

ALERT

Ukraine Crisis Prompts New International Sanctions

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Yesterday, President Obama imposed economic sanctions against persons responsible for the ongoing crisis in Ukraine. We anticipate that the Office of Foreign Assets Control (OFAC) will soon identify persons whose assets U.S. persons must freeze (block). Targeted persons will be persons suspected of undermining democratic processes in Ukraine; threatening its security or sovereignty; or misappropriating state assets. Likewise, OFAC may designate persons thought to have asserted governmental authority over a part of Ukraine without authorization of the Government of Ukraine, as well as those thought to have assisted with such usurpations.

President Obama has not imposed any sanctions against the Government of Ukraine or any restrictions on trade with persons located in Ukraine. Rather, the new Ukraine sanctions program is a so-called "list-based sanctions program," as it only imposes sanctions against persons designated by OFAC and added to the Specially Designated Nationals and Blocked Persons List, commonly known as the "SDN List." The SDN List is maintained by OFAC and is available at <http://sdnsearch.ofac.treas.gov>.

List-based programs often begin with the President himself naming an initial list of persons whose assets will be blocked. President Obama did not do so in this instance, but rather put in place a legal framework to be applied to persons to be named later. This appears to be part of President Obama's diplomatic effort to persuade Russia to stand down in Ukraine. The Executive Order nowhere mentions Russia, but is drafted in a way that could lead to the designation of Russian persons, including senior officials of the Russian government and military.

Practice Areas

Anti-Money Laundering
International Trade

Separately, the European Union (EU) and Canada have already imposed economic sanctions against persons thought to be responsible for the situation in Ukraine. They have so far named 18 individuals associated with the previous government in Ukraine, including the former President, Viktor Yanukovich, and the former Prime Minister, Mykola Azarov. In view of those actions, the U.S. Government's Financial Crimes Enforcement Network (FinCen) has reminded banks about the enhanced scrutiny that is required for accounts held by or on behalf of senior foreign political figures and advised banks about the increased risk of corrupt or deceptive banking activities by the former officials named by the EU and Canada. Banks should take reasonable steps, in view of this increased risk, to monitor transactions that may involve misappropriated Ukrainian assets or other corrupt funds. We believe that U.S. persons also should anticipate the likelihood that the United States will come to add many of these same individuals to the SDN List.