

U.S. Announces Sweeping New Sanctions Targeting Russia

On April 15, 2021, President Biden issued Executive Order 14024 (the EO), imposing new sanctions on the Russian Federation in response to foreign election interference in the 2020 U.S. federal election and the SolarWinds cyberattack aimed at various U.S. federal agencies. The EO provides yet another indicator of the Biden administration's more aggressive stance against the Russian Federation.

Although the EO does not create a new sanctions regime, it consolidates and expands the current sanctions framework and blocks the property (and interests in property under U.S. jurisdiction) of certain persons/entities determined by the Secretaries of State and Treasury to threaten U.S. national security interests. Notably, the U.S. Department of Treasury, Office of Foreign Assets Control (OFAC) has already taken multiple actions in line with the EO, as discussed below.

The EO specifically identifies the following, among others, as subject to U.S. blocking sanctions:

- Individuals or entities operating in the technology or defense sectors of the Russian economy
- Individuals or entities that are complicit in or directly/indirectly engaged in any of the following on behalf of the Russian Federation:
 - Malicious cyber-enabled activities
 - Interference in foreign government elections
 - Actions undermining democratic processes or institutions in the United States or abroad
 - Transnational corruption
 - Assassination, murder, or other unlawful killing of, or infliction of bodily harm against, a U.S. person or a citizen or national of a U.S. ally or partner
 - Activities that undermine the peace, security, political stability, or territorial integrity of the United States, its allies, or its partners; or
 - Any transaction or dealing designed to circumvent U.S. sanctions, including the use of digital currencies

The EO also identifies the following Russian-related individuals and entities as blocked:

- A political subdivision, agency, or instrumentality of the Russian government;
- Those who are owned or controlled by, or have acted for or on behalf of, the Russian government or a person blocked under the EO;
- Russian citizens or nationals, entities organized under Russian law, or persons ordinarily resident in Russia, that provide financial, material, or technological support for, or goods or services to or in support of, a sanctioned government; or
- Russian citizens or nationals or entities organized under Russian law that are responsible for or complicit in, or have directly or indirectly engaged in or attempted to engage in, cutting, or disrupting gas or energy supplies to Europe, the Caucasus, or Asia.

On the same day as the EO's announcement, OFAC issued a directive, which took significant action against Russian actors and affiliated entities in regards to (1) the 2020 U.S. presidential election, (2) cyberattacks, and (3) technology companies supporting Russian intelligence services. This included adding more than 30 individuals and entities to the Specially Designated Nationals and Blocked Persons List (SDN List), thereby blocking any property or financial transactions for such persons and entities. These included sanctions against Russian technology companies, "disinformation outlets" such as SouthFront, and various individuals that interfere with elections in Africa.



Wayne R. Rohde

Member

wrohde@cozen.com
Phone: (202) 463-2507
Fax: (202) 912-4830



Robert K. Magovern

**Co-Vice Chair,
Transportation
& Trade**

rmagovern@cozen.com
Phone: (202) 463-2539
Fax: (202) 912-4830



Matthew J. Howell

Associate

mhowell@cozen.com
Phone: (202) 912-4879
Fax: (202) 499-2451

Related Practice Areas

- Trade Regulation, Export Controls & Sanctions
- Transportation & Trade

While some of these sanctions target individuals or entities previously addressed by U.S. sanctions, the expansive scope of both the EO and the directive indicates that additional action may be taken by OFAC and the Treasury Department in the coming days and weeks.

In the same directive, OFAC also prohibited U.S. financial institutions from participating in the primary market for ruble or non-ruble denominated bonds issued after June 14, 2021, by certain Russian banking institutions such as the Central Bank of the Russian Federation.

In light of the significant breadth of the EO and its immediate implementation by OFAC, parties must be vigilant in consistently monitoring the SDN List to ensure that they are not running afoul of OFAC regulations, which could result in significant penalties. Additionally, it appears that OFAC and other U.S. agencies will likely issue additional blocking regulations or sanctions against other Russian individuals and entities, particularly in light of the current geopolitical climate. Parties that enter into agreements or other transactions with Russian-related entities or individuals should be mindful of any contractual provisions that may be needed in the event that performance is hindered or rendered impossible by additional sanctions.
