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## International Trade

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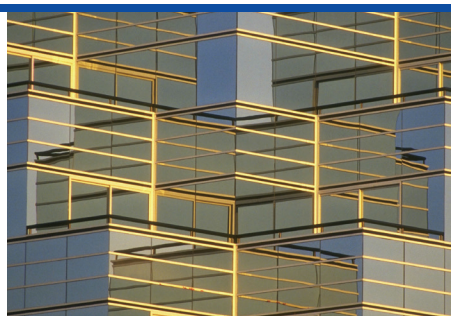

# US Imposes Sectoral Sanctions on Russian Financial and Energy Companies, Expands Ukraine-Related Designations and Adds Further Restrictions on Exports to Russia

On July 16, 2014, the United States issued new sanctions targeting the Russian financial and energy sectors in response to the ongoing unrest in Ukraine. The new sectoral sanctions target four Russian companies by placing them on a new Sectoral Sanctions Identifications List (SSI List)[1] pursuant to Executive Order 13662 (EO 13662), which was signed on March 20, 2014.[2] The United States also added new individuals and entities to the List of Specially Designated Nationals and Blocked Persons (SDN List). Both lists are administered by the US Department of the Treasury's Office of Foreign Assets Control (OFAC). Finally, the United States imposed further export control restrictions on exports to certain Russian entities.

## The New SSI List

The SSI List includes persons (individuals or entities) determined by OFAC to be operating in the financial services and energy sectors of the Russian economy previously identified in EO 13662. EO 13662 targeted sectors of the Russian economy including financial services, energy, metals and mining, engineering, and defense and related materiel.

The SSI List contains two directives that describe prohibitions on dealings with the persons identified. Directive 1 prohibits US persons[3] from transacting in, providing financing for, or otherwise dealing in debt with a maturity of longer than 90 days *or* equity, if that debt or equity is issued on or after July 16, 2014 ("New Debt" or "New Equity"), by, or on behalf of, or for the benefit of persons named under Directive 1, their property, or their interests in property.[4] The entities identified pursuant to Directive 1 are:

- VNESHECONOMBANK (a.k.a. BANK FOR DEVELOPMENT AND FOREIGN ECONOMIC AFFAIRS (VNESHECONOMBANK) STATE CORPORATION; a.k.a. BANK RAZVITIYA I VNESHNEEKONOMICHESKOI DEYATELNOSTI (VNESHEKONOMBANK) GOSUDARSTVENNAYA KORPORATSIYA; a.k.a. "VEB"), 9 Akademika Sakharova prospekt, Moscow 107996, Russia; SWIFT/BIC BFEA RU MM; Website http://www.veb.ru; Email Address info@veb.ru; BIK (RU) 044525060 [UKRAINE-EO13662].

1 The SSI List is available here.

2 A discussion of Executive Order 13662 is available here.

3 A US Person is defined to include any United States citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

4 For purposes of these new restrictions, the term "debt" includes bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers acceptances, discount notes or bills, or commercial paper. "Equity" includes stocks, share issuances, depositary receipts, or any other evidence of title or ownership.

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- GAZPROMBANK OAO (a.k.a. GAZPROMBANK GAS INDUSTRY OJSC; a.k.a. GAZPROMBANK OJSC; a.k.a. GAZPROMBANK OPEN JOINT STOCK COMPANY; a.k.a. GAZPROMBANK OTKRYTOE AKTSIONERNOE OBSHCHESTVO; a.k.a. GPB, OAO; a.k.a. GPB, OJSC), 16, Building 1, Nametkina St., Moscow 117420, Russia; 63, Novocheremushkinskaya St., Moscow 117418, Russia; SWIFT/BIC GAZPRUMM; Website www.gazprombank.ru; Email Address mailbox@gazprombank.ru; Registration ID 1027700167110; Tax ID No. 7744001497; Government Gazette Number 09807684 [UKRAINE-EO13662].

Directive 2 separately prohibits transacting in, providing financing for, or otherwise dealing in New Debt of greater than 90 days maturity by, on behalf of, or for the benefit of persons named under Directive 2, their property, or their interests in property. Unlike Directive 1, this prohibition does not include New Equity. The entities designated pursuant to Directive 2 are:

- OAO NOVATEK (a.k.a. FINANSOVO-INVESTITSIONNAYA KOMPANIYA NOVAFININVEST OAO; a.k.a. NOVATEK), 2, Udaltsova Street, Moscow 119415, Russia; 22 A, Pobedy Street, Tarko-Sale, Yamalo-Nenets Autonomous District 629580, Russia; 22a Pobedy ul., Tarko-Sale, Purovski raion, Tyumenskaya Oblast 629850, Russia; Email Address novatek@novatek.ru; Registration ID 1026303117642 (Russia); Government Gazette Number 33556474 (Russia) [UKRAINE-EO13662].

