

February 26, 2024

On Two-Year Anniversary of Russia's War Against Ukraine, OFAC, BIS, and DOJ Announce Significant New Sanctions, Export Controls, and Law Enforcement Actions

On Friday, February 23, 2024, the Department of Treasury's Office of Foreign Assets Control ("OFAC") and the Department of State ("State") announced a significant tranche of sanctions designations to mark "Russia's two years of unprovoked and unlawful full-scale war against Ukraine and in response to the death of opposition politician and anticorruption activist Aleksey Navalny."¹ Additionally, the Department of Commerce's Bureau of Industry and Security ("BIS") added over 90 entities to the Entity List and the Department of Justice ("DOJ") announced a number of law enforcement actions targeting the evasion of Russian sanctions.

Background

In response to Russia's February 2022 further invasion of Ukraine, the United States and its international partners imposed significant sanctions and export control restrictions on Russian individuals and entities, including against major Russian banks and other companies.

On the first anniversary of the war, Deputy Secretary of the Treasury Wally Adeyemo highlighted the United States government's focus on countering Russia's efforts to circumvent those sanctions.² Over the past year, OFAC designated a number of individuals and entities in third countries, including Türkiye, China and the United Arab Emirates ("UAE"), for facilitating the transfer of high-value goods to Russia's military-industrial complex.³ In furtherance of those efforts, in December 2023, President Biden issued an Executive Order authorizing the imposition of secondary sanctions on foreign financial institutions that facilitate the transfer of critical goods to Russia or otherwise support Russia's military-industrial complex.

OFAC and State Department Sanctions

On February 23, 2024, OFAC and State imposed sanctions on over 500 targets.⁴ Deputy Secretary Adeyemo framed the sanctions as consistent with two objectives: "reduce the revenues the Kremlin has to fuel its war of choice, and disrupt Russia's ability to

¹ U.S. Dep't of Treasury, *On Second Anniversary of Russia's Further Invasion of Ukraine and Following the Death of Aleksey Navalny, Treasury Sanctions Hundreds of Targets in Russia and Globally* (Feb. 23, 2024), available [here](#). The full list of these actions is available [here](#).

² Council on Foreign Relations, *C. Peter McColough Series on International Economics With Wally Adeyemo* (Feb. 21, 2023), available [here](#).

³ Paul, Weiss, *Economic Sanctions and Anti-Money Laundering Developments: 2023 Year in Review* (Jan. 22, 2024), available [here](#).

⁴ U.S. Dep't of Treasury, *supra* note 1. Nearly all of these designations were SDN designations.

get the goods it needs to build the weapons the Kremlin wants.”⁵ These sanctions marked the highest number of sanctions designations that had been made since the start of Russia’s further invasion of Ukraine. These designations include (but are not limited to) the following:

- *Sovcomflot*: OFAC designated Joint Stock Company Sovcomflot (“Sovcomflot”), Russia’s state-owned shipping company and fleet operator, and identified 14 crude oil tankers as property in which Sovcomflot has an interest.⁶ A senior Treasury official stated that “Sovcomflot as a whole, as a parent company, has been implicated in price cap violations in addition to deceptive activity.”⁷ The designation of a fleet operator is a novel designation by OFAC and marks a significant step in the enforcement of the Price Cap on Russian oil.
- *Russian Financial Sector*: OFAC highlighted that these sanctions target “Russia’s core financial infrastructure,” with designations of the National Payment Card System Joint Stock Company (“NSPK”), the state-owned operator of Russia’s Mir National Payment System (“MIR”), and nine regional banks, five investment and venture capital funds and six financial technology companies.⁸ The designations of NPSK and MIR are particularly significant because OFAC had warned foreign financial institutions in a September 2022 FAQ that MIR was being utilized by Russia to evade U.S. sanctions.⁹ These designations demonstrate that OFAC is willing to continue to take additional measures to target Russian financial institutions that it views as facilitating sanctions evasion.
- *Third-Country Sanctions Evaders*: OFAC sanctioned 26 entities and individuals in 11 countries, including China, Serbia, the United Arab Emirates and Liechtenstein that had been linked to efforts to evade or circumvent the sanctions.¹⁰ In a February 23 speech, Deputy Treasury Secretary Wally Adeyemo said that the Biden Administration is “committed to doubling down on our commitment to root out sanctions evasion.”¹¹ He noted that the Administration has focused in on certain items, highlighting “machine tools” because of their role in weapons production.¹² Adeyemo further highlighted President Biden’s recent Executive Order authorizing sanctions against foreign financial institutions that facilitate transactions with Russia’s military-industrial complex, saying that the U.S. message to financial institutions around the world is that “if you provide material support to Russia’s military we will come after you with every tool at our disposal.”¹³ He noted that Treasury was not only engaging with foreign governments on these issues but also “talking directly to their companies about the risks they face” if they continue to engage with Russia’s military-industrial complex.¹⁴

⁵ U.S. Dep’t of Treasury, *Remarks by Deputy Secretary of the Treasury Wally Adeyemo at the Council on Foreign Relations* (Feb. 23, 2024), available [here](#).

⁶ U.S. Dep’t of Treasury, *U.S. Treasury Designates Russian State-Owned Sovcomflot, Russia’s Largest Shipping Company* (Feb. 23, 2024), available [here](#). OFAC also issued a general license authorizing the offloading of crude oil or other cargo from these vessels for a period of 45 days and authorizing transactions with all other Sovcomflot-owned vessels at this time.

