

US Announces Largest Sanctions Action to Date Against Russia

February 26, 2024

On Friday, February 23, 2024, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) and the State Department announced the largest-ever package of Russia sanctions designations by the United States, totaling approximately 500 individuals and entities. In addition, the US Department of Commerce announced new Russia-related export restrictions, adding over 90 companies (in China, India, Kyrgyzstan, Russia, South Korea, Turkey, and the United Arab Emirates) to the Entity List. This latest US action follows the EU's imposition of its thirteenth sanctions package focusing on Russia's military industry sector and related companies on February 22, 2024.

This current round of sanctions specifically targeted companies and individuals in the following sectors:

- Russia's financial infrastructure, aiming to restrict Russia's use of the international financial system by designating investment and capital funds, financial technology companies, and financial institutions, including the operator of Russia's Mir National Payment System and a number of previously non-designated regional Russian banks.
- Russia's military industrial complex and other sectors of the Russian economy, including actors involved in advanced manufacturing and technology, weapons production, additive manufacturing, robotics, industrial automation, software, lasers, and unmanned aerial vehicles (UAVs) procurement, as well as shipping and logistics (including Russia's largest shipping and petroleum tanker company, Sovcomflot, and its 14 crude oil tankers).
- OFAC and the State Department also sanctioned several individuals and corporate entities in various countries that are believed to have engaged in sanctions evasion and circumvention, including over two dozen entities and individuals located in Belarus, China, Finland, Germany, Ireland, Kazakhstan, Kyrgyzstan, Liechtenstein, Turkey, Serbia, the UAE, and Vietnam.

The US issued limited wind down authorizations related to the newly designated parties and vessels. In general, these licenses authorize the wind down or exiting of relationships with certain sanctioned entities and offloading of crude oil (or other cargo) from the identified Sovcomflot vessels until April 8, 2024.

Implications

As a result of these designations, the property and interests in property within US jurisdiction of sanctioned individuals, entities, and vessels are blocked (frozen), and US persons are prohibited from doing business with them. Additionally, pursuant to OFAC's 50 Percent Rule, all entities owned 50% or more by sanctioned persons (individuals and entities), directly or indirectly, are also now blocked, even if those entities were not specifically identified on February 23, 2024. As a result of the Entity List designations, export, reexport, and transfer (in-country) by US and non-US persons, to the listed entities of items subject to the US Export Administration Regulations (the EAR) are subject to US export licensing—which, as with other aspects of the Russia sanctions program, carry a presumption of

denial.

Diamonds

Separately, on February 23, 2024, OFAC issued guidance on two earlier OFAC determinations that prohibit US and non-US persons to import the following diamond-related items into the United States:

- Diamond jewelry and unsorted diamonds that originate in or that are exported from Russia, effective March 1, 2024.
- Certain non-industrial diamonds that were mined, extracted, produced, or manufactured wholly or in part in Russia, irrespective of whether such products have been incorporated or substantially transformed into other products outside of Russia. Specifically, as of March 1, 2024, the imports of such non-industrial diamonds with a weight of 1.0 carat or greater will be prohibited and on September 1, 2024, the prohibition will expand to qualifying non-industrial diamonds with a weight of 0.5 carats or greater.

Dentons will continue to monitor these developments and provide updates.

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