

# US Imposes Additional Round of Sanctions on Russia Amid Increasing Tensions

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On April 15, 2021, President Joe Biden issued Executive Order 14024, titled the “Executive Order on Blocking Property With Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation,” which authorized new sanctions on Russia for a variety of “malign” activities, including interference in U.S. elections, cyberattacks against the U.S. and violations of the territorial integrity of other countries. On the same day, the Biden administration imposed a range of blocking sanctions against Russian individuals and entities — both pursuant to the newly issued executive order and under certain previous executive orders — and issued a new directive prohibiting U.S. financial institutions from engaging in certain transactions in Russian government debt.

These sanctions are the latest measures targeting Russia and build on the sanctions framework put in place during the Obama and Trump administrations. The April 15 sanctions come as political tensions continue to grow between Russia and the U.S. and its allies on a number of fronts.

## New Executive Order

The order, described by Secretary of the Treasury Janet Yellen as “a sweeping new authority to confront Russia’s continued and growing malign behavior,” authorizes sanctions to counter Russia’s “harmful foreign activities” that threaten the national security and foreign policy of the U.S. Specifically, the order authorizes the imposition of blocking sanctions (*i.e.*, an asset freeze and transaction ban) on persons determined to have engaged in certain activities, including: (i) undermining the conduct of free and fair elections and democratic institutions in the U.S. and allies; (ii) engaging in and facilitating malicious cyber activities against the U.S. and allies that threaten the free flow of information; (iii) fostering and using transnational corruption to influence foreign governments; (iv) pursuing extraterritorial activities targeting dissidents or journalists; (v) undermining security in countries and regions important to U.S. national security; and (vi) violating the territorial integrity of other countries.

The order also authorizes the imposition of sanctions on persons determined to operate in the technology sector or the defense sector and related materiel sector of Russia’s economy, or any other sector as may be determined by the treasury secretary, in consultation with the U.S. secretary of state. The defense sector and certain other sectors of Russia’s economy have already been subject to certain sanctions since the issuance of Executive Order 13662 in 2014. Concurrently with the issuance of the April 15 order, the Department of the Treasury’s Office of Foreign Assets Control (OFAC) designated six technology companies that “provide support to the Russian Intelligence Services’ cyber program, ranging from providing expertise to developing tools and infrastructure to facilitating malicious cyber activities.”<sup>1</sup>

## Sovereign Debt Restrictions

On April 15, OFAC also issued a new directive (the 2021 directive) pursuant to the order that prohibits, as of June 14, 2021, U.S. financial institutions from participating in the primary market for ruble- or nonruble-denominated bonds issued after June 14, 2021, by the Central Bank of the Russian Federation, the Russian National Wealth Fund or the Ministry of Finance of the Russian Federation. The 2021 directive further prohibits, also as of June 14, 2021, U.S. financial institutions from lending ruble- or nonruble-denominated funds to these three entities.

<sup>1</sup> For more details on the sanctions, see the White House’s press release “[FACT SHEET: Imposing Costs for Harmful Foreign Activity by the Russian Government](#).”

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The 2021 directive expands upon existing restrictions imposed pursuant to a similarly styled directive issued in August 2019 under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (CBW directive), which prohibited U.S. financial institutions from participating in the primary market for nonruble-denominated Russian sovereign debt and lending nonruble-denominated funds to the Russian sovereign. The 2021 directive is broader than the CBW directive in that it also extends to ruble transactions, whereas the CBW directive is limited to nonruble transactions only. With respect to the Russian governmental entities targeted, the 2021 directive appears to be narrower than the CBW directive in that it applies only to bonds issued by, or lending provided to, the Russian National Wealth Fund, the Central Bank or the Ministry of Finance, whereas the CBW directive uses the term “Russian sovereign,” which casts a wider net.<sup>2</sup>

Significantly, the 2021 directive does not target state-owned enterprises. OFAC issued guidance stating its so-called “50% rule,” under which sanctions generally apply to entities 50% or more owned by a sanctioned person, does not apply in the context of the 2021 directive. Furthermore, OFAC explicitly confirmed that the 2021 directive does not prohibit U.S. financial institutions from participating in the secondary market for bonds issued by the Russian National Wealth Fund, the Central Bank and the Ministry of Finance.

## Designations Under Previous Authorities

In addition, on April 15, and pursuant to authority granted under certain previous executive orders, OFAC designated 19 entities and 21 individuals for actions by Russia related to election interference, cyberattacks and in the Crimea region. The other

designations target those who, according to OFAC, attempted to influence the 2020 U.S. presidential election at the direction of the leadership of the Russian government. These designations follow the intelligence community’s assessment of “Foreign Threats to the 2020 U.S. Federal Elections,” which addressed the efforts of key foreign actors to influence or interfere with U.S. elections and undermine public confidence in the election process. Among the targets of these sanctions were several “disinformation outlets” registered in Russia and the Crimea region.

## A Look Ahead

With Russia’s recent military buildup at its border with Ukraine and in the Crimea region, the possibility of further sanctions by the U.S. and its allies appears likely, as U.S. officials have sent strong signals indicating additional measures may follow. These signals have included comments from Secretary Yellen, who described the April 15 sanctions as “the start of a new U.S. campaign against Russian malign behavior,”<sup>3</sup> and National Security Adviser Jake Sullivan, who warned of “consequences”<sup>4</sup> should Alexei Navalny, the imprisoned Russian opposition activist whose health appears to be deteriorating, die in prison.<sup>5</sup> Additionally, in an April 19, 2021, press release, the Department of State expressed “deep concern” over “Russia’s plans to block foreign naval ships and state vessels in parts of the Black Sea, including near occupied Crimea and the Kerch Strait.”<sup>6</sup> While the situation remains fluid, these and many other statements should serve as a reminder to companies with business in Russia that additional sanctions may be in the pipeline and that they need to remain mindful of any pertinent effects future sanctions could have on their business.

<sup>3</sup> See the Department of the Treasury’s April 15, 2021, press release, “[Treasury Sanctions Russia With Sweeping New Sanctions Authority](#).”

<sup>4</sup> See *USA Today*’s April 18, 2021, article, “[‘There Will Be Consequences’: National Security Adviser Sullivan Warns of US Retaliation if Kremlin Critic Navalny Dies](#),” for Mr. Sullivan’s comments.

<sup>5</sup> On March 2, 2021, Secretary of State Antony Blinken made a determination under the CBW that the Russian government had used a chemical weapon in the attempted assassination of Mr. Navalny in August 2020 in violation of the Chemical Weapons Convention, and imposed certain existing trade-related sanctions under the CBW. As was the case with the imposition of CBW sanctions in 2018 in response to the Skripal incident, if the Russian government fails to meet certain conditions in connection with their obligations under the Chemical Weapons Convention, the U.S. president will be required to impose a second round of sanctions. (See our September 10, 2018, client alert on these previous sanctions, “[US Imposes New Sanctions in Response to the Skripal Assassination Attempt](#).”)

<sup>6</sup> See the Department of State’s April 19, 2021, press release, “[Russia’s Intention To Restrict Navigation in Parts of the Black Sea](#).”

<sup>2</sup> Under the CBW directive, “Russian sovereign” is defined as “any ministry, agency, or sovereign fund of the Russian Federation, including the Central Bank of Russia, the National Wealth Fund, and the Ministry of Finance of the Russian Federation.” However, the term does not include state-owned enterprises.

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