

ALERT

President Obama Opens the Door to Significant Sanctions Against Russia

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In the past two weeks, President Obama has signed three Executive Orders imposing economic sanctions in response to the ongoing crisis in Ukraine. The Orders allow the Office of Foreign Assets Control (OFAC) to name Russian or Ukrainian persons whose assets U.S. persons must freeze (block). After starting modestly, President Obama has dramatically expanded the categories of persons who may be blocked. On Thursday, OFAC used this authority to block the assets of Bank Rossiya. OFAC has also blocked the assets of a number of individuals in Russia and Ukraine, including several close associates of President Putin.

Bank Rossiya is only the 17th-largest Russian bank, but OFAC describes it as "the personal bank for senior officials of the Russian Federation." U.S. banks are required to block Bank Rossiya's correspondent accounts.

The latest Executive Order also appears to threaten to extend U.S. sanctions to whole Russian industries, mentioning as possible examples "financial services, energy, metals and mining, engineering, and defense and related materiel." Sanctions against companies in these sectors could also extend to companies that support these sectors and companies that are owned or controlled by other named companies.

The other categories of persons eligible for blocking under the three Ukraine Executive Orders include Russian Government officials; persons acting on behalf of senior Russian officials; persons owned or controlled by senior Russian officials; and persons suspected of undermining democratic processes in Ukraine, threatening its security

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or sovereignty, misappropriating its state assets, asserting governmental authority over a part of Ukraine without authorization of the Government of Ukraine, or assisting with such usurpations.

These new sanctions are evolving quickly. We encourage clients to keep a close eye on the news, including new types of sanctions, additions to OFAC's Specially Designated Nationals List, sanctions imposed by the European Union and other countries, and Russian retaliatory actions.