

Russia Sanctions Update

MAY 1, 2018

After Sanctioning Russian Oligarchs, Companies, and Political Figures, OFAC Issues and Expands General Licenses for Wind-Down Activity

RUSAL Wind-Down Extended Through October 23, 2018

On April 6, 2018, the Trump administration imposed new sanctions on Russia by adding seven Russian oligarchs and 12 companies they own or control, 17 top Russian government officials, and a state-owned Russian weapons trading company and its subsidiary, a Russian bank, to the [Specially Designated Nationals and Blocked Persons List](#) ("SDN"). Such sanctions apply to entities that are directly or indirectly owned 50 percent or more in the aggregate by these or other SDNs.

These actions have significance beyond the primary blocking requirements for U.S. persons, because significant transactions with these Russian SDNs may subject a foreign person to secondary sanctions under CAATSA § 228. OFAC has released guidance indicating that activities permissible for a U.S. person *would not* be considered a "significant transaction" for a foreign person.¹ However, there is still significant uncertainty regarding what would be considered a significant transaction for purposes of secondary sanctions.

Concurrent with this action, the Department of the Treasury's Office of Foreign Assets Control ("OFAC") issued two general licenses, [General License 12](#) ("GL 12") and [General License 13](#) ("GL 13") to minimize immediate disruptions to U.S. persons, partners, and allies.

On April 23, OFAC took further action intended to minimize immediate disruption by issuing [General License 12A](#) ("GL 12A") and [General License 14](#) ("GL 14") applicable to Russian aluminum producer United Company RUSAL PLC ("RUSAL"). The issuance of GL 14 is an effective acknowledgment of the time it will take to wind down the wide-ranging connections between U.S. companies and RUSAL.

GL 12A replaces and supersedes GL 12, which was issued on April 6.² GL 12A authorizes through June 5, 2018, all transactions and activities otherwise prohibited by the Ukraine Related Sanctions Regulations, 31 C.F.R. Part 589, that are ordinarily incident and necessary to the *maintenance* or *wind-down* of operations, contracts, or other agreements, including the importation of goods, services, or technology into the United States, involving one or more of the following blocked persons and that were in effect prior to April 6, 2018:

- AgroHolding Kuban
- Basic Element Limited
- B-Finance Ltd.
- EN+ Group PLC
- GAZGroup
- Gazprom Burenie, 000
- JSC EuroSibEnerg
- Ladoga Menedzhment, 000
- NPV Engineering Open Joint Stock Company
- Renova Group
- Russian Machines
- United Company RUSAL PLC
- Any other entity in which one or more of the above persons own, directly or indirectly, a 50 percent or greater interest

Notably, exports from the United States to the newly blocked entities are not permitted by GL 12A.³ Additionally, any payment to or for the direct or indirect benefit of a blocked person that is authorized by GL 12A must be made into a blocked, interest-bearing account located in the U.S. in accordance with 31 C.F.R. § 589.203, except as authorized by GL 14.

GL 14, in turn, extends the authorizations of General License 12A until October 23, 2018, with respect to RUSAL and any entity owned, directly or indirectly, 50 percent or more by RUSAL. OFAC is also interpreting GL 14 to mean that U.S. persons are not required to block transactions authorized by GL 14 that occur on or after April 23, except for transactions involving blocked persons other than RUSAL.⁴ GL 14 further authorizes U.S. persons to export goods from the United States to RUSAL.⁵

Finally, GL 13, issued April 6 and not amended April 23, authorizes U.S. persons to divest or transfer to a non-U.S. person, or to facilitate the transfer by a non-U.S. person to another non-U.S. person, debt, equity, or other holdings in the following blocked entities: (1) EN+ Group PLC; (2) GAZ Group; (3) United Company RUSAL PLC, provided that such divestment, transfer, or facilitation does not result in U.S. persons selling debt, equity, or other holdings to; purchasing or investing in debt, equity, or other holdings in; or facilitating such transactions with, directly or indirectly, any blocked person, including the entities listed in GL 13.⁶

U.S. persons who are part of transactions authorized by GL 12A, GL 13, or GL 14 are required to file a detailed report, including the names and addresses of the parties involved and the scope of the activities for each transaction, with OFAC within 10 business days after the expiration of the license.

¹ OFAC, FAQ 545, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#545.

² The substantial difference between GL 12 and GL 12A is that GL 12A reflects the authorization in GL 14. Specifically, U.S. persons are not required to place into a blocked account payments to or for RUSAL, or any other entity in which RUSAL owns, directly or indirectly, a 50 percent or greater interest, for activities authorized by GL 14. OFAC, FAQ 578, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#578.

³ OFAC, FAQ 582, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#582.

⁴ OFAC, FAQ 577, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#577.

- ⁵ OFAC, FAQ 581, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#581.
- ⁶ OFAC, FAQ 570, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#570.

4 Min Read

Related Locations

Charlotte	Chicago	Dallas	Houston	Los Angeles	New York
San Francisco	Silicon Valley	Washington, DC			

Related Topics

Russia	International Trade	OFAC	Corporate	National Security
--------	---------------------	------	-----------	-------------------

Related Capabilities

Transactions	International Trade
--------------	---------------------