

Friday Development: New Sanctions and Export Controls to Address Russia's Ongoing Aggression in Ukraine (Including the use of Iranian UAVs)

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In response to Russia's ongoing aggression in Ukraine, both the United States and the European Union have imposed additional sanctions and further restricted exports to Russia and Iran. These new controls span many industries.

I. U.S. Sanctions

The U.S. Department of Treasury, Office of Foreign Assets Control ([OFAC](#)) [has implemented a host of new Russia sanctions](#). OFAC designated over 100 entities and individuals found to support Russia's war against Ukraine. It also sanctioned Russia's metals and mining sector. While over 80 percent of Russia's banking sector is already sanctioned, OFAC designated over a dozen more financial institutions and wealth management-related entities. Sanctioned persons include actors that have attempted to evade sanctions to enable Russia to gain access to the international financial system. OFAC also sanctioned Russian aerospace companies and carbon fiber producers. See [Specially Designated Nationals List \(SDN List\) additions](#).

Regarding the Russian metals and mining sector, OFAC used its authority under Presidential Executive Order 14024 to designate four entities for having operated in the sector. [OFAC issued several General Licenses](#) to enable companies to wind down transactions with newly blocked entities.

II. U.S. Export Controls

In addition to the new OFAC sanctions, over one hundred pages of new export control regulations were made effective immediately on February 24, 2023 by the Department of Commerce, Bureau of Industry and Security (BIS) (whether you read frustration into that sentence is in the eye of the beholder). However, we note industry will be grateful to learn that not all of the rules impose additional controls, but rather many are clarifications of the existing rules to make the regulations more user-friendly.

a. New Export Controls on Russia (and Belarus): Industrial Sectors and Luxury Goods

The newest export restrictions on Russia and Belarus include new Entity List designations and additional restrictions on industrial sectors and luxury goods. The Entity List designations include many entities found to be Russian and Belarusian military end users, and Chinese entities that have significantly contributed to Russia's military and defense industrial base. See [BIS Additions of Entities to the Entity List Final Rule](#).

The additional restrictions on exports are designed to better align the U.S. controls with those of U.S. allies to make the Export Administration Regulations (EAR) stronger, more effective, and easier to understand (easier to understand is always welcome). Moreover, some of the changes further support certain companies continuing to wind down or close operations in Russia. In part, the new BIS rules do the following:

Clarified that [Supplement no. 2 to part 746 – Russian Industry Sector Sanctions](#) includes exports to Belarus;

Updated Supplements no. 2 and [4 to part 746](#) to now use six-digit Harmonized Tariff Schedule (HTS) codes rather than “Schedule B” descriptions, for ease of reference;

Expanded Supplement no. 2 to part 746 to include any modified or designed parts, components, accessories, and attachments for the items listed, regardless of their HTS codes (though as always, and borrowing from the ITAR, screws, bolts, nuts, studs, etc. are excluded);

Added 322 additional industrial items to those that require a license for export or reexport to or transfer within Russia or Belarus to Supplement no. 4 to part 746 – Russian and Belarusian Industry Sector Sanctions. The items added include a variety of electronics, industrial machinery, and equipment;

Recognized Taiwan's implementation of measures against Russia and Belarus by adding Taiwan to [Supplement no. 3 to part 746 of the EAR](#) with the designation granting Taiwan “full” exclusion from certain requirements in § 746.8 of the EAR, as described in § 746.8(a)(4) and (5).;

Clarified that [§ 744.7, on restrictions of exports to and for the use of certain foreign vessels or aircraft](#), also extends to transfers (in-country), in addition to exports and reexports;

Clarified that the exclusion for mass market items controlled under ECCN 5A992 or 5D992 from the Russia and Belarus export controls also applies to [luxury goods sanctioned under 746.10\(a\)\(1\)](#);

Added a new case-by-case license review policy for applications for the disposition of items by companies not headquartered in Country Group D:1, D:5, E:1 or E:2 that are curtailing or closing all operations in Russia or Belarus.

See [Implementation of Additional Sanctions Against Russia and Belarus Under the Export Administration Regulations \(EAR\) and Refinements to Existing Controls Final Rule](#).

There are many other tweaks and updates that we do not delve into in this article for the sake of brevity. But should you have any questions on things like “thiafentanil,” reagents for oligonucleotide synthesis, or ultracentrifuges, please don’t hesitate to contact us.

b. New Export Control Measures on Iran

BIS also imposed [new export license requirements to address Russia’s use of Iranian unmanned aerial vehicles \(UAVs\) in its ongoing war on Ukraine](#). There are already comprehensive export restrictions on Iran under U.S. Law. However, these controls impose license requirements for exports and reexports on certain EAR99 items destined to Iran, regardless of whether a U.S. person is involved. The items subject to these controls are described by six-digit HTS codes and descriptions in a new Supplement no. 7 to part 746 and will require an license for export or reexport to Iran. Those items generally include internal combustion piston engines, spark-ignition parts, radio navigational aids, fixed capacitors, memories, amplifiers, and other electronic integrated circuits, which fall under EAR99.

