

Influence of Russian sanctions on the maritime sector



The ongoing Russo-Ukrainian war began on February 24. The United States has stepped up its financial sanctions on the Russian government and various officials and individuals. President Joseph Biden and various U.S. agencies have imposed further and harsher sanctions against Russia in an effort to halt Russia's military action against Ukraine.

On February 21, 2022, President Biden issued Executive Order 14065, entitled "Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to Continued Russian Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine" in response to Russian actions against Ukraine. The U.S. had previously issued Executive Order 14024 ("EO 14024"), entitled "Blocking Property with Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation" to assist in targeting specific bad actors in Russia seeking to harm properly elected democratic institutions.

The U.S. Department of Treasury issued a series of four (4) directives preventing U.S. banks and U.S. persons from processing transactions, maintaining correspondent bank accounts or payables through accounts for Russian banks, providing new debt with a majority date longer than fourteen (14) days, and participating in the ruble bond market. The Department of Treasury has also identified and targeted specific banks and several of the financial institutions' subsidiaries. As a result of the targeted blocking directives, all property and interest in property of these entities in the possession or control of U.S. persons and U.S. financial institutions are blocked and must be reported to the Office of Foreign Asset Control ("OFAC"). On February 26, 2022, Russian banks were removed from the international SWIFT

program, which restricts the ability of financial institutions to send and receive funds globally beyond the borders of Russia.

On March 8, 2022, President Biden issued an Executive Order 14066 ("EO 14066") prohibiting Russian energy imports in the United States. EO 14066 specifically states that additional sanctions are needed to expand the previously issued EO's due to the Russian Federation's unjustified, unprovoked, unyielding, and unconscionable war against Ukraine is a violation of international law and threatens the peace, stability, sovereignty, and territorial integrity of Ukraine.

The new energy ban prevents U.S. persons from importing into the United States Russian origin crude



oil, petroleum, petroleum fuels, oils, and products of their distillation, liquified natural gas, coal, and coal products. EO 14066 also prohibits U.S. persons from making new investments into the Russian energy sector. The goal of EO 14066 is to further deprive the Russian government of the economic resources needed to continue its invasion of Ukraine.

On March 31, 2022, the Office of Foreign Assets Control (“OFAC”) issued a “Determination Pursuant to Section 1(a)(i) of Executive Order 14024.” This determination allows the Department of Treasury in conjunction with the Secretary of State to sanction any person who operates in the electronics, aerospace, and marine sectors of the Russian economy. OFAC has not specially defined what it considers to be the “marine sector.” Given the broad inclusion of additional

industries subject to sanctions, we expect OFAC will specifically define the types of entities within each sector to be targeted.

On April 7, 2022, OFAC designated United Shipbuilding Corporation, its subsidiaries and board members to the Specially Designated Nationals (SDN) list pursuant to EO 14024. This prohibits Russia’s largest shipyard and subsidiaries from accessing the U.S. financial system or transacting with American companies. The move is intended to slow Russia’s ability to build and service naval warships; but will likely provide continued pressure on the country’s commercial shipping sector. On April 13, 2022, President Biden announced that EO 14024 and other sanctions will continue in effect beyond April 15, 2022.

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402, Royal Apartments, Panch Marg, Versova, Mumbai - 400061. India.
+91-9702023276 / 9773823276 • info@midnightcreatives.com

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