

President Biden Imposes Sanctions Regarding Russia's Efforts to Undermine Ukraine

Key Notes:

- Russia formally recognized the Donetsk and Luhansk regions of Ukraine as independent states (the Donetsk People's Republic ("DNR") and Luhansk People's Republic ("LNR")).
- The U.S. has issued comprehensive sanctions against the DNR and LNR regions.
- A wind-down general license for many pre-existing transactions is effective until March 23.
- Further sanctions against individuals and entities are authorized and anticipated.
- There will be a webinar discussion of these developments on February 23. Register [here](#).

On February 21, 2022, in response to Russia's recognition of the so-called Donetsk People's Republic ("DNR") and Luhansk People's Republic ("LNR") regions of Ukraine as "independent states," President Biden issued an [Executive Order](#) ("EO") prohibiting certain transactions with respect to the DNR or LNR or such other regions of Ukraine (collectively, "Covered Regions") as may be determined and authorizing sanctions on certain persons. The EO prohibits U.S. persons from engaging in nearly all activity related to the DNR and LNR, much as the 2014 EOs prohibit such activity related to Crimea.

The new EO prohibits:

- New investments in the Covered Regions by U.S. persons;
- The importation into the U.S., directly or indirectly, of any goods, services, or technology from the Covered Regions;

- The exportation, reexportation, sale, or supply, directly or indirectly, from the U.S. by a U.S. person of any goods, services, or technology to the Covered Regions; and
- Any approval, financing, facilitation, or guarantee by a U.S. person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a U.S. person or within the U.S.

The EO also provides authority to impose sanctions on persons determined:

- To operate or have operated since the date of the order in the Covered Regions;
- To be or have been since the date of the order a leader, official, senior executive officer, or member of the board of directors of an entity operating in the Covered Regions;
- To be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order; or
- To have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order.

It is expected that the Department of the Treasury's Office of Foreign Assets Control (OFAC) will soon identify and place numerous Russian, DNR and LNR officials, persons and entities on the Specially Designated Nationals (SDN) List, thus blocking all property and interests in property of these entities and persons that are in the United States or

in the possession or control of U.S. persons must be blocked and reported to OFAC. Unless authorized by a general or specific license issued by OFAC or otherwise exempt, OFAC's regulations generally prohibit all dealings by U.S. persons or within (or transiting) the United States that involve any property or interests in property of designated or otherwise blocked persons.

Given these sanctions, OFAC has issued six Ukrainian General Licenses ("GLs") authorizing certain transactions otherwise prohibited by the EO, including transactions related to wind-down activities and the work performed by humanitarian or other international organizations in the Covered Regions.

- [GL 17](#) (wind-down) authorizes all transactions that are ordinarily incident and necessary to the wind down of transactions involving the Covered Regions, including the divestiture or transfer to a non-U.S. person of a U.S. person's share of ownership in any pre-February 21, 2022 investment located in the Covered Regions, and the winding down of operations, contracts, or other agreements in effect prior to February 21, 2022 involving the exportation, reexportation, sale, or supply of goods, services, or technology to, or importation of any goods, services, or technology from, the Covered Regions through 12:01 a.m. eastern daylight time, March 23, 2022.
- [GL 18](#) (export of agricultural products, medicine, and medical devices) authorizes all transactions ordinarily incident and necessary to: (i) the exportation or reexportation of agricultural commodities, medicine, medical devices, replacement parts and components for medical devices, or software updates for medical devices to the Covered Regions, or to persons in third countries purchasing specifically for resale to the Covered Regions; or (ii) the prevention, diagnosis, or treatment of COVID-19 (including research or clinical studies relating to COVID-19) in the Covered Regions.
- [GL 19](#) (telecommunications) authorizes all transactions that are ordinarily incident and necessary to the receipt or transmission of telecommunications, except: (1) the provision, sale, or lease of telecommunications equipment or technology; or (2) the provision, sale, or lease of capacity on telecommunications transmission facilities (such as satellite or terrestrial network activity).
- [GL 20](#) (government and NGO activity) authorizes all transactions that are for the conduct of the official business of certain international organizations, including the United Nations, the ICSID, the MIGA, certain international development banks, the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies, and the Organization for Security and Co-operation in Europe by their employees, grantees, or contractors.
- [GL 21](#) (personal remittances) authorizes all transactions that are ordinarily incident and necessary to the transfer of noncommercial, personal remittances to or from the Covered Regions or for or on behalf of an individual ordinarily resident in the Covered Regions, provided the transfer is not by, to, or through any person whose property and interests in property are blocked pursuant to the EO.
- [GL 22](#) (personal internet communications) authorizes all transactions that are ordinarily incident and necessary to the exportation or reexportation, directly or indirectly, from the U.S. or by U.S. persons, wherever located, to persons in the Covered Regions of: (1) services incident to the exchange of personal communications over the internet, such as instant messaging, chat and email, social networking, sharing of photos and movies, web browsing, and blogging, and (2) software necessary to enable these services, provided that such software is designated EAR99 under the Export Administration Regulations, is classified as a mass market software under 5D992.c, or is not listed under any multilateral export control regime.

A review of each GL is necessary in order to determine the full scope of the general license and the applicability to any specific transaction being contemplated in the Covered Regions under the EO.

Additional sanctions are reportedly being considered by the Biden Administration in coordination with the European Union (EU) and the United Kingdom. Secretary of State Antony Blinken stated, "States have an obligation not to recognize a new 'state' created through the threat or use of force, as well as an obligation not to disrupt another state's borders. Russia's decision is yet another example of President Putin's flagrant disrespect for international law and norms."

FOR MORE INFORMATION

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