- OPEN JOINT-STOCK COMPANY ROSNEFT OIL COMPANY (a.k.a. OAO ROSNEFT OIL COMPANY; a.k.a. OIL COMPANY ROSNEFT; a.k.a. OJSC ROSNEFT OIL COMPANY; a.k.a. ROSNEFT; a.k.a. ROSNEFT OIL COMPANY), 26/1 Sofiyskaya Embankment, Moscow 115035, Russia; Website www.rosneft.com; alt. Website www.rosneft.ru; Email Address postman@rosneft.ru; Registration ID 1027700043502 (Russia); Tax ID No. 7706107510 (Russia); Government Gazette Number 00044428 (Russia) [UKRAINE-EO13662].

The prohibitions under both directives likewise apply to entities in which the above-listed companies have a 50 percent or greater ownership interest and include all financing in support of and any dealing in—including provision of services in support of—the prohibited New Debt or New Equity. In effect, these prohibitions close the US credit and equity markets to the companies on the SSI List and certain of their subsidiaries.

Simultaneously, OFAC has issued a new general license (General License 1) to authorize certain transactions with persons identified on the SSI List. Specifically, General License 1 authorizes all transactions by US persons, wherever located, and transactions within the United States involving derivative products whose value is linked to an underlying asset that constitutes New Debt or New Equity.[5]

All other transactions with persons on the SSI List or involving any property in which one or more of these persons has an interest *are permitted*, provided such transactions do not otherwise involve property or interests in property of a person blocked under the Ukraine or any other OFAC-administered sanctions program. OFAC has stated that "US financial institutions may continue to maintain correspondent accounts and process US dollar-clearing transactions for the persons identified in the directives," provided that those activities do not involve transacting in, providing financing for, or otherwise dealing in the transactions prohibited under the SSI List.

Importantly, persons identified on the SSI List are *not blocked* persons unless they separately appear on the SDN List. Gazprombank, Rosneft, Vnesheconombank, and Novatek do not separately appear on the SDN List. This means that, at present, prohibited dealings with these entities are limited to those concerning New Debt or New Equity, and the property and interests in property of these companies are not deemed blocked for US sanctions purposes.

## New Additions to the SDN List

The United States also announced additional designations pursuant to Executive Orders 13660 and 13661.[6] OFAC has provided the following listing of individuals and entities:

- BESEDA, Sergey (a.k.a. BESEDA, Sergei; a.k.a. BESEDA, Sergei Orestovoch); DOB 1954; Commander of the Fifth Service of the FSB; Commander of the Service for Operational Information and International Communications of the FSB; FSB Colonel General; Colonel-General (individual) [UKRAINE2].

- BORODAI, Aleksandr (a.k.a. BORODAI, Alexander); DOB 25 Jul 1972; nationality Russia (individual) [UKRAINE].

- NEVEROV, Sergei Ivanovich (a.k.a. NEVEROV, Sergei; a.k.a. NEVEROV, Sergey); DOB 21 Dec 1961; POB Tashtagol, Russia; Deputy Chairman of the State Duma of the Russian Federation; Member of the State Duma Committee on Housing Policy and Housing and Communal Services (individual) [UKRAINE2].

- SAVELYEV, Oleg Genrikhovich; DOB 27 Oct 1965; POB St. Petersburg, Russia; Minister for Crimean Affairs (individual) [UKRAINE2].

- SHCHEGOLEV, Igor (a.k.a. SHCHYOGOLEV, Igor Olegovich); DOB 10 Nov 1965; POB Vinnitsa, Ukraine; alt. POB Vinnytsia, Ukraine; Aide to the President of the Russian Federation (individual) [UKRAINE2].

5 A copy of General License 1 is available here.

6 A discussion of Executive Order 13660 is available here and a discussion of Executive Order 13661 is available here.

- DONETSK PEOPLE'S REPUBLIC, Donetsk Region, Ukraine [UKRAINE].
- FEDERAL STATE UNITARY ENTERPRISE STATE RESEARCH AND PRODUCTION ENTERPRISE BAZALT (a.k.a. FEDERAL STATE UNITARY ENTERPRISE, STATE RESEARCH AND PRODUCTION ENTERPRISE BAZALT; a.k.a. FSUE SRPE BAZALT; a.k.a. STATE RESEARCH AND PRODUCTION ENTERPRISE BAZALT), 32 Velyaminovskaya, Moscow 105318, Russia; Website www.bazalt.ru; Email Address moscow@bazalt.ru [UKRAINE2].
- FEODOSIYA ENTERPRISE (a.k.a. FEODOSIA OIL PRODUCTS SUPPLY CO.; a.k.a. FEODOSIYA ENTERPRISE ON PROVIDING OIL PRODUCTS; a.k.a. FEODOSIYSKE COMPANY FOR THE OIL; a.k.a. THEODOSIYA OIL TERMINAL), Feodosiya, Geologicheskaya str. 2, Crimea 98107, Ukraine; Feodosia, Str. Geological 2, Crimea 98107, Ukraine [UKRAINE].
- JOINT STOCK COMPANY CONCERN RADIO-ELECTRONIC TECHNOLOGIES (a.k.a. CONCERN RADIO-ELECTRONIC TECHNOLOGIES; a.k.a. "KRET"), 20/1 Korp. 1 ul. Goncharnaya, Moscow 109240, Russia; Website http://www.kret.com; Registration ID 1097746084666 [UKRAINE2].
- JOINT STOCK COMPANY CONCERN SOZVEZDIE (a.k.a. JSC CONCERN SOZVEZDIE), 14 Plekhanovskaya Street, Voronezh, Russia; 14 ul. Plekhanovskaya, Voronezh, Voronezhskaya obl. 394018, Russia; Registration ID 1053600445337 [UKRAINE2].
- JOINT STOCK COMPANY MILITARY-INDUSTRIAL CORPORATION NPO MASHINOSTROYENIA (a.k.a. JOINT STOCK COMPANY MILITARY INDUSTRIAL CONSORTIUM NPO MASHINOSTROYENIA; a.k.a. JSC MIC NPO MASHINOSTROYENIA; a.k.a. MIC NPO MASHINOSTROYENIA JSC; a.k.a. MIC NPO MASHINOSTROYENIYA JSC; a.k.a. MILITARY INDUSTRIAL CORPORATION NPO MASHINOSTROENIA OAO; a.k.a. OPEN JOINT STOCK COMPANY MILITARY INDUSTRIAL CORPORATION SCIENTIFIC AND PRODUCTION MACHINE BUILDING ASSOCIATION; a.k.a. VOENNO-PROMYSHLENNAYA KORPORATSIYA NAUCHNO-PROIZVODSTVENNOE OBEDINENIE MASHINOSTROENIYA OAO; a.k.a. VPK NPO MASHINOSTROENIYA), 33, Gagarina St., Reutov-town, Moscow Region 143966, Russia; 33 Gagarin Street, Reutov, Moscow Region 143966, Russia; 33 Gagarina ul., Reutov, Moskovskaya obl 143966, Russia; Website www.npomash.ru; Email Address export@npomash.ru; alt. Email Address vpk@npomash.ru; Registration ID 1075012001492 (Russia); Tax ID No. 5012039795 (Russia); Government Gazette Number 07501739 (Russia) [UKRAINE2].
- JOINT-STOCK COMPANY CONCERN ALMAZ-ANTEY (a.k.a. ALMAZ-ANTEY CORP; a.k.a. ALMAZ-ANTEY DEFENSE CORPORATION; a.k.a. ALMAZ-ANTEY JSC; f.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO KONTSERN PVO ALMAZ ANTEI), 41 ul.Vereiskaya, Moscow 121471, Russia; Website almaz-antey.ru; Email Address antey@almaz-antey.ru [UKRAINE2].
- KALASHNIKOV CONCERN (a.k.a. CONCERN KALASHNIKOV; a.k.a. IZHEVSKIY MASHINOSTROITEL'NYI ZAVOD OAO; f.k.a. IZHMASH R&D CENTER; f.k.a. JSC NPO IZHMASH; f.k.a. NPO IZHMASH OAO; a.k.a. OJSC CONCERN KALASHNIKOV; f.k.a. OJSC IZHMASH; f.k.a. SCIENTIFIC PRODUCTION ASSOCIATION IZHMASH JOINT STOCK COMPANY), 3, Derjabin Pr., Izhevsk, Udmurt Republic 426006, Russia; Registration ID 1111832003018 [UKRAINE2].
- KONSTRUKTORSKOE BYURO PRIBOROSTROENIYA OTKRYTOE AKTSIONERNOE OBSHCHESTVO (a.k.a. INSTRUMENT DESIGN BUREAU; a.k.a. JSC KBP INSTRUMENT DESIGN BUREAU; a.k.a. KBP INSTRUMENT DESIGN BUREAU; a.k.a. KBP INSTRUMENT DESIGN BUREAU JOINT STOCK COMPANY; a.k.a. "KBP OAO"), 59 Shcheglovskaya Zaseka ul., Tula 300001, Russia; Website www.kbptula.ru; Email Address kbkedr@tula.net; Registration ID 1117154036911 (Russia); Government Gazette Number 07515747 (Russia) [UKRAINE2].
- LUHANSK PEOPLE'S REPUBLIC (a.k.a. LUGANSK PEOPLE'S REPUBLIC; a.k.a. PEOPLE'S REPUBLIC OF LUHANSK), Luhansk Region, Ukraine [UKRAINE].
- URALVAGONZAVOD (a.k.a. NAUCHNO-PROIZVODSTVENNAYA KORPORATSIYA URALVAGONZAVOD OAO; a.k.a. NPK URALVAGONZAVOD; a.k.a. NPK URALVAGONZAVOD OAO; a.k.a. OJSC RESEARCH AND PRODUCTION CORPORATION URALVAGONZAVOD; a.k.a. RESEARCH AND PRODUCTION CORPORATION URALVAGONZAVOD; a.k.a. RESEARCH AND PRODUCTION CORPORATION URALVAGONZAVOD OAO; a.k.a. URALVAGONZAVOD CORPORATION; a.k.a. "UVZ"), 28, Vostochnoye shosse, Nizhni Tagil, Sverdlovsk region 622007, Russia; 28 Vostochnoe shosse, Nizhni Tagil, Sverdlovskaya oblast 622007, Russia; 40, Bolshaya Yakimanka Street, Moscow 119049, Russia; Vistochnoye Shosse, 28, Nizhny Tagil 622007, Russia; Website http://www.uvz.ru/; alt. Website http://uralvagonzavod.com/; Email Address web@uvz.ru [UKRAINE2].

