

Treasury, Commerce Target Russia's Tech Sector, Defense Industrial Base

April 5, 2022

On March 31, 2022, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) imposed sanctions on 21 entities and 13 individuals "as part of its crackdown on the Kremlin's sanctions evasion networks and technology companies, which are instrumental to the Russian Federation's war machine." OFAC also announced it is expanding the sectors targeted by Executive Order 14024, which authorizes blocking sanctions on harmful foreign activities of the Russian government, to include the aerospace, marine, and electronics sectors of Russia's economy. On April 1, 2022, the U.S. Department of Commerce added 120 entities to the Entity List, including 95 Russian/Belarusian military end users (MEUs). These moves build on recent sanctions on Russian defense companies.

OFAC SDN Designations

On March 31, 2022, OFAC designated as a Specially Designated National (SDN) OOO Serniya Engineering, which the agency explained is at the center of a procurement network engaged in proliferation at the direction of the Russian Intelligence Services. OFAC also designated more than a dozen affiliated companies, including several based in the European Union and the United Kingdom, and numerous related individuals.

Additionally, OFAC designated as SDNs four Russian technology companies – AO NII-Vektor, a software and communications company; T-Platforms, which operates in the computer hardware sector; Joint Stock Company Mikron, which is Russia's largest manufacturer of and exporter of microelectronics; and Molecular Electronics Research Institute, which manufactures computers, navigation equipment, and conducts research and development.

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OFAC also sanctioned two employees of Russia's Central Scientific Research Institute of Chemistry and Mechanics (TsNIIKhM). This entity had previously been sanctioned for a 2017 cyberattack on a Middle East petrochemical facility.

As a result of these designations, all property and interests in property of these individuals and entities that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. In addition, any entities that are owned, directly or indirectly, 50% or more by one or more blocked persons are also blocked.

OFAC continues to impose additional blocking sanctions on individuals and entities that the U.S. government believes are supporting the Russian government following Russia's invasion of Ukraine. On March 24, 2022, OFAC sanctioned dozens of Russian defense companies, 328 members of the Russian State Duma, and the head of Russia's largest financial institution, Sberbank.

BIS Additions to the Entity List

On April 1, 2022, the Commerce Department, through the Bureau of Industry and Security (BIS), added 120 entities to the Entity List. These designations include 71 Russian military end users and 24 Belarusian end users. As part of the Biden Administration's initial tranche of Russia sanctions following Russia's invasion of Ukraine, BIS removed all Russian and subsequently Belarusian military end users from its Military End User List and placed them on the Entity List, with a special footnote – footnote 3 – designation. Footnote 3 entities are subject to BIS's new Russian/Belarusian Military End User foreign-direct product rule (Russia/Belarus MEU FDP Rule) that applies to reexports, exports from abroad, and transfers (in-country) of certain foreign produced items based on controlled U.S. technology, software, or tooling. The goal of the Russia/Belarus MEU FDP Rule is to cut off the Russian/Belarusian military from access to high-tech imports.

In addition, the April 1 designations include 25 entities for acquiring or attempting to acquire items subject to the Export Administration Regulations (EAR) in support of Russia's military modernization efforts. Note that these entities are not subject to the Russia/Belarus MEU FDP Rule discussed above.

The Entity List designations mean that exports, reexports, and in-country transfers of items subject to the EAR, including EAR99 commodities, software, and technology (i.e., items controlled at the lowest levels), are generally prohibited to these entities without a license, and, according to BIS, no license exceptions will be available for these entities.

These latest restrictions build on existing sanctions and export control restrictions on Russia, Belarus, and certain regions of Ukraine. Wiley's prior Alerts on these earlier actions may be accessed here: *Biden Administration Sanctions Donetsk, Luhansk Regions of Ukraine*, *Biden Administration Imposes "First Tranche" of Sanctions in Response to Russian Actions in Ukraine*, *Biden Administration Imposes Broad Sanctions and Export Controls in Response to Russia's Invasion of Ukraine*, and *Biden Administration Imposes New Round of Russia Sanctions*.

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