⁷ Reuters, *US Imposes Sanctions on Russia’s Leading Tanker Group Sovcomflot* (Feb. 24, 2024), available [here](#).

⁸ U.S. Dep’t of Treasury, *supra* note 1.

⁹ See Dorian Jones, *Turkish Banks Cut Russia Banking Ties Under US Pressure*, Voice of America (Sept. 28, 2022), available [here](#).

¹⁰ U.S. Dep’t of Treasury, *supra* note 1.

¹¹ U.S. Dep’t of Treasury, *supra* note 1.

¹² Council on Foreign Relations, *Speech of Wally Adeyemo*, at 54:00 (Feb. 23, 2024), available [here](#).

¹³ Paul, Weiss, *supra* note 3.

¹⁴ Council on Foreign Relations, *supra* note 12, [at 53:45](#).

BIS Entity List Additions

BIS announced on February 23 the addition of 93 entities to the Entity List “for reasons related to Russia’s full-scale invasion of Ukraine or for otherwise supporting Russia’s military and/or defense industry.”¹⁵ The new additions are located in Russia (63), Türkiye (16), China (8), UAE (4), Kyrgyzstan (2), India (1) and South Korea (1). With this new action, BIS has now placed more than 900 parties on the Entity List for their role in Russia’s invasion of Ukraine.

In a concurrent action on February 23, BIS issued new restrictions on the export, re-export or transfer of certain EAR99 items used in the production of UAVs to Iran. BIS stated that it was issuing these further restrictions due to a number of press reports that Iran-origin UAVs used by the Russian military in Ukraine have been found to have U.S.-origin parts or components.

DOJ Law Enforcement Actions

On February 22, DOJ announced recent actions taken by its Task Force KleptoCapture. These actions reflect DOJ’s continued focus on Russia-related enforcement actions and, as Deputy Attorney General Lisa Monaco stated, “so long as Russia’s aggression continues, so too will our resolve to hold its enablers accountable.” These actions highlight the various typologies that designated individuals may utilize to evade sanctions, including the illegal use of shell companies.

One of the more notable actions involved the unsealed indictment in the Southern District of New York charging Andrey Kostin, a sanctioned Russian oligarch and the President and Chairman of Russian-state owned VTB Bank, for his participation in two schemes to violate U.S. sanctions. Kostin and two U.S.-based co-defendants, both of whom were arrested, were charged with evading sanctions and laundering funds to support two superyachts, the *Sea Rhapsody* and *Sea & Us*, and a luxury home in Aspen, Colorado. Kostin and others allegedly violated sanctions by causing U.S. dollar payments to be made for the maintenance, operation, and improvement of the two superyachts and by transferring the blocked Aspen property after Kostin had been designated.

In the Northern District of Georgia, DOJ announced the guilty plea of Feliks Medvedev, a Russian citizen residing in Georgia, for conducting an unlicensed money transmitting business in connection with his efforts to launder \$150 million through shell companies. According to DOJ, the laundered proceeds were used, in part, to purchase over \$65 million in gold bullion from the Singapore Precious Metals Exchange. DOJ also announced charges of conspiracy, operating an unlicensed money transmitting business, and 39 counts of money laundering against two Russia-based co-conspirators of Medvedev and the company they operated.

In the Southern District of Florida, DOJ filed a forfeiture complaint against luxury properties in Florida that allegedly were owned by two designated Russian businessmen (Viktor Perevalov and Valeri Abramov) who operated a Russian-based company that built the Tavrida Highway in Crimea after the 2014 invasion of Ukraine and occupation of Crimea. According to the complaint, after Perevalov and Abramov were designated, a U.S. real estate agent and U.S. law firm transferred the properties to a shell company in the name of Perevalov’s minor son, in violation of the sanctions.

¹⁵ U.S. Dep’t of Commerce, *Commerce Stands Strong with Ukraine, Takes Further Action Against Ongoing Russian Aggression* (Feb. 23, 2024), available [here](#). BIS noted that over 50 of the newly-added entities will receive a “footnote 3” designation, which subjects those entities to the expansive restrictions under the Russia/Belarus-Military End User Foreign Direct Product (FDP) Rule. The FDP Rule restricts Russia and Belarus’s abilities to acquire certain foreign-produced items by “establish[ing] a control over foreign-produced items that are: (i) the direct product of certain U.S.-origin software or technology subject to the EAR; or (ii) produced by certain plants or major components thereof which are themselves the direct product of certain U.S.-origin software or technology subject to the Export Administration Regulations (EAR).” U.S. Dep’t of Commerce, *U.S. Department of Commerce & Bureau of Industry and Security Russia and Belarus Rule Fact Sheet* (Feb. 24, 2022), available [here](#).

Implications

By sanctioning the largest number of parties since Russia's further invasion of Ukraine, the United States has signaled that it intends to continue to take significant actions to counter Russia. Companies that adhere to U.S. sanctions and export controls should take steps to ensure that all of the names of the newly listed individuals and entities were promptly imported into their respective screening tools.¹⁶ Given the large volume of names in this recent tranche of designations, which could strain some technology processes, companies should consider running additional checks to ensure that all of the names have successfully been added.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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¹⁶ As a result of these actions, all of the individuals and entities added to OFAC's SDN List are broadly cut off from the U.S. economy and any U.S.-nexus dealings with these persons are now prohibited. The entities added to the BIS Entity List are now broadly prohibited from receiving any U.S.-origin goods, software or technology.