

OFAC Further Expands, Extends, Russia-related General Licenses

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The Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") has recently issued several new or amended Ukraine-/Russia-related General Licenses ("**GLs**") and corresponding guidance related to the ongoing maintenance or wind down of certain activities involving GAZ Group and other blocked persons, and divestment of debt, equity, and other holdings in certain entities. These authorizations provide additional relief for U.S. persons affected by OFAC's April 6, 2018 [sanctions actions](#) targeting several Russian oligarchs and related companies.

On May 22, 2018, OFAC issued new GL [15](#) "Authorizing Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts with GAZ Group." With certain exceptions, GL 15 authorizes 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 GAZ Group or any other entity in which GAZ Group owns, directly or indirectly, a 50 percent or greater interest (collectively, "**GAZ Group and its subsidiaries**") and that were in effect prior to April 6, 2018. GL 15 authorizes the transactions until October 23, 2018. U.S. persons relying on GL 15 must provide a detailed report of authorized transactions to OFAC within 10 business days of October 23, 2018.

OFAC has also issued an amended GL, [GL 12C](#), "Authorizing Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts," to account for the authorization in GL 15 with respect to GAZ Group and its subsidiaries. GL 12C replaces and supersedes GL 12B in its entirety, though does not change its substantive scope.

In addition, OFAC published [six new Frequently Asked Questions](#) ("**FAQs**") related to the new GLs, and made technical revisions to three existing FAQs – specifically, FAQs 576, 578, and 583. Among other things, the FAQs:

- highlight that U.S. persons are not required to block transactions authorized by GL 15 that occur on or after May 22, 2018, except for transactions involving blocked persons other than GAZ Group and its subsidiaries (FAQ 586);
- explain that the path to further sanctions relief for GAZ Group and its subsidiaries is the divestment and relinquishment of control of GAZ Group by any blocked persons, including Oleg Deripaska (FAQ 587);
- clarify that all accounts or other property of GAZ Group and its subsidiaries blocked as of May 22, 2018, remain blocked, except for use in maintenance and wind-down activities described in GL 15 (FAQ 588);
- clarify that activity authorized by or consistent with GL 15 and occurring within the time period authorized by GL 15 would not be considered "significant" for the purposes of a sanctions determination under section 10 of the Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 ("**SSIDES**"), as amended by the Countering America's Adversaries Through Sanctions Act ("**CAATSA**"), or section 5 of the Ukraine Freedom Support Act of 2014 ("**UFSA**"), as amended by CAATSA (FAQ 589);
- confirm that foreign persons may also engage in activities that would be authorized by GL 15 if engaged in by a U.S. person without making associated payments into a blocked account at a U.S. financial institution (FAQ 590); and
- note that GL 15 does not restrict exports to GAZ Group and its subsidiaries provided that the activity is for maintenance or wind down and is consistent with the requirements of other federal agencies (FAQ 590).

On May 25, 2018, OFAC published [two new FAQs](#) to provide further guidance on GLs 12C, 14, and 15. Specifically, the FAQs:

- clarify that GLs 12C, 14, and 15 authorize U.S. persons to receive regularly scheduled payments of principal or interest from a blocked person listed in the respective GL as long as the loan or bond was in existence prior to April 6, 2018, and the payments are in accordance with the terms of the preexisting loan or bond contract (FAQ 592);
- note that GLs 12C, 14, and 15 would also authorize U.S. persons to receive accelerated payments or voluntary prepayments from a blocked person listed in the respective GL as long as the payments are made in accordance with the terms of the preexisting loan or bond contract and are consistent with maintenance or wind down activities (FAQ 592);
- clarify that a foreign entity that is not itself a blocked person pursuant to OFAC's fifty percent rule, can be sanctioned under section 10 of SSIDES, as amended by CAATSA, and section 5 of UFSA, as amended by CAATSA, for paying dividends to a blocked person if OFAC determines that such a transaction is "significant" (FAQ 593); and
- explain that paying such dividends into a blocked account, or in a manner that does not provide direct or indirect economic benefit to the blocked person, such as a payment into an escrow account, will not be considered a "significant" transaction for secondary sanctions purposes (FAQ 593).

On May 31, 2018, OFAC issued amended [GL 13B](#) "Authorizing Certain Transactions Necessary to Divest or Transfer Debt, Equity, or Other Holdings in Certain Blocked Persons." GL 13B replaces and supersedes [GL 13A](#), which was issued on May 1, 2018 and was due to expire June 6, 2018. The amended GL, which authorizes the same conduct as GL 13A, extends this expiration date until August 5, 2018.

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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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