



## Sanctions Relating to Situation in Ukraine: An Overview of Recent Developments

Mar 24, 2014

Reading Time : **6 min**

By: Wynn H. Segall, Nnedinma C. Ifudu Nweke

The U.S. and EU sanctions are expected to continue to expand based on how events have unfolded and may progress. Russian sanctions may also further develop in response to expanding U.S. and EU sanctions. These sanctions could potentially affect U.S. and EU companies' trade and financial transactions with Russia. Likewise, Russian companies and their subsidiaries, and companies from the United States, the EU and other countries that have subsidiaries, investments, or joint-ventures within Russia or subsidiaries (organized under the laws of Russia) elsewhere, may be affected by the imposition of sanctions.

Here is a brief summary of sanctions that the United States, EU and Russia have recently implemented.

### United States Sanctions

#### ***Executive Branch***

On March 6, 2014, President Obama issued Executive Order 13660 authorizing list-based sanctions, including asset freezes and blocking property on certain persons deemed responsible for (1) asserting governmental authority in Ukraine without authority and undermining democratic processes and institutions in Ukraine, (2) threatening Ukraine's peace, security, stability, sovereignty, or territorial integrity, and (3) contributing to the misappropriation of Ukraine's assets or constituting a serious threat to the national security and foreign policy of the United States. The order also restricts U.S. persons from *providing* or *receiving* any contribution, funds, goods, or services to, for the benefit of, or from any individual or entity sanctioned pursuant to the Executive Order. Currently, four individuals are

subject to sanctions under this Executive Order. The Order also provides a framework for future additional sanctions. Click [here](#) for the Executive Order.

On March 17, 2014, President Obama issued Executive Order 13661, expanding the scope of the national emergency declared in Executive Order 13660 and announcing targeted sanctions, including asset freezes and visa bans, against seven Russians. The order is significant for three main reasons: it allows for sanctions to be imposed on (1) Russian government officials, (2) individuals or entities that operate in the arms or materiel related sectors within the Russian Federation, and (3) entities that are owned or controlled by designated persons or those that act or purport to act on behalf of a senior Russian government official or a designated person or provide material or other support to the same. Click [here](#) for Executive Order 13661. Click [here](#) for the press release.

On March 20, 2014, the U.S. Department of the Treasury broadened the list of sanctioned individuals to include 20 additional Russian government officials and members of President Putin's inner circle. The list also includes Bank Rossiya, the 17th largest bank in Russia, which reportedly holds \$10 billion in assets and handles the accounts for several top government officials. Rossiya also services the Russian oil, gas and energy sectors. Rossiya was designated for being controlled by Yury Kovalchuk, a member of President Putin's inner circle. Notably, the list includes those with close ties to President Putin, including Vladimir Yakunin, President of Russian Railways; Yury Kovalchuk, banker, businessman and financier; and brothers Arkady and Boris Rotenberg, co-owners of SMP Bank and SGM Group, who executed large contracts for the Sochi Olympic Games and for state-controlled Gazprom. Click [here](#) for the press release.

On March 20, 2014, President Obama issued Executive Order 13662 laying the groundwork for broader sanctions that could target individuals and entities that operate in certain strategic sectors within Russia, including financial services, energy, metals and mining, engineering, and defense and related materials. Specifically, the Executive Order authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to block all assets and deny entry to any entity or person deemed:

- 1) to operate in such sectors of the Russian Federation economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, as financial services, energy, metals and mining, engineering, and defense and related material

- 2) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order
- 3) to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order.

The order also restricts U.S. persons from *providing or receiving* any contribution, funds, goods, or services to, for the benefit of, or from any individual or entity sanctioned pursuant to the Executive Order. Click [here](#) for the Executive Order.

## European Union

On March 6, 2014, EU leaders agreed to a three-stage process to address Russia's activities in Ukraine. EU leaders previously implemented stage one of the process on March 3, 2014, when it suspended visa talks and negotiations over a new investment agreement with Russia.

On March 6, 2014, an EU regulation imposing an asset freeze on 18 Ukrainian individuals came into force. Viktor Yanukovych, the ousted president, is at the top of the list. The list also includes Andrey Kliuiev, the former head of Yanukovych's administration and other close aids and family members of Yanukovych. Click [here](#) for the list.

On March 17, 2014, EU Foreign ministers implemented the second stage of sanctions, including travel bans and asset freezes. The list of sanctioned individuals includes 21 Ukrainian and Russian officials deemed responsible for threatening Ukraine's peace and stability. Click [here](#) for the initial list. On March 21, 2014, the EU imposed asset bans and travel restrictions on 12 additional Russian officials, raising the total number of individuals subject to EU sanctions to 33. See the list of additional targeted individuals [here](#). The list is expected to expand as the political situation continues to develop — EU leaders highlight the fact that the list is not set in stone and that other individuals may be added in the future, depending on Russia's actions.

News reports suggest that the EU may soon consider the third stage of sanctions, which would likely involve an arms embargo and trade sanctions; however, the EU has not provided a timeline as to when these more severe measures might be introduced. Further, stage-three sanctions could prove difficult to enact given the need for consensus and the interdependency between certain EU countries (i.e., Germany, France) and Russia.

## Russian Sanctions

On March 20, 2014, in response to U.S. sanctions, Russia's Foreign Ministry announced visa bans on nine U.S. Senators, the Speaker of the House of Representatives and Administration Officials. The list includes Senators John McCain, Harry Reid, Robert Menendez, Daniel Coats and Mary Landrieu; Speaker of the House of Representatives, John Boehner; Dan Pfeiffer, senior adviser to President Barack Obama; and deputy national security advisers, Ben Rhodes and Caroline Atkinson. Read more [here](#).

Russia had previously signaled that it would retaliate if it was sanctioned by Western powers. In particular, Chairman of Russia's Upper House Committee for Constitutional Law, Andrey Klishas, announced his work on federal legislation that would freeze the assets of American and European companies that operate in Russia if the West imposes economic sanctions. Moreover, Klishas noted that a team of attorneys is working on a separate bill that would allow the Russian president and government to confiscate foreign-owned property in Russia, including assets belonging to private companies." See the article [here](#).

The Russian Foreign Ministry released this statement: "Moscow has explained to the Americans, repeatedly and demonstrably, why their one-sided punitive measures are not matching the standards of civilized relations between nations. If this fails to take effect, we will have to retaliate, and not necessarily in a mirror way." The Russians have also said they may impose sanctions against Ukrainian "oligarchs" responsible for the situation in Ukraine.

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The United States and EU could impose additional economic sanctions on Russia that may be more comprehensive than the targeted sanctions currently in place. As shown above, Russia has also indicated that it would retaliate for any sanctions that the United States or EU imposes. These intersecting and opposing sanctions programs would cause shifts in the international business environment that must be monitored and assessed by businesses that may be affected due to a company's country of organization, geographic footprint, location of subsidiaries or joint-venture partners, major contracts, financial service providers or investments, supply chain or other variables.

If you have questions on how these sanctions or future potential sanctions could affect your company's business or investment operations, please contact a member of Akin Gump Strauss Hauer & Feld LLP's sanctions practice.

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