety reasons or for items that meet humanitarian needs," which BIS will review on a case-by-case basis.

EU Sanctions

The EU has not introduced further sanctions since the Latham Client Alert published on [12 April 2022](#). The EU is currently discussing a sixth package of sanctions. EU Commission President Ursula von der Leyen [announced](#) that the sixth package will include a SWIFT ban for Sberbank, a form of prohibition on oil imports from Russia, a ban on three big Russian state-owned broadcasters from EU airwaves, and a

ban on the provision of accounting, consulting, and public relations services to Russia. There is significant disagreement between Member States as to the scope of the proposed oil import restrictions, which is delaying the release of the new sanctions package. The EU continues to provide updated guidance on its sanctions in the form of FAQs, which can be found on this [page](#).

UK Sanctions

Since the Latham Client Alert published on [12 April 2022](#), the following instruments have amended the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) (the UK Russia Regulations):

- The [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 8\) Regulations 2022](#) (Amendment No. 8)
- The [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No. 9\) Regulations 2022](#) (Amendment No. 9)

Amendment No. 8 introduces the following new provisions:

- **Luxury goods:** The export of luxury goods to or for use in Russia is prohibited. It is also prohibited to directly or indirectly supply or deliver luxury goods from a third country to a place in Russia or make luxury goods available to a person connected with Russia or for use in Russia. Luxury goods include anything specified in Schedule 3A of the UK Russia Regulations (subject to certain exceptions where goods are covered by other restrictions).
- **Oil refining and quantum computing and advance materials goods and technology:** Amendment No. 8 extends the existing prohibitions on exporting, supplying or delivering, making available, transferring, providing technical assistance, providing financial services and funds, or providing brokering services in relation to restricted goods and technology to include oil refining goods and technology and quantum computing and advanced materials, goods, and technology.
- **Iron and steel products:** It is prohibited to import the iron and steel products listed in Schedule 3B of the UK Russia Regulations. It is also prohibited to directly or indirectly acquire iron and steel products that originate in or are located in Russia or directly or indirectly supply or deliver iron and steel products from a place in Russia to a third country.

Amendment No. 9 introduces the following new provisions:

- **Provision of internet services to designated persons:** These restrictions target social media services, internet access service providers, and application store providers. Specifically:
 - A social media service provider must take reasonable steps to prevent content that is generated directly on the service, or uploaded to or shared on the service, by a designated person, being encountered by a user of the service in the United Kingdom.
 - Internet access service providers must take reasonable steps to prevent a user of the service in the UK from accessing, by means of that service, an internet service provided by a designated person.
 - Application store providers through which applications for an internet service may be downloaded or otherwise accessed must take reasonable steps to prevent a user of the application store in the UK from downloading or otherwise accessing, by means of that application store, an internet service provided by a designated person.

In addition, the UK Office of Communications has been given new powers to request information that it reasonably requires for the purpose of monitoring compliance with these new restrictions and can impose monetary penalties of up to £1,000,000 for any breaches.

The UK has also added entities to the [UK Consolidated List of Financial Sanctions Targets](#), including SMP Bank, Ural Bank for Reconstruction and Development, and KAMAZ.

General Licences

Since 12 April 2022, the UK has published certain licences, including:

- [General Licence INT/2022/1630477](#), which permits payments under existing contracts to Gazprombank and subsidiaries for the purpose of making gas available in the EU. This includes opening and closing new bank accounts by a natural or legal person, Gazprombank, or a subsidiary of Gazprombank. This licence expires on 31 May 2022.
- [General Licence INT/2022/1277876](#), which permits payments for the basic needs of VTB plc and its UK subsidiaries to be made and received (including in connection with insolvency proceedings), has been amended to expand its application to Sberbank CIB (UK) and its UK subsidiaries. It expires on 3 April 2023.
- [General Licence INT/2022/1710676](#), which permits the continuation of existing business with Evraz North America plc, Evraz Inc. NA, and Evraz Inc. NA – Canada. This licence expires on 2 September 2022.

Proposed new sanctions

The UK has announced a new package of restrictions, which have not yet been introduced in legislation. The new measures are expected to include an export ban impacting products worth more than £250 million as well as increasing tariffs on various Russian imports. Plans include a prohibition on Russian access to UK accountancy, management consultancy, and public relations services.

The UK has also [announced](#) a ban on new outward investment into Russia, but has not published the relevant legislation yet, so it is presently unclear what form this will take.

What's Next?

Additional measures are expected to be introduced in the coming weeks. Latham & Watkins is tracking developments across all regions closely and expects that the US, the EU, the UK, and other governments around the world may impose additional rounds of sanctions as events unfold. The firm is well positioned to advise clients on the legal and practical impacts of these measures.

If you have questions about this Client Alert, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

Les Carnegie

les.carnegie@lw.com
+1.202.637.1096
Washington, D.C.

Jeremy Green

jeremy.green@lw.com
+44.20.7710.4561
London

Eric S. Volkman

eric.volkman@lw.com
+1.202.637.2237
Washington, D.C.

Joachim Grittmann

joachim.grittmann@lw.com
+49.69.6062.6548
Frankfurt

Asia Y. Cadet

asia.cadet@lw.com
+1.202.637.2251
Washington, D.C.

Ehson Kashfipour

ehson.kashfipour@lw.com
+1.202.637.1002
Washington, D.C.

Damara L. Chambers

damara.chambers@lw.com
+1.202.637.2300
Washington, D.C.

Robert Price

robert.price@lw.com
+44.20.7710.4682
London

Andrew P. Galdes

andrew.galdes@lw.com
+1.202.637.2155
Washington, D.C.

Elizabeth K. Annis

elizabeth.annis@lw.com
+1.202.637.1011
Washington, D.C.

Matthew Crawford

matthew.crawford@lw.com
+1.617.880.4588
Boston

Thomas F. Lane

thomas.lane@lw.com
+44.20.7710.3030
London

Charles Claypoole

charles.claypoole@lw.com
+44.20.7710.1178
London

J. David Stewart

j.david.stewart@lw.com
+44.20.7710.3098
London

Ruchi G. Gill

ruchi.gill@lw.com
+1.202.654.7126
Washington, D.C.

Amaryllis Bernitsa

amaryllis.bernitisa@lw.com
+44.20.7710.4582
London

Matthew R. Gregory

matthew.gregory@lw.com
+1.202.637.3355
Washington, D.C.

Hiroaki Takagi

hiroaki.takagi@lw.com
+81.3.6212.7810
Tokyo

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