



SANCTIONS ADVISORY

Guidance for Foreign Financial Institutions on OFAC Sanctions Authorities Targeting Support to Russia's Military-Industrial Base

December 22, 2023

In response to the Russian Federation's continued use of its military-industrial base to support its aggression against Ukraine, the President has issued an [Executive Order \(E.O.\) amending E.O. 14024](#) that provides the Office of Foreign Assets Control (OFAC) with new authorities to target foreign financial institutions for engaging in certain transactions. **Foreign financial institutions that conduct or facilitate significant transactions or provide any service involving Russia's military-industrial base run the risk of being sanctioned by OFAC.**

The United States and partners have put in place a sanctions and export controls regime that has severely restricted Russia's ability to import many of the items that directly support its brutal and unjustified war against Ukraine. As a result, Russia is increasingly using third countries to evade sanctions and continue its procurement of certain critical items. The United States and partners have published multiple advisories, including detailed red flags, to warn the private sector about Russian sanctions evasion in support of its war machine and to support compliance efforts. OFAC's new targeting authorities, which are aimed at foreign financial institutions that provide services to, or engage in significant transactions relating to, Russia's military-industrial base, come as a natural evolution of OFAC's work to counter evasion and hold accountable those perpetuating Russia's war against Ukraine, including financial facilitators.

OFAC is issuing this advisory to provide guidance to foreign financial institutions on the amendments to E.O. 14024, including practical guidance on how to identify sanctions risks and implement corresponding controls. For additional guidance on this E.O., please see FAQs [1146-1157](#).

New Sanctions Authorities Targeting Foreign Financial Institutions

[The amendment to E.O. 14024](#) allows OFAC to sanction foreign financial institutions that have (i) conducted or facilitated a significant transaction or transactions for any persons designated pursuant to E.O. 14024 for operating or having operated in the technology, defense and related materiel, construction, aerospace, or manufacturing sectors of the Russian Federation economy ("the specific sectors");¹ or (ii) conducted or facilitated any significant transaction or transactions, or provided any service, involving Russia's military-industrial base, including the sale, supply, or transfer, directly or indirectly, to the Russian Federation, of any item or class of items as may be determined by the Secretary of the Treasury, in consultation with the

¹ The Secretary of the Treasury, in consultation with the Secretary of State, has the authority to determine that additional sectors support Russia's military-industrial base and thus may be used for targeting under this E.O.

Secretary of State and the Secretary of Commerce (“the specified items”).² Under these new authorities, OFAC can impose full blocking sanctions on, or prohibit or restrict the maintenance of correspondent accounts in the United States for, foreign financial institutions. Please see [E.O. 14024 as amended](#) for the full criteria upon which a foreign financial institution may be sanctioned and the type of sanctions that may be imposed.

Examples of Activity that Could Expose Foreign Financial Institutions to Sanctions Risk

The following are examples of activities that could expose foreign financial institutions to sanctions risk under [E.O. 14024 as amended](#):

- ▷ Maintaining accounts, transferring funds, or providing other financial services (i.e., payment processing, trade finance, insurance) for any persons designated for operating in the specified sectors.
- ▷ Maintaining accounts, transferring funds, or providing other financial services (i.e., payment processing, trade finance, insurance) for any persons, either inside or outside Russia, that support Russia’s military-industrial base, including those that operate in the specified sectors of the Russian Federation economy.
- ▷ Facilitating the sale, supply, or transfer, directly or indirectly, of the specified items to Russian importers or companies shipping the items to Russia.
- ▷ Helping companies or individuals evade U.S. sanctions on Russia’s military-industrial base. This includes:
 - offering to set up alternative or non-transparent payment mechanisms,
 - changing or removing customer names or other relevant information from payment fields,
 - obfuscating the true purpose of or parties involved in payments, or
 - otherwise taking steps to hide the ultimate purpose of transactions to evade sanctions.

The list of specified items can be found [here](#). Treasury has identified the specified items because they are critical for Russia’s war effort, including for the production of advanced precision-guided weapons and other critical items, and Russia is actively working to import them from third countries to fuel its war machine. **Foreign financial institutions should use this list of specified items for the purpose of mitigating sanctions risk under Treasury’s new sanctions authorities described in this advisory.**³ If in the course of its due diligence, a foreign financial institution is unsure whether a particular item is the same as one identified on the list of specified items (or could otherwise potentially be linked to Russia’s military-industrial base), the institution should conduct further due diligence regarding the particular customer and/or transaction and take appropriate mitigation measures, as described further below.

2 The list of the specific items is available here: <https://ofac.treasury.gov/media/932446/download?inline>

3 Since Russia’s further invasion of Ukraine, the United States and partners have identified key items that Russia is seeking to procure for its weapons programs. Such key items include all of the specified items described in this advisory, as well as the Common High Priority Items List, which describes a subsets of items that are restricted from trade to Russia by the United States and its allies. The [Common High Priority List](#) is intended for exporters, reexporters, and customs officials, and identifies broad categories of items by Harmonized System (HS) Codes, which are the foundation of the import and export classification systems used in the United States and by many trading partners. In contrast, the list of specified items described in this advisory is intended for use by financial institutions in implementing controls to mitigate sanctions risks under OFAC’s new authorities.