All property and interests in property of these individuals and entities located in the United States or within the possession or control of a US person, wherever located, are considered blocked and may not be dealt in. Any entity in which a blocked party holds a 50 percent or greater ownership interest is itself considered blocked by operation of law. US persons may not engage in any dealings, directly or indirectly, with blocked parties. Provision of goods, services or support for blocked parties is identified as criterion for potential future designation.

## Further Export Restrictions

In addition to the sanctions measures described above, the US Department of Commerce Bureau of Industry and Security (BIS) added the following 11 entities to the Entity List:

- Donetsk People's Republic;
- Feodosia Enterprise;
- JSC Concern Radio-Electronic Technologies;
- JSC Concern Sozvezdie;
- JSCC Almaz-Antey;
- Kalashnikov Concern;
- KBP Instrument Design Bureau;
- Luhansk People's Republic;
- MIC NOP Mashinostroyenia;
- Research and Production Corporation "UralVagonZavod"; and
- State Research and Production Enterprise "Bazalt."

Designation on the Entity List imposes a license requirement for the export, re-export or foreign transfer of items subject to the Export Administration Regulations to the designated Entities, with a presumption of denial. This includes most US-origin products, as well as some non-US made items that incorporate greater than *de minimis* US-origin content and items that are the direct product of certain US-origin technology. This action supplements the earlier BIS announcements placing an indefinite hold on all pending export license applications for exports or re-exports to Russia, effective March 1, 2014, denying any pending applications to export or re-export any high technology item subject to the Export Administration Regulations (EAR) to Russia or Crimea that contribute to Russia's military capabilities, and revoking existing licenses that meet these conditions.

This policy affects not only US businesses engaged in exports to Russia, but also non-US companies engaged in exports to Russia from third countries of products that are of US-origin and that require BIS licenses. This can include products with US-origin content or made as the direct product of US-origin technology.

More information about EO 13662 can be found here. This EO was preceded by two other Executive Orders, 13660 and 13661, as well as a bill signed into law by the President on April 3, 2014 (more information found here) . As noted above, the Ukraine-related sanctions measures also have been supplemented by export licensing restrictions. More information about the previous export restrictions can be found here and here.

Companies doing business in Russia and Ukraine should monitor closely any measures imposed by the United States to ensure compliance. Penalties for noncompliance are severe. We will continue to track and report on any additional sanctions developments.

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