THORN RUN PARTNERS
GOVERNMENT RELATIONS

Issue Brief

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SUMMARY OF U.S. SANCTIONS AGAINST RUSSIA

EXECUTIVE SUMMARY

The U.S. has imposed severe sanctions on Russia's financial assets and activities in alignment with a broad coalition of international partners. The combination of these penalties targets various aspects of Russia's economic power and impact the country's ability to continue its costly invasion of Ukraine and provide for its citizens at home. Following early action from the White House, Congress has begun to draft legislation containing further sanctions against Russia and passed a $13.6 billion aid package for Ukraine in the Fiscal Year 2022 Omnibus Appropriations Bill on March 10. In response to growing congressional pressure, the Biden administration banned energy imports from Russia. Additionally, a legislative measure to end normal trade relations with Russia has passed the House and will likely be signed into law in the near future.

BREAKDOWN AND ANALYSIS OF SANCTIONS

- **Russia's Removal from the Global Financial System.** On March 11, the United States, in collaboration with the G7 nations and the European Union, announced additional penalties to "further isolate Russia from the global financial system."
  - These sanctions included revoking Russia's Most-Favored Nation (MFN) status, denying borrowing privileges at multilateral financial institutions — such as the International Monetary Fund and the World Bank — and implementing strict compliance with sanctions regulations regardless of whether a transaction is denominated in traditional fiat currency or virtual currency.
  - President Biden also imposed bans on the export of luxury goods to Russia and the import of goods from several signature sectors of Russia's economy, including seafood, spirits, and non-industrial diamonds.
    - These sanctions were meant to punish Russian oligarchs who financially support the invasion of Ukraine and prevent U.S. citizens from benefitting the Russian economy.

- **Trade Relations.** On March 17, The House passed H.R.7108 in a 424-8 vote to strip Russia and Belarus of their permanent normal trade relations (PNTR) status — which provides unconditional nondiscriminatory, MFN treatment to goods and services traded with those countries.
  - The Senate is expected to pass and send the bill to President Biden's desk for a signature in the coming days.
  - The law essentially mirrors existing trade sanctions already implemented by the Biden administration in collaboration with U.S. allies.

    - If Russia were to end its invasion of Ukraine, the new law would allow President Biden to reverse the designation unless Congress passes a resolution disapproving of it.
    - The law also requires the U.S. Trade Representative (USTR) to urge Russia to be suspended from the WTO and to stop Belarus's membership application process.

- **Energy Sanctions.** A bipartisan group of senators has introduced the Ban Russian Energy Imports Act (text; one-pager) as a sign of growing pressure on the administration to ban Russia's energy imports.
- The legislation would require the president prohibit imports of crude oil, petroleum, liquified natural gas (LNG), and coal from Russia.
- In response to this growing pressure, President Biden signed an Executive Order on March 8 banning the import of Russian oil, liquefied natural gas, and coal to the United States.
    - The Executive Order also bars American individuals and entities from investing in Russia's energy sector.
    - On March 9, the House passed the Suspending Energy Imports from Russia Act (H.R. 6968), legislation that includes an energy import ban and other sanctions on Russia.
    - Although there was broad support to codify the Biden administration's ban on oil-and-gas imports from Russia, the measure has encountered stiff resistance in the Senate — including from Sen. Joe Manchin (D-WV), a major proponent of the ban — as many members of Congress view the measure as redundant considering the Biden administration's Executive Order.

- **Specially Designated Nationals and Blocked Persons List (SDN).** The Treasury Department's Office of Foreign Assets Control (OFAC) has added certain "Russian elites" to its list of designated individuals who are barred from dealings with U.S. citizens and whose assets are blocked.
    - These designations target influential Russians in Putin's inner circle and in positions of power within the Russian state. Additionally, they target the family members and close confidants of these elites that are believed to harbor and conceal their assets.
    - On March 3, additional Russian individuals were added to the list and targeted with full blocking sanctions, which target any assets that the sanctioned individual owns over 51 percent of and give regulators the power to sanction individuals who provide material support to the targeted oligarchs.
    - On March 11, OFAC issued additional sanctions on previously targeted individuals.

- **Export Controls.** The Department of Commerce's Bureau of Industry and Security (BIS) published a new rulemaking on March 3 that restricts the transfer of certain technologies to Russia, including the export of goods produced in foreign countries using controlled U.S. technology.
    - The final rule restricts exports by implementing new Russia license requirements and licensing policies on technologies critical to Russia's defense industrial base — such as semiconductors, computers, telecommunications, information security equipment, lasers, and sensors.
    - The export controls exempt certain consumer electronics, such as smartphones.

    - On March 2, BIS expanded export controls to Belarus in response to the country's participation in the invasion of Ukraine.

- **SWIFT.** Important Russian financial institutions were removed from the Society of Worldwide Interbank Financial Telecommunication (SWIFT) — a global financial messaging system used to send payment instructions between banks — to make it more difficult for them to process cross-border payments.
    - The selected Russian institutions will still be able to send payment instructions through much less efficient and expeditious means, such as by telephone and fax.
    - The SWIFT ban will likely decrease Russia's international foreign trade. For example, Iran lost about 30 percent of its foreign trade when it was removed from SWIFT in 2012. This will be especially harmful for Russia's oil and gas exports, which make up more than 40 percent of the country's revenue.

- **Russian Central Bank.** The G-7 countries are blocking the Bank of Russia's access to its reserve holdings within their jurisdictions. Furthermore, the U.S. has placed restrictions on transactions with the Bank of Russia and Russia's Ministry of Finance and National Wealth Fund.
    - The Bank of Russia, like many central banks, holds a portion of it reserves abroad in other central banks and commercial banks. As of January 2022, it is estimated that Russia held more than $630 billion in foreign currency reserves.
    - If a large portion of those reserves are frozen, Russia would have fewer resources to fund its war effort and support its economy.

- **Sovereign Debt and Banking Sector.** Aside from targeting Russia's central bank, the Biden administration also expanded sanctions on Russian sovereign debt and several Russian financial institutions that would further restrict Russia's ability to borrow from Western capital markets and process transactions in U.S. dollars.
    - These sanctions restrict U.S. purchases of Russian bonds and the ability of Russia's largest bank (Sberbank) to transact in U.S. dollars, in addition to prohibiting all U.S. transactions with and blocking any U.S.-based assets of Russia's second largest bank (VTB).
    - There are certain exceptions to the sanctions, including exemptions for energy and medical commodities.