



Feb 25, 2022

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Authors:

[Jan de Beer](#)

[Katherine L. Berkley](#)

Russian Sanctions: Four Things for Businesses to Consider

On February 23, Russia invaded Ukraine. This concerning development will have wide-reaching consequences, the scope of which we could not begin to address or foresee in this publication. However, as your trusted advisor on international trade matters, it is our responsibility to advise you regarding the rapidly changing trade relationship between Russia and the U.S. and the immediate impact such changes could have on your supply chain.

President Joe Biden and the U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC) responded to President Vladimir Putin's decision to recognize the Donetsk and Luhansk regions of Ukraine as "independent" states by sanctioning two large Russian banks – State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), as well as 42 of their subsidiaries. OFAC also added a number of individuals close to President Putin to OFAC's Specially Designated Nationals ("SDN List"), meaning, for all intents and purposes, that trade with those individuals by U.S. persons is now prohibited. Lastly, OFAC extended its restrictions regarding "Certain Sovereign Debt of the Russian Federation," which impact participating in ruble and non-ruble bond markets issued by, and lending ruble and non-ruble funds to, the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation.

Based on the latest developments in Ukraine, OFAC further extended the foregoing measures today by:

- Sanctioning five Russian banks, including Russia's two largest financial institutions – Public Joint Stock Company Sberbank of Russia (Sberbank) and VTB Bank Public Joint Stock Company (VTB Bank), and 90 of their subsidiaries around the world;

- Prohibiting issuing new debt of longer than 14 days maturity to a number of Russian stock companies; and
- Adding more affiliates of President Putin to the SDN List.

While some of the foregoing does not go into effect until March 26, 2022, allowing U.S. companies to “wind up” their Russian business, others have immediate effect.

The foregoing may impact your ability to do business with some existing business partners, to negotiate payment terms with Russian entities, and to transfer payments to and from the Russian Federation. Accordingly, we have the following things to consider as this situation develops:

- Implement daily screenings of all Russian business partners against the Consolidated Screening List.
- Immediately suspend all non-critical shipments and payments to Russia.
- To the extent you have critical shipments or payments pending or upcoming, reach out to Trade Counsel to evaluate whether such transactions are permissible.
- Avoid entering into any new business arrangements with Russian individuals or entities without the advice of Trade Counsel.

Please keep in mind that this situation is continually evolving.

For particular questions or fact-specific guidance regarding your supply chain, please contact [Jan de Beer](#), [Katie Berkley](#), [Chanhee Han](#), or any attorney with Frost Brown Todd’s [International Services practice group](#).

Our attorneys continue to evaluate the potential business impacts due to the conflict in Ukraine. Click below to read other articles in this collection.

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Strategy in Russia

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