

# CLIENT ALERT

## President Biden Imposes Additional Sanctions on Russia

April 16, 2021

On April 15, 2021, the United States unveiled a sweeping series of additional sanctions on Russia, marking the first major Russia-related sanctions development of the Biden Administration and the most material such U.S. action in several years. The actions were spearheaded by President Biden's issuance of Executive Order 14024 (the "EO") that grants the Department of Treasury a wide-ranging set of new designation authorities, including to designate persons "operating in" the "technology" and "defense and related material" sectors of the Russian economy. Acting under this authority, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") designated six Russian entities for operating in the "technology" sector as well as expanding existing restrictions on U.S. financial institutions to now restrict participation in the primary market for certain ruble-, as well as non-ruble-denominated bonds, as well as certain ruble- or non-ruble-denominated lending activities.

Then, in parallel, using seven different existing authorities, OFAC designated 17 entities and 21 individuals (bringing the total number of designations from the day's actions to 44) for activity ranging from attempts to influence the 2020 U.S. presidential election to support for the ongoing occupation of the Crimea Region of Ukraine ("Crimea").

### New Executive Order

The EO authorizes blocking sanctions on persons operating in the technology or defense and related materiel sectors of the Russian economy, as determined by the Secretary of the Treasury or Secretary of State, in consultation with the other, and also allows the Secretary of the Treasury, in consultation with the Secretary of State, to add other sectors of the Russian economy under which additional persons may be blocked.

The EO also allows for blocking various additional types of persons, including: (1) persons carrying out "nefarious" activities on behalf of Russia, including malicious cyber-attacks, election interference, corruption, assassination and murders, peace-destabilizing activities, and sanctions evasion; (2) senior management, officials or leaders of the Russian Government, companies carrying out activities targeted under this EO, or entities designated under this order; (3) Russian political subdivisions, agencies or instrumentalities; (4) spouses or adult children of persons blocked under this order; (5) material supporters of persons blocked under this order; (6) certain Russian persons providing material support to blocked persons under OFAC sanctions; and (7) certain Russian persons and entities involved in interfering with gas or energy supplies to Europe, the Caucasus, or Asia.

### Actions Taken Under the EO

Acting under the new authority granted by the EO, OFAC has already taken a series of actions including:

- **Prohibition on Participation in Certain Ruble-Denominated Bonds:** OFAC issued a new directive under the EO, which prohibits U.S. financial institutions ("USFIs") from participating in the primary market for ruble- and non-ruble-denominated bonds issued after June 14, 2021, by the Central Bank of the Russian Federation ("Russian Central Bank"),

the National Wealth Fund of the Russian Federation (“NWF”), or the Ministry of Finance of the Russian Federation (“Russian Finance Ministry”). USFIs had been prohibited since August 2019 from participating in the primary market for non-ruble denominated bonds issued by the Russian sovereign, so Directive 1 effectively expanded these restrictions to capture ruble-denominated bonds as well. OFAC clarified in simultaneously-issued [frequently asked questions](#) (“FAQs”) that these restrictions do not extend to USFI participation in the secondary market for bonds issued by these entities.

- **Prohibition on Certain Ruble-Denominated Lending:** Directive 1 also extended a pre-existing (since August 2019) restriction on non-ruble denominated lending to the Russian sovereign to now also prohibit ruble and non-ruble lending to the Russian Central Bank, NWF, and Russian Finance Ministry.

OFAC [clarified](#) that these two Directive 1 restrictions apply only to the three listed entities and do not apply to entities that they own directly or indirectly, excusing them from the “50% Rule” that OFAC has applied in other contexts.

