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Russia Sanctions Update: Lux Edition

By **James A. Treanor**
Special Counsel | White Collar Defense and Investigations

As the conflict in Ukraine grinds on, sanctions against Russia have continued to tighten. Since we published our Clients & Friends Memo last week, available here, President Biden issued Executive Order ("EO") 14068 of March 11, 2022, on Prohibiting Certain Imports, Exports, and New Investments with Respect to Continued Russian Federation Aggression. As its title suggests, the EO targets specified trade and investment activities, including prohibitions on:

1. The import of certain Russian Federation origin fish and seafood products, alcoholic beverages, non-industrial diamonds, as well as other products that might be named at a later date by the Secretary of the Treasury;
2. The export, to any person located in the Russian Federation, of luxury goods, and other items as may be determined by the Secretary of Commerce;
3. New investments in any sector of the Russian Federation economy identified by the Secretary of the Treasury; and
4. The export of U.S. dollar-denominated banknotes to the Government of the Russian Federation or any person located in the Russian Federation.

To date, no additional products have been added to the import prohibition, and no sectors of the Russian economy have been determined by the Secretary of the Treasury to be targeted by the prohibition on new investments. The Department of Commerce, however, has identified goods that are subject to the export ban (see here).

Along with EO 14068, OFAC issued General Licenses ("GLs") permitting certain imports until 12:01 EDT on March 25, 2022 (Russia-related GL 17), banknote transfers related to noncommercial, personal remittances (Russia-related GL 18), and transactions related to the personal maintenance of U.S. persons located in Russia (Russia-related GL 19). OFAC also issued a number of new FAQs, including FAQ 1,021 highlighting the risk of sanctions evasion related to the use of virtual currencies, and clarifying (not for the first time) that sanctions apply irrespective of whether covered transactions are conducted in traditional fiat currency or virtual currency.

While the immediate effect of this most recent round of sanctions is likely to be relatively limited, in some ways that is a testament to how many of the largest targets – among them Russian banks, financial transfers, energy exports and oligarchs – have already been sanctioned in previous rounds. There is clearly still room for additional measures to be implemented, however, including through the Secretary of the Treasury's authority to ban investments in specified sectors of the Russian economy. Unless the course of the conflict changes, we should expect to hear more from Treasury soon.
