

## OFAC Targets Russian Oligarchs and Government Officials

April 6, 2018 | Client Update | 5-minute read

Citing the Russian government's "[range of malign activities around the globe](#)," on April 6, 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") sanctioned seven Russian oligarchs and 12 companies they own or control, 17 senior Russian government officials, and a state-owned Russian weapons trading company and its subsidiary, a Russian bank. Invoking authority under Executive Orders ("**E.O.s**") 13661 and 13662, which have been codified by the Countering America's Adversaries Through Sanctions Act ("**CAATSA**"), and E.O. 13582, the Treasury Department targeted Russian oligarchs and government elites who benefit from their government's destabilizing activities, including the continued occupation of Crimea, instigation of violence in eastern Ukraine, the supply of material and weaponry to the Assad regime, attempts to subvert Western democracies, and malicious cyber activities. This represents the Trump administration's most significant Russia-related sanctions action to date, and follows the March 26, 2018 [announcement](#) of the closure of the Russian consulate in Seattle and the expulsion of several Russian officials from the United States in response to Russia's alleged use of a military-grade nerve agent to attack two individuals in the United Kingdom.

According to the Treasury Department, certain of today's designees were included in its classified CAATSA Section 214 report submitted to Congress in late January 2018. The designated parties include some with significant ties to the United States, such as the Renova Group, which reportedly has a number of U.S. subsidiaries that will be blocked as a result of the action.

Any property or interests in property of the sanctioned persons in the possession or control of U.S. persons or within the United States must be blocked, and U.S. persons are generally prohibited from doing business with them. Identifying information and aliases for the designated individuals and entities are available on [OFAC's website](#), along with the related [press release](#).

Concurrent with this action, OFAC issued two new general licenses ("**GLs**"), [GL 12](#), "Authorizing Certain Activities Necessary to Maintenance or Wind down of Operations or Existing Contracts", and [GL 13](#), "Authorizing Certain Transactions Necessary to Divest or Transfer Debt, Equity, or Other Holdings in Certain Blocked Persons." These general licenses are intended to minimize immediate disruptions to U.S. persons, partners, and allies resulting from the designations.

With certain exceptions, GL 12 authorizes all transactions and activities otherwise prohibited by the Ukraine Related Sanctions Regulations, 31 C.F.R. part 589 ("**URSR**"), that are ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements in effect prior to April 6, 2018, involving one or more of the following blocked persons:

- AgroHolding Kuban
- Basic Element Limited
- B-Finance Ltd.
- EN+ Group PLC
- JSC EuroSibEnergo
- GAZ Group

- Gazprom Burenie, OOO
- Ladoga Menedzhment, OOO
- 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

GL 12 authorizes transactions until June 5, 2018.

GL 13 generally authorizes all transactions and activities otherwise prohibited by the URSR, that are ordinarily incident and necessary to divest or transfer debt, equity, or other holdings in the following blocked persons to a non-U.S. person, or to facilitate the transfer of debt, equity, or other holdings in the following blocked persons by a non-U.S. person to another non-U.S. person:

- EN+ Group PLC
- GAZ Group
- United Company RUSAL PLC

GL 13 authorizes transactions until May 7, 2018.

Both GLs require U.S. persons relying upon them to provide a detailed report of authorized transactions to OFAC within 10 business days of their respective expiration dates.

Additionally, OFAC has released eight [new Frequently Asked Questions](#) (“FAQs”) related to these designations and has [updated one FAQ](#) related to CAATSA. Among other things the FAQs:

- Clarify that the scope of GL 12 generally includes the provision of salary payments, pension payments, or other benefits to U.S. person employees by the blocked entities listed in GL 12 until its expiry (FAQ 567);
- Note that continued employment or board membership by a U.S. person with an entity blocked pursuant to E.O.s 13661 or 13662 is prohibited, absent authorization from OFAC (FAQ 568);
- Confirm that, until June 5, 2018, a U.S. company may accept goods previously ordered from an entity designated or blocked by operation of law on April 6, 2018, provided that the importation is in accordance with the requirements and limitations specified in GL 12 and that any outstanding payment for the goods are deposited in a blocked account at a U.S. financial institution (FAQ 569);
- Clarify that GL 13 does not allow U.S. persons to sell debt, equity, or other holdings to; to purchase or invest in debt, equity or other holdings in; or to facilitate such transactions with the blocked entities listed in GL 13 or any other blocked person (FAQ 571);
- Confirm that if a designated individual or entity holds an ownership interest of less than fifty percent in a U.S. company, the U.S. company is not itself blocked, but the U.S. company must block all property and interests in property in which the blocked person has an interest (FAQ 573);
- Note that foreign persons determined to have knowingly facilitated significant transactions for or on behalf of an individual or entity designated under E.O 13661 or 13662 or blocked pursuant to OFAC’s 50 percent rule on April 6 are subject to sanctions (FAQ 574); and
- Reiterate that for the purposes of such sanctions determinations, a transaction is not significant if U.S. persons would not require specific licenses from OFAC to participate in it (FAQ 542).

Given that a number of the parties sanctioned have dealings with U.S. persons and other companies throughout the world, we expect today’s action to cause significant business disruptions and compliance challenges for both U.S. and non-U.S. persons.

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If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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