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New Russia Sanctions Require Immediate Compliance Review

In the aftermath of Russia's invasion of Ukraine, the United States and many of its allies have imposed new or enhanced sanctions on a growing list of persons and entities.[1] Sanctions are generally administered by the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC), and their enforcement regime is aggressive and comprehensive.[2] It is likely that OFAC's attention will focus in the coming months on Russia-related sanctions, and that the U.S. government's current Ukraine/Russia-Related Sanctions program will not only expand, but accelerate.[3] And even unintentional violations can result in significant penalties and reputational harm.

Many of our clients have compliance programs in place to address sanctions, sometimes managed in-house, and sometimes outsourced. The basic compliance method employed by many companies has been relatively simple—comparing clients, customers or counter-parties against the OFAC lists—and these lists are generally available online, or through commercial vendors. In light of the unprecedented scope of the new wave of Russian sanctions, we strongly recommend that our clients review their sanctions compliance program against the expanded sanctions list.

If you do not have a program, we suggest that you reassess whether one is needed. Factors militating in favor of such a program include having overseas customers, purchasing materials from overseas, hiring overseas contractors or other vendors, and considering the sectors in which your company operates against the OFAC regime.

If you have a program, you should evaluate, as an initial matter, whether it is structured to capture individuals or entities that have been added to sanctions lists since you began the commercial relationship. Now is also a good time to consider whether your sanction compliance program is convenient to use, and cost effective.

In general, many sanctions compliance programs are not particularly expensive or time consuming. Investing in a solid program can be important, because sanctions violations can result in significant, costly fines, and even unintentional violations of the sanctions regime have resulted in penalties in the millions of dollars.[4]

Sanctions, particularly now, are an area where an ounce of protection is worth a pound of cure. If you have questions or need more information, Day Pitney lawyers, including our Government Enforcement team, and our Defense and International Trade Controls business partners at FH+H[5], are here to assist.

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[1] See here for the latest statement from President Biden.

[2] See here.

[3] See here.

[4] See here.

[5] Fluet Huber + Hoang

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