

Alert | **Export Controls & Economic Sanctions**



April 2018

OFAC Announces New Sanctions Against Russian Companies, Oligarchs, and Government Officials

On April 6, 2018, the U.S. government announced new sanctions against Russia. Specifically, the Department of Treasury's Office of Foreign Assets Control (OFAC) designated 36 Russian individuals and entities under authority granted by Executive Orders 13661 and 13662, and codified last year in the Countering America's Adversaries Through Sanctions Act (CAATSA). The newest sanctions are a continuation of sanctions against Russian business elite, and specifically, President Putin's inner circle.

As discussed below, these new sanctions go further than existing U.S. sanctions against Russia by not only prohibiting U.S. persons from dealing with sanctioned entities, but extending sanctions to non-U.S. persons in certain circumstances.

Newly-Sanctioned Individuals and Entities

The new sanctions target 17 Russian government officials and seven Russian oligarchs with strong ties to the Russian government, and were imposed in response to a range of "malign activity," including Russia's annexation of Crimea, recent cyberattacks and election meddling, and support of the Assad regime in Syria. The [OFAC press release](#) announcing the sanctions also noted specific conduct by the sanctioned individuals, including money laundering, bribery, ordering of assassinations, and participation in Russian organized crime groups. Businesses owned by the sanctioned Russian oligarchs are also sanctioned, including the 12 entities listed by OFAC on April 6th along with any other entity that is 50 percent or more owned by sanctioned individuals. Some notable sanctioned companies include EN+ Group, a leading aluminum producer, and Gazprom Burenie, a Russian oil and gas exploration company.

Continued Expansion of Russia Sanctions

These newest sanctions are a continuation of increasing sanctions measures that have been imposed against Russia since the passage of CAATSA in August 2017. While many of the recent Russia sanctions have consisted of sectoral sanctions imposed on specific industries, the most recent sanctions go further. OFAC's designations mean that U.S. property of designated individuals and entities are blocked, and that U.S. persons are prohibited from dealing with such individuals and entities. OFAC also cautioned that the list of "12 companies owned or controlled by the sanctioned oligarchs should not be viewed as exhaustive," as U.S. persons are prohibited from dealing with any company where 50 percent or more ownership interest is held by Specially Designated Nationals (whether individually or in the aggregate).

Along with the new measures, OFAC also issued two general licenses. **General License 12** authorizes certain activities incident to the winding down of operations or contracts with entities owned by the newly-sanctioned individuals and is valid only until June 5, 2018. **General License 13** authorizes activities related to the divestment of interests in three sanctioned entities, EN+ Group, GAZ Group, and United Company RUSAL PLC, and is valid only until May 7, 2018.

Notably, even non-U.S. persons may be subject to sanctions if they are found to have facilitated "significant transactions" for sanctioned individuals and entities. OFAC has not yet promulgated regulations that define the term "significant transaction," but has issued guidance to regulated parties which indicates that its determination of whether a transaction is "significant" will be based on a fact-specific inquiry into a number of factors, such as the nature of the transaction(s), awareness of management, and, notably, any other factors that it "deems relevant on a case-by-case basis." As a general rule, activities that do not require a specific license from OFAC (*i.e.*, those authorized by General Licenses) will not be considered "significant transactions."

Compliance with the New Sanctions

The new sanctions make it critical for U.S. entities with international operations to conduct proper diligence prior to engaging in any business transactions involving Russian entities, especially those in the oil and gas sector. Due to the operation of the 50 percent rule (and especially given the scope of the assets held by the sanctioned oligarchs) businesses must inquire as to the true owners of entities they are considering doing business with. Businesses should also consider taking steps so that shareholders and investment vehicles are aware of compliance obligations, and that interests held by sanctioned entities are properly divested and/or blocked.

In addition, non-U.S. persons should understand and comply with OFAC rules prohibiting the facilitation of "significant transactions" with sanctioned individuals and entities. As noted above, there remains some uncertainty regarding the exact meaning of "significant transaction" and OFAC has indicated it will consider a wide variety of factors when making such a determination. Accordingly, it is important for even non-U.S. persons to consult with counsel to proceed carefully and conduct appropriate diligence when doing business with Russian entities.

Read about this and archived [Export Controls & Economic Sanctions Alerts](#) on [gtlaw.com](#).

About Greenberg Traurig's Export Controls & Economic Sanctions Team

Based in Washington, D.C. and Europe our **Export Controls & Economic Sanctions** team advises and represents clients on the full range of international goods, software and technology transfer issues. We have broad experience providing export controls and related regulatory counsel to both U.S. and foreign businesses. Our industry-specific experience includes assisting companies in a wide range of industries such as aerospace, defense, firearms and ammunition, electronics, software and information technology, financial services, energy, food, consumer products, biotechnology, medical device and engineering services.

Authors

This GT Alert was prepared by **Renée A. Latour[†]**, **Cyril T. Brennan**, and **Sonali Dohale**. Questions about this information can be directed to:

- **Renée A. Latour[†]** | +1 202.533.2358 | latourr@gtlaw.com
- **Cyril T. Brennan** | +1 202.533.2342 | brennanct@gtlaw.com
- **Sonali Dohale** | +1 202.533.2381 | dohales@gtlaw.com
- **Kara M. Bombach** | +1 202.533.2334 | bombachk@gtlaw.com
- **Sandra D. Gonzalez** | +1 512.320.7234 | gonzalezsd@gtlaw.com
- **Michael X. Marinelli[‡]** | