

U.S. DEPARTMENT OF THE TREASURY

U.S. Treasury Imposes Immediate Economic Costs in Response to Actions in the Donetsk and Luhansk Regions

February 22, 2022

The United States Remains Fully Prepared to Impose Further, Expansive Economic Costs

New Sector Determination Enables Treasury to Target Russia's Entire Financial System

WASHINGTON – Today, the United States is taking action to respond to President Vladimir Putin's decision to recognize the so-called Donetsk and Luhansk People's Republics (DNR and LNR) as "independent" states and to deploy troops to these regions by sanctioning two major Russian state-owned financial institutions, imposing additional restrictions on Russian sovereign debt, and sanctioning five Kremlin-connected elites. This action from the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) builds on yesterday's [Executive Order](#) imposing severe restrictions on economic activity with the DNR and LNR regions of Ukraine.

Today Treasury is targeting Russia's ability to finance aggression against its neighbors by sanctioning the Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) and Promsvyazbank Public Joint Stock Company (PSB), along with 42 of their subsidiaries. VEB is crucial to Russia's ability to raise funds, and PSB is critical to Russia's defense sector. These sanctions ensure VEB and PSB can no longer do business in the United States and are cut off from the U.S. financial system. All assets under U.S. jurisdiction will be immediately frozen and U.S. individuals and entities are prohibited from doing business with these institutions unless authorized by OFAC. This will immediately impair the ability of VEB and PSB to perform basic functions in the international financial system. Today's action constrains Russia's ability to finance defense-related contracts and raise new funds to finance its campaign against Ukraine. Treasury is also designating influential Russians and their family members in Putin's inner circle believed to be participating in the Russian regime's kleptocracy, including the Chairman and CEO of PSB.

"Today's actions, taken in coordination with our partners and allies, begin the process of dismantling the Kremlin's financial network and its ability to fund destabilizing activity in

Ukraine and around the world,” said Secretary of the Treasury Janet L. Yellen. “We continue to monitor Russia’s actions and if it further invades Ukraine, the United States will swiftly impose expansive economic sanctions that will have a severe and lasting impact on Russia’s economy.”

Today’s actions were taken pursuant to Executive Order (E.O.) 14024, which authorizes sanctions against Russia for its harmful foreign activities, including violating core principles of international law such as respect for the territorial integrity of other states. Pursuant to E.O. 14024, the Secretary of the Treasury, in consultation with the Secretary of State, has determined that section 1(a)(i) of E.O. 14024 applies to the financial services sector of the Russian Federation economy, and that persons determined to operate or have operated in this identified sector can be subject to sanctions. This allows Treasury to target any person that operates or has operated in Russia’s financial services sector, including today’s designations of PSB and VEB.

BLOCKING MAJOR RUSSIAN FINANCIAL INSTITUTIONS

OFAC designated two financial institutions that are crucial to financing the Russian defense industry, as well as 42 of their subsidiaries. These financial institutions play significant roles in the Russian economy, holding combined assets worth tens of billions of dollars.

VEB and PSB are state-owned institutions that play specific roles to prop up Russia’s defense capability and its economy. VEB’s \$53 billion asset portfolio makes it large enough to be among Russia’s top five financial institutions. VEB occupies a unique role in Russia’s financial system as the servicer of Russia’s sovereign debt, financier for exports, and a funding source for investment projects with a loan portfolio of over \$20 billion. VEB finances Russia’s national economic development, including large-scale projects to develop domestic infrastructure and other industries that are critical to Russia’s generation of revenue. Currently Russia’s 8th largest bank, PSB was earmarked by the Russian government to finance Russia’s Ministry of Defense and the Russian defense sector. It services nearly 70 percent of Russia’s defense contracts and provides banking and personal finance to Russian military personnel. Today’s designation of PSB exposes the Russian government’s scheme to minimize sanctions risk exposure through PSB’s illicit sanctions evasion activity.

State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank (VEB) finances domestic development projects as Russia’s national economic development institution. In partnership with commercial banks, VEB provides financing for large-scale projects to develop the country’s infrastructure and industrial production. VEB was designated

pursuant to E.O. 14024 for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, the Government of Russia (GoR), and for operating or having operated in the financial services sector of the Russian Federation economy.

In addition, 25 of VEB's subsidiaries were designated today pursuant to E.O. 14024 for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, VEB or the GoR. These subsidiaries represent a wide range of businesses, including banks and other financial firms, electronic component producers, a coal mining company, a sporting activities company, among others, in Russia and three other countries. All entities owned 50 percent or more, directly or indirectly, by VEB are subject to blocking under E.O. 14024, even if not identified on OFAC's Specially Designated Nationals and Blocked Persons List (SDN List). Prior to today's action, VEB and any entity owned 50 percent or more by VEB were subject to certain debt- and equity-related restrictions pursuant to Directive 1 under E.O. 13662. These entities are now blocked.

OFAC issued general licenses authorizing certain transactions related to the wind-down of transactions involving VEB, as well as VEB's servicing of sovereign debt.

Promsvyazbank Public Joint Stock Company (PSB) is deemed by the GoR as a systemically important Russian state-owned financial institution and is Russia's eighth largest financial institution. The GoR nationalized PSB in 2018 and repurposed it to finance the defense industry and service large defense contracts as part of a scheme to assist the government in avoiding new sanctions. Since its transformation into the Russian state defense bank, PSB has issued billions of dollars in financial support for Russian defense sector companies, and it currently services nearly 70 percent of state contracts signed by the Russian Ministry of Defense (MoD). In addition to supporting the MoD and Russian defense enterprises, PSB provides its banking products, including mortgages, to Russian military personnel. In an effort to insulate itself from U.S. sanctions, the GoR has also tasked PSB with providing credit to entities under U.S. and partner nations' sanctions so that other lenders, namely Sberbank and VTB Bank, can offload the risk of conducting business with sanctioned entities. PSB is reported to be creating a separate currency exchange to service companies targeted by Western sanctions.

PSB was designated for operating or having operated in the defense and related materiel and financial services sectors of the Russian Federation economy. In addition to PSB itself, 17 of its subsidiaries were designated today pursuant to E.O. 14024 for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, PSB. The 17 blocked subsidiaries, all of which are located in Russia, include a variety of companies including

financial, technology, and real estate-related entities. All entities owned 50 percent or more, directly or indirectly, by PSB are subject to blocking under E.O. 14024, even if not identified on OFAC's SDN List.

As part of the designation of PSB, OFAC also took action against five vessels that are owned by PSB Lizing OOO, a designated subsidiary of PSB. All five vessels were identified pursuant to E.O. 14024 as blocked property in which PSB Lizing OOO has an interest.

1. **Baltic Leader** (IMO: 9220639), a Russian-flagged roll-on roll-off cargo vessel with a gross registered tonnage of 8831;
2. **Linda** (IMO: 9256858), a Russian-flagged crude oil tanker with a gross registered tonnage of 61991;
3. **Pegas** (IMO: 9256860), a Russian-flagged crude oil tanker with a gross registered tonnage of 61991;
4. **Fesco Magadan** (IMO: 9287699), a Russian-flagged container ship with a gross registered tonnage of 7519; and
5. **Fesco Moneron** (IMO: 9277412), a Russian-flagged container ship with a gross registered tonnage of 7519.

TARGETING ELITES AND FAMILIES CLOSE TO PUTIN

Elites close to Putin continue to leverage their proximity to the Russian President to pillage the Russian state, enrich themselves, and elevate their family members into some of the highest positions of power in the country at the expense of the Russian people. Sanctioned oligarchs have used family members to move assets and to conceal their immense wealth. The following designations target powerful Russians in Putin's inner circle believed to be participating in the Russian regime's kleptocracy and their family members.

Denis Aleksandrovich Bortnikov, son of **Aleksandr Vasilievich Bortnikov**

Aleksandr Vasilievich Bortnikov (Aleksandr Bortnikov) is the Director of the Federal Security Service (FSB) of the Russian Federation and a permanent member of the Security Council of the Russian Federation. Aleksandr Bortnikov was previously designated in March 2021 for being an official of the GoR, and for acting or purporting to act for or on behalf of, directly or indirectly, the FSB. Aleksandr Bortnikov's son, Denis Aleksandrovich Bortnikov (Denis Bortnikov), is currently a Deputy President of Russian-state owned financial institution VTB Bank Public Joint Stock Company (VTB Bank) and a Chairman of the VTB Bank Management Board.

Today, OFAC redesignated Aleksandr Bortnikov and designated his son Denis Bortnikov pursuant to E.O. 14024 for being or having been leaders, officials, senior executive officers, or members of the board of directors of the GoR. Denis Bortnikov was also designated pursuant to E.O. 14024 for being the spouse or adult child of Aleksandr Bortnikov, a person whose property or interests in property are blocked for being or having been a leader, official, senior executive officer, or member of the board of directors of the GoR.

Petr Mikhailovich Fradkov (Petr Fradkov) is the Chairman and CEO of PSB. Petr Fradkov is also the son of Mikhail Efimovich Fradkov (Mikhail Fradkov), former Prime Minister of Russia and former Director of the Russian Foreign Intelligence Service (SVR). Mikhail Fradkov was designated by OFAC in April 2018 for being an official of the GoR. Since 2018, Petr Fradkov has worked to transform PSB into a bank that services the defense industry and supports state defense contracts. In his role as Chairman and CEO of PSB, Petr Fradkov has held working meetings with Putin and participated in roundtable discussions in international forums in which he forecasts the PSB's long-term strategic plans for supporting the Russian defense industry. Petr Fradkov is also the General Director of Joint Stock Company Russian Export Center, which was blocked today as a subsidiary of VEB.

Today, Petr Fradkov was designated pursuant to E.O. 14024 for operating or having operated in the defense and related materiel and financial services sectors of the Russian Federation economy.

Vladimir Sergeevich Kiriyyenko, son of **Sergei Vladilenovich Kiriyyenko**

Sergei Vladilenovich Kiriyyenko (Sergei Kiriyyenko) is the First Deputy Chief of Staff of the Presidential Office. Sergei Kiriyyenko is reported to be Putin's domestic policy curator. Previously, Sergei Kiriyyenko served as the Prime Minister of the Russian Federation and as the General Director of Rosatom State Atomic Energy Corporation. Sergei Kiriyyenko was previously designated in March 2021 for being an official of the GoR. Sergei Kiriyyenko's son, Vladimir Sergeevich Kiriyyenko (Vladimir Kiriyyenko), previously worked as a vice president at the Russian state-controlled company, Rostelecom, and is presently the CEO of VK Group, the parent company of Russia's top social media platform, VKontakte.

Today, OFAC redesignated Sergei Kiriyyenko and designated his son Vladimir Kiriyyenko pursuant to E.O. 14024 for being or having been leaders, officials, senior executive officers, or members of the board of directors of the GoR. Vladimir Kiriyyenko was also designated pursuant to E.O. 14024 for being the spouse or adult child of Sergei Kiriyyenko, a person whose property or

interests in property are blocked for being or having been a leader, official, senior executive officer, or member of the board of directors of the GoR.

As a result of today's blocking actions, all property and interests in property of persons mentioned above that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. In addition, any entities that are owned, directly or indirectly, individually or in the aggregate, 50 percent or more by one or more blocked persons are also blocked. Unless authorized by a general or specific license issued by OFAC, or exempt, all transactions by U.S. persons or within (or transiting) the United States that involve any property or interests in property of blocked persons are generally prohibited. The prohibitions include the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any blocked person, or the receipt of any contribution or provision of funds, goods, or services from any such person. In addition, financial institutions and other persons that engage in certain transactions or activities with the sanctioned individuals may be subject to an enforcement action.

SOVEREIGN DEBT RESTRICTIONS

As a part of today's actions, OFAC also increased restrictions on dealings in Russia's sovereign debt, further cutting Russia off from sources of revenue to fund its government or President Putin's priorities, including his further invasion into Ukraine. These restrictions significantly cut off a core way for Russia to raise money. This kind of measure creates a strain on resources for the Russian state and greater risk for its ability to manage its finances.

Specifically, OFAC issued Russia-related Directive 1A under E.O. 14024, "Prohibitions Related to Certain Sovereign Debt of the Russian Federation" (the "Russia-related Sovereign Debt Directive"), amending and superseding Directive 1 under E.O. 14024. This extends existing sovereign debt prohibitions to cover participation in the secondary market for bonds issued after March 1, 2022 by the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation.

[For identifying information on the individuals and entities sanctioned today.](#)

[General License 2](#) , [General License 3](#) , [New FAQs](#), and [Updated FAQs](#).

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**Subsidiaries of Russian Financial Institutions Sanctioned on February 22, 2022 Pursuant to
E.O. 14024**

The property and interests in property of the following VEB subsidiaries are blocked:

1. **Bank BELVEB OJSC** is a bank located in Belarus.
2. **VEB Leasing OJSC** is a leasing company located in Russia.
3. **Prominvestbank** is a bank located in Ukraine.
4. **VEB Capital** is a financial company located in Russia.
5. **VEB Engineering LLC** is an investment project implementation services company located in Russia.
6. **JSC Infraveb** is an investment project support company located in Russia.
7. **JSC VEB.DV** is an investment project support company located in Russia.
8. **VEB Asia Limited** is a financial company located in Hong Kong.
9. **LLC Infrastructure Molzhaninovo** is an electric energy company located in Russia.
10. **LLC Resort Zolotoe Koltso** is a real estate and construction company located in Russia.
11. **JSC Russian Export Center** is an export-related company located in Russia.
12. **LLC VEB Ventures** is a financial company located in Russia.
13. **LLC VEB Service** is a business and management advisory company located in Russia.
14. **LLC Special Organization for Project Finance Factory of Project Finance** is a financial company located in Russia.
15. **LLC SIBUGLEMET Group** is a coal mining company located in Russia.
16. **JSC ANGSTREM-T** is a technology company located in Russia.
17. **LLC NM-TEKH** is a technology company located in Russia.
18. **JSC SLAVA** is a real estate company located in Russia.
19. **JSC PFC CSKA** is a sporting activities company located in Russia.
20. **LLC Torgovy Kvartal-Novosibirsk** is a property leasing company located in Russia.
21. **LLC Baikal Center** is a construction company located in Russia.
22. **LLC Progorod** is an infrastructure company located in Russia.
23. **LLC VEB.RF Asset Management** is a financial company located in Russia.

24. **Eximbank of Russia JSC** is an export support institution located in Russia as well as a commercial bank regulated by the Central Bank of the Russian Federation.
25. **Russian Agency for Export Credit and Investment Insurance OJSC** is an insurance agency located in Russia.

The property and interests in property of the following PSB subsidiaries are blocked:

1. **Alkes Treid OOO** is a financial company located in Russia.
2. **Antares OOO** is a financial company located in Russia.
3. **Elitnye Doma OOO** is a real estate company located in Russia.
4. **PSB Innovations and Investments Limited Liability Company** is a technology company located in Russia.
5. **Era Fund Limited Liability Company** is a technology company located in Russia.
6. **PSB-Foreks OOO** is a financial company located in Russia.
7. **Kholtsvud OOO** is a financial company located in Russia.
8. **Kourf OOO** is a financial company located in Russia.
9. **Management Company Promsvyaz LLC** is an investment company located in Russia.
10. **Paskal OOO** is a company that provides management consulting services in Russia.
11. **PSB Biznes OOO** is a hospitality company located in Russia.
12. **Saint-Petersburg International Banking Conference LLC** is a financial company located in Russia.
13. **Sergievo-Posad Lend OOO** is a financial company located in Russia.
14. **PSB Avializing OOO** is a financial company located in Russia.
15. **Tekhnosoft OOO** is a technology company located in Russia.
16. **Trinitex OOO** is a real estate company located in Russia.
17. **PSB Lizing OOO** is a financial company located in Russia.