The items listed include any modified or designed components, parts, accessories, and attachments regardless of the HTS Code (except screws, bolts, nuts, studs, etc. again).

BIS also expanded the scope of the Russia/Belarus Foreign Direct Product (FDP) rule and created an Iran FDP rule. Supplement no. 7 to part 746 items are now included in the Russia/Belarus FDP rule. The Iran FDP rule establishes jurisdiction over foreign-produced items that are the direct product of U.S.-origin software or technology classified in Categories 3 – 5 and 7 of the Commerce Control List (CCL) or are produced by a plant or major component of a plant which itself is the direct product of such software or technology. A license will be required to reexport or export from abroad to Iran any foreign-produced item subject to the EAR that is located in or destined to Iran in accordance with the Iran FDP rule, except for countries described in Supplement no. 3 to part 746 in most circumstances. Notably, the export and reexport to Iran of the listed items will be subject to the regulatory authority and licensing jurisdiction of OFAC.

III. EU Sanctions

On February 25, the EU issued its [tenth package of sanctions](#) and an [FAQ](#) detailing further the new measures. The new measures comprise of:

- [Additional designations](#). The EU furthered its restrictions by adding more than 120 individuals and entities to its sanctions list. The EU has targeted Russian decision-makers, government officials and military leaders as well as members and supporters of Wagner Group. The EU has also designated Iranian nationals allegedly involved in the supply of drones to Russia for use in Ukraine.
- [Export bans and restrictions](#). The EU imposed new restrictions on critical technology and

industrial goods, including electronics, specialized vehicles, machine parts, spare parts for trucks and jet engines, and goods for the construction sector, such as antennas, fork-lift trucks and cranes. Further, the EU now prohibits the transit via Russia of dual-use goods and technology, and firearms exported from the Union.

- Import bans: The EU adopted import bans into the EU of Russian bitumen and related materials like asphalt, synthetic rubber and carbon blacks. The import, purchase or transport, or related technical or financial assistance necessary for the import into the Union, of carbon and synthetic rubber is authorized until June 30, 2024, up to certain quantities.
- Financial sector. The EU added three additional banks to the sanctions lists: Alfa Bank, Rosbank and Tinkoff Bank. Further, the 10th package imposes new reporting obligations on Russian Central Bank assets in order to ensure uniform application of the prohibition of transactions relating to the management of reserves and assets of the Russian Central Bank. Under this new obligation, EU individuals and entities must provide information to the national authorities on the assets and reserves of the Russian Central Bank of Russia and the Russian government which they hold or control or to which they are a counterparty. Entities subject to this requirement must provide this information to the competent national authority and to the Commission no later than two weeks after February 26. Such information must be updated every three months and shall at least cover the following:
 - information identifying the natural or legal persons holding or controlling such assets and reserves;
 - the amount or market value of such assets and reserves; and
 - the types of the assets and reserves.
- Media bans. The EU has added two new channels to the media ban: RT Arabic and Sputnik Arabic.
- Miscellaneous measures. The EU also imposed a number of other measures. The EU now imposes a ban on Russian nationals from serving on governing bodies of Member States' critical infrastructure companies. The EU also now prohibits Russian nationals and entities from booking gas storage capacity in the Union.

In addition to this new package, the EU Commission has taken steps to reach out to third countries to ensure strict implementation of sanctions and prevent circumvention. On February 23, the first Sanctions Coordinators Forum took place in Brussels, gathering international partners and Member States to strengthen enforcement efforts.

IV. UK Sanctions

On February 24, to mark the 1-year anniversary of Russia's actions in Ukraine, the UK likewise [announced](#) additional sanctions on Russia. Those new sanctions comprise of:

- New designations. The UK Office of Financial Sanctions Implementation (OFSI) has [designated](#) 80 new individuals and 12 new entities, among which are: (i) several banks including Bank St Petersburg PJSC, Bank Uralsib PJSC, Bank Zenit and MTS Bank PJSC, (ii)

six entities involved in the manufacture or repair of Russian military equipment and (iii) two subsidiaries of Rosatom. These newly listed parties are now subject to an asset freeze.

- New Export Bans. The UK government also announced an export ban on every item that Russia has been found to be using on the battlefield in Ukraine, including aircraft parts, radio equipment and electronic components.
- New Import Restrictions. The new UK sanctions also impose import restrictions on 140 types of goods, including iron and steel products processed in third countries.

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