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New Round of Russia Sanctions

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Following reports of alleged atrocities committed by Russian forces in parts of Ukraine, the United States and the European Union have announced significant new economic sanctions aimed at further cutting off Russia from international markets.

In the United States, the White House announced that President Biden would sign an Executive Order prohibiting new investments in Russia by U.S. persons. According to the Department of the Treasury's press release, the Order will also authorize the Secretary of the Treasury to impose sanctions on the provision of specific categories of services to Russia.

Newly announced U.S. sanctions also include full blocking measures applied to Russia's largest bank, PJSC Sberbank of Russia ("Sberbank"), and 42 of its subsidiaries. Previously, Sberbank and some subsidiaries were subject to more limited sanctions, including prohibitions on dealings in certain debt and equity, as well as correspondent account and payable-through account ("CAPTA") prohibitions. As a result of the new measures, U.S. persons must block and report to the Office of Foreign Assets Control ("OFAC") all property and interests in property of Sberbank, and its designated subsidiaries, as well as any other entity in which Sberbank (or a designated subsidiary) owns, directly or indirectly, a 50 percent or greater interest. In addition, OFAC imposed blocking restrictions on another major Russian bank, JSC Alfa-Bank, and certain of its subsidiaries, as well as numerous Russian business and political leaders and their family members – including Russian President Putin's daughters.

In coordination with these U.S. actions, the European Union announced its own slate of new Russia-related sanctions. In particular, President of the European Commission Ursula von der Leyen announced a fifth round of sanctions against

Russia. Specific details of these additional sanctions are yet to be defined, but will include the following “6 pillars”:

1. An import ban on coal from Russia, reportedly amounting to approximately 4 billion euros per year;
2. A “full transaction ban” on VTB and three other Russian banks (as yet unnamed), which together represent 23 percent of the Russian banking sector;
3. A ban on Russian vessels and Russian-operated vessels from accessing EU ports, with certain exemptions for essential products, humanitarian aid and energy. Furthermore, the EC have proposed a ban on both Russian and Belarusian road transport operators (*i.e.*, trucks and other heavy goods vehicles);
4. An export ban covering a range of sectors, notably including quantum computers, advanced semiconductors, machinery and transportation equipment;
5. An import ban covering wood, cement, seafood and liquor; and
6. A “number of very targeted measures,” including a ban on Russian companies from participating in public procurement in EU member states, and an exclusion from all financial support to Russian public-sector entities.

Furthermore, EU High Representative Josep Borrell previewed that the EC will add “dozens” of Russian business and political leaders to the EU sanctions list.

The new measures announced by the United States and the European Union have been or will be joined by fresh sanctions from the United Kingdom and other countries. They represent a significant escalation in economic pressure on Russia, and especially on its financial sector. However, with no end to the conflict in sight – and with Europe, in particular, so far holding in reserve its most potentially crushing sanctions on Russia’s energy exports – this latest round of sanctions is unlikely to be the last.

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