Identifying and Mitigating Sanctions Risks

To mitigate sanctions risk, foreign financial institutions should take steps to identify and minimize their exposure to activity involving Russia's military-industrial base and those that support it. These steps are in addition to baseline customer due diligence (CDD) procedures and other anti-money laundering controls. While each institution should implement controls commensurate with its risk and current exposure to Russia's military-industrial base and its supporters, examples of such controls may include:

- ▷ Reviewing an institution's customer base to determine exposure to the following:
 - Any customers involved in the specified sectors of the Russian economy or who conduct business with designated persons in the specified sectors.
 - Any customers that may be involved in the sale, supply, or transfer of the specified items to Russia or to jurisdictions previously identified as posing a high risk of Russian sanctions evasion.
- ▷ Communicating compliance expectations to customers, including informing them that they may not use their accounts to do business with designated persons operating in the specified sectors or conduct any activity involving Russia's military-industrial base. This may also include sharing the list of the specified items with customers, especially customers engaged in import-export activity, manufacturing, or any other relevant business lines.
- ▷ Sending questionnaires to customers known to deal in or export specified items to better understand their counterparties.
- ▷ Taking appropriate mitigation measures for any customers or counterparties engaged in high-risk activity or who fail to respond to requests for information regarding activity of concern. These measures include restricting accounts, limiting the type of permissible activity, exiting relationships, and placing customers or counterparties on internal "do not onboard" or "do not process" watchlists.
- ▷ On a risk-basis, obtaining attestations from customers that they do not operate in the specified sectors, engage in any sales or transfers of the specified items to Russia, or otherwise conduct any transactions involving Russia's military-industrial base.
- ▷ Incorporating risks related to Russia's military-industrial base into sanctions risk assessments and customer risk rating criteria. This includes updating jurisdictional risk assessments as appropriate.
- ▷ Implementing enhanced trade finance controls related to the specified items, including monitoring information collected as part of documentary trade.
- ▷ Using open-source information and past transactional activity to inform due diligence and to conduct proactive investigations into possible sanctions and export control evasion.

Previous Guidance on Russia Sanctions and Export Controls Evasion

Since Russia's further unlawful invasion of Ukraine, the U.S. Department of the Treasury and the U.S. Department of Commerce⁴ have repeatedly highlighted how Russia seeks to evade sanctions and export controls in support of its war effort, such as using third-party intermediaries and transshipment points to circumvent restrictions.⁵ These alerts have provided examples of red flags that can signal when and how third parties and intermediaries may be engaged in efforts to evade sanctions or export controls. OFAC encourages foreign financial institutions to review and incorporate such guidance into their risk-based controls to mitigate sanctions risks.

In addition to the specific mitigation measures detailed above and the alerts focused on Russia sanctions and export control evasion, OFAC encourages foreign financial institutions to review [A Framework for OFAC Compliance Commitments](#) and the alerts focused on Russia's sanctions and export control evasion for further guidance on the essential components of a risk-based sanctions compliance program. Best practices include:

- ▷ Training staff on sanctions risks and common red flags. This includes not only compliance personnel but also front-line staff, senior management, and business lines (e.g., underwriters, relationship managers). It is especially important to train staff that while it is appropriate for customers to ask for guidance on how to comply with bank policies and sanctions, any request for assistance in evading sanctions should be treated as a serious red flag and result in appropriate mitigation measures.
- ▷ Ensuring any identified risks or issues are escalated quickly to the proper level (e.g., senior risk committee) and promoting a "culture of compliance."
- ▷ Communicating clearly and frequently with U.S. and other correspondent banks on their due diligence expectations and requests for information.
- ▷ Incorporating information and typologies from relevant FinCEN and OFAC alerts and advisories into automated and manual anti-money laundering controls. Of particular concern for Russian sanction evasion are:
 - Customers conducting business with newly formed Russian companies or newly formed companies in third-party countries known to be potential transshipment points for exports to Russia.
 - Companies or counterparties supposedly involved in production or import-export of sophisticated items with no business history or little-to-no web presence.

4 Please see the [Department of Commerce's Resources On Export Controls Implemented In Response To Russia's Invasion Of Ukraine](#) for additional information. The Department of Commerce has imposed broad export controls on certain items subject to the Export Administration Regulations (EAR), including all items listed in the Commerce Control List (CCL) and certain EAR99 items identified by HS Code, for exports or reexports to Russia or Belarus.

5 Please see the following:

- [Cracking Down on Third-Party Intermediaries Used to Evade Russia-Related Sanctions and Export Controls](#)
- [Impact of Sanctions and Export Controls on Russia's Military-Industrial Complex](#)
- [Department of Commerce's Resources On Export Controls Implemented In Response To Russia's Invasion Of Ukraine](#)
- [Supplemental Alert: FinCEN and the U.S. Department of Commerce's Bureau of Industry and Security Urge Continued Vigilance for Potential Russian Export Control Evasion Attempts](#)
- [Trends in Bank Secrecy Act Data: Suspected Evasion of Russian Export Controls.](#)

- Customers or counterparties using unusual or atypical payment terms and methods, such as large cash payments, frequent or last-minute changes to end-users or payees, or routing payments through third countries not otherwise involved in the transaction.

Permissible Transactions

The new authorities aim to reduce the ability of Russia's military-industrial base to circumvent sanctions to support its war aims and do not target third-party engagement with the Russian economy that does not involve its military-industrial base. OFAC also maintains a broad authorization for transactions otherwise prohibited by E.O. 14024 related to the production, manufacturing, sale, transport, or provision of agricultural commodities, agricultural equipment, medicine, medical devices, replacement parts and components for medical devices, or software updates for medical devices. Please see Russia-related [General License \(GL\) 6C](#) and [OFAC Food Security Fact Sheet: Russia Sanctions and Agricultural Trade. E.O. 14024 as amended](#) does not change these authorizations. Foreign financial institutions may engage in or facilitate transactions that would be authorized for U.S. persons under [GL 6C](#) without exposure to sanctions.⁶



⁶ OFAC [GL 6C](#) does not relieve any person from compliance with any other Federal laws or requirements of other Federal agencies, including the [Export Administration Regulations \(EAR\), 15 C.F.R. Parts 730–774](#), which are administered by the U.S. Department of Commerce.