- **Designation of Entities in the “Technology or Defense and Related Materiel Sector”:** Ramping up use of the “sectoral” model that OFAC has begun to prefer in recent programs, most notably as the primary designation tool used in the Venezuela context, the EO provides a new authority for OFAC to designate any persons that it determines to be “operating in” the “technology” or the “defense and related materiel” sectors of the Russian economy, as well as any sectors determined by the Treasury Secretary, in consultation with the Secretary of State in the future. Using these authorities, OFAC then simultaneously designated six Russian technology companies, all of which for activity that involved support for the Russian Ministry of Defense, intelligence services (FSB, GRU, or SVR), or that otherwise supported the Russian Government’s use of offensive cyber operations. Neither the EO nor OFAC has defined the terms “technology” or “defense and related materiel,” but OFAC did issue an FAQ to [clarify](#) that designation of the defense and related materiel sector did not automatically block persons in that sector currently subject to sectoral sanctions under Directive 3 to EO 13662.

## Parallel Actions

In parallel to the new EO, OFAC acted under a wide-ranging set of pre-existing authorities to designate a number of Russian-related individuals and entities for a series of allegedly malign activity, including:

- **Election Interference Designations:** OFAC [designated](#) 16 individuals and 16 entities for their involvement in election interference, including the 2020 U.S. presidential election. A number of these persons were also simultaneously designated under overlapping pre-existing authorities. These included:
  - **Disinformation Outlets:** OFAC designated outlets operated by Russian Intelligence Services for their roles in online disinformation to promote perceptions of voter fraud during the 2020 U.S. presidential election cycle, the promotion of conspiracy theories, and the distribution of false information about the COVID-19 vaccine.
  - **Yevgeniy Prigozhin’s Network in Africa:** Prigozhin is the financier of the Internet Research Agency (also referred to as “IRA”), a Russian troll farm. Both have already been designated pursuant to earlier EOs, but OFAC listed members of their networks. These have operated primarily in Africa and Europe, and are accused by Treasury of having sponsored phony election monitoring missions, disseminated Russian misinformation, and operated a fraudulent think tank and team of political consultants tasked with devising strategizes to manipulate African politics in support of Prigozhin’s interests.

- Evasion Network: OFAC sanctioned various shell and front companies Prigozhin allegedly used to evade U.S. sanctions. These companies allegedly permitted Prigozhin to obtain aircraft related parts and maintenance and to hide his ownership in blocked property.
- Internet Research Agency Enabler: OFAC sanctioned a Pakistani company, Second Eye Solution (SES) (aka Forwarderz), and several of SES' digital currency addresses, as well as numerous Pakistani nationals, for their role in assisting the Internet Research Agency in concealing its identity and evading sanctions since at least 2012. The Pakistani entities allegedly engaged in schemes to provide digital photos of fake documents such as passports, driver's licenses, bank statements, utility bills, and other national identity documents to verify online accounts. These fraudulent documents were then used to evade sanctions and anti-money laundering protocols, permitting the IRA to receive over \$2.5 million in digital currencies through nearly 27,000 transactions since 2013.
- Russian Agent: OFAC designated Konstantin Kilimnik, a Russian and Ukrainian political consultant, for his role in election interference. Kilimnik provided Russian Intelligence Services with polling and campaign strategy information during the 2016 U.S. presidential election and sought to promote the narrative that Ukraine, not Russia, had interfered in the 2016 election. He was also designated under Executive Order 13660 for providing support to former Ukrainian President Yanukovich, who was designated under that authority in 2014.
- **Crimea-Related Designations**: Acting under existing authorities relating to Russia's actions in Crimea, OFAC designated the following five individuals and three entities for their ongoing support of Russia's intervention there: (1) two companies (Lenpromtranproyekt, and Joint-Stock Company The Berkakit-Tommot-Yakutsk Railway Line's Construction Directorate) and one individual (Leonid Kronidovich Ryzhenkin) for their involvement in the construction of the Kerch Strait Bridge (aka the "Crimean Bridge"); (2) one entity (Simferopol SIZO-1) for alleged human rights abuses in a pre-trial detention center; and (3) four officials (Larisa Vitalievna Kulinich; Pavel Leonidovich Karanda; Leonid Mikhailiuk; and Vladimir Nikolaevich Terentiev) for their efforts to control and govern Crimea. OFAC specifically noted that these actions are broadly in line with actions already taken by U.S. allies, noting that several of the individuals and entities were previously designated for the same activity by the EU and UK in 2020 and Canada and Australia in 2021.

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