

US Sanctions Against Russia

Article By:

John E. Bradley

Brent Connor

Catherine A. Johnson

Henrietta Worthington

Russia's escalating aggressions against Ukraine during the final week of February were met with a parallel escalation of U.S. sanctions against Russia on an almost-daily basis.

1. OFAC Directive 1A

The Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") issued Russia-related Directive 1A to Executive Order 14024, *Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation* ("**Executive Order 14024**"), amending and superseding previous Russia-related Directive 1. Directive 1 initially prohibited participation by U.S. financial institutions in the primary market for ruble or non-ruble denominated bonds issued after June 14, 2021 by, or lending of ruble or non-ruble denominated funds to, the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation. Directive 1A expanded the restrictions as of March 1, 2022 to prohibit participation in the secondary market for ruble or non-ruble denominated bonds issued after March 1, 2022 by these entities.

2. Nord Stream 2 Sanctions

On February 23, the U.S. Department of State ("**State Department**") issued blocking sanctions targeting the Nord Stream 2 pipeline pursuant to Executive Order 14039 of August 20, 2021, *Blocking Property with Respect to Certain Russian Energy Export Pipelines*. This action came one day following Germany's announcement that it would halt certification of the Nord Stream 2 gas pipeline. OFAC added Nord Stream 2 AG and CEO Matthias Warnig to the List of Specially Designated Nationals and Blocked Persons ("**SDN List**"), but issued a wind-down license, Russia-related General License 4, authorizing transactions involving Nord Stream 2 AG through 12:01 a.m. EST on

March 2, 2022.

3. Debt and Equity Prohibitions

Under new Russia-related Directive 3 to Executive Order 14024, OFAC has also prohibited U.S. persons from engaging in transactions in new debt of longer than 14 days maturity and new equity of certain identified Russian entities. The entities are listed in Annex 1 to Directive 3, and include a mix of state-owned and privately held entities: 1) Public Joint Stock Company Sberbank (“**Sberbank**”), 2) Gazprombank Joint Stock Company, 3) Joint Stock Company Russian Agricultural Bank, 4) Public Joint Stock Company Gazprom, 5) Public Joint Stock Company Gazprom Neft, 6) Public Joint Stock Company Transneft, 7) Public Joint Stock Company Rostelecom, 8) Public Joint Stock Company RusHydro, 9) Public Joint Stock Company Alrosa, 10) Public Joint Stock Company Sovcomflot, 11) Open Joint Stock Company Russian Railways, 12) Joint Stock Company Alfa-Bank, and 13) Credit Bank of Moscow Public Joint Stock Company. The new debt and equity prohibitions take effect at 12:01 a.m. EST on March 26, 2022.

4. Russia Central Bank Sanctions

Sanctions. On February 28, OFAC released Directive 4 to Executive Order 14024. Pursuant to Directive 4, U.S. persons are prohibited from engaging in “any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.” Secretary of the Treasury Janet L. Yellen indicated that the measure is intended to “limit Russia’s ability to use assets to finance its destabilizing activities.”^[1]

General License. OFAC issued General License 8A, superseding and replacing prior General License 8, at the same time, authorizing certain transactions with previously sanctioned entities, including the Central Bank of the Russian Federation, through 12:01 a.m. EST on June 24, 2022, that are “related to energy,” as defined within the License.

5. Sberbank CAPTA Sanctions

OFAC has imposed correspondent and payable-through account (“**CAPTA**”) sanctions on Sberbank through new Russia-related Directive 2 to Executive Order 14024. Under Directive 2, U.S. financial institutions are prohibited from opening or maintaining correspondent accounts or payable-through accounts on behalf of Sberbank, 25 Sberbank foreign financial institution subsidiaries, and any other foreign financial institutions owned 50 percent or more by Sberbank. U.S. financial institutions are likewise prohibited from processing transactions involving such entities. Annex 1 to Directive 2 provides the full list of the 25 identified subsidiaries subject to the Directive. The new CAPTA sanctions take effect at 12:01 a.m. EST on March 26, 2022.

6. Financial Institution Sanctions

Sanctions. OFAC has imposed full blocking sanctions on significant Russian financial institutions by

adding them to the SDN List. These include VTB Bank Public Joint Stock Company (“**VTB Bank**”), along with 20 of its subsidiaries, as well as State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (“**VEB**”) and Promsvyazbank Public Joint Stock Company (“**PSB**”), along with 42 of their subsidiaries. OFAC also placed three additional Russian financial institutions on the SDN List: Public Joint Stock Company Bank Financial Corporation Otkritie (“**Otkritie**”), Open Joint Stock Company Sovcombank (“**Sovcombank**”), and Joint Stock Commercial Bank Novikombank (“**Novikombank**”). The designations also included 12 identified Otkritie subsidiaries and 22 Sovcombank subsidiaries.

On February 28, the list of sanctioned financial institutions placed on the SDN List grew to include a key Russian sovereign wealth fund, Russian Direct Investment Fund, its management company, and one subsidiary. Due to his close relationship with President Putin, OFAC also added CEO Kirill Aleksandrovich Dmitriev to the SDN list.

General Licenses: VEB. OFAC issued Russia-related General License 2 and General License 3 with respect to VEB. General License 2 permits certain transactions involving VEB that are “ordinarily incident and necessary to the servicing of bonds issued before March 1, 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation.” General License 3 is a wind-down license authorizing certain transactions involving VEB through 12:01 a.m. EST on March 24, 2022.

7. Vessel and Aircraft Sanctions

OFAC sanctioned the following Russian flag vessels in which PSB Lizing OOO reportedly holds an interest (via PSB Leasing LLC): BALTIC LEADER, IMO No. 9220639 (RO-RO), FESCO MAGADAN, IMO No. 9287699 (Container Vessel), FESCO MONERON, IMO No. 9277412 (Container Vessel), LINDA, IMO No. 9256858 (Oil Tanker) and PEGAS, IMO No. 9256860 (Oil Tanker).

No new aircraft designations were announced by OFAC in the final week of February.

8. Russian Elite Sanctions

OFAC included a large number of designations of Russian elites and individuals close to President Putin, as well as their family members. The designations included: Denis Aleksandrovich Bortnikov, Petr Mikhailovich Fradkov, Vladimir Sergeevich Kiriyeenko, Sergei Sergeevich Ivanov, Andrey Patrushev, Andrey Sergeevich Puchkov, Ivan Igorevich Sechin, Yuriy Alekseyevich Soloviev, Galina Olegovna Ulyutina, and Alexander Aleksandrovich Vedyakhin.

9. Putin Sanctions

On February 25, OFAC took the additional significant step of sanctioning Russian President Putin himself by adding him to the SDN List, along with Minister of Foreign Affairs Sergei Viktorovich Lavrov, and, pursuant to a State Department designation, two other members of Russia’s Security Council, Chief of the General Staff of the Russian Armed Forces, First Deputy Minister of Defense, and General of the Army Valery Gerasimov, and Minister of Defense Sergei Shoigu.

10. SWIFT Sanctions

The United States has committed, alongside the United Kingdom, the European Commission, France, Germany, Italy, and Canada, to introducing sanctions measures relating to the SWIFT messaging system.^[2] Although the details have yet to be formally introduced, it is expected that a number of Russian financial institutions will be banned from the system. We will continue to monitor for developments in this area.

FOOTNOTES

[1] Press Release, Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia's Wealth, U.S. Dep't of the Treasury (Feb. 28, 2022), [Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia's Wealth | U.S. Department of the Treasury](#)

[2] *Joint Statement on Further Restrictive Economic Measures*, The White House (Feb. 26, 2022), [Joint Statement on Further Restrictive Economic Measures |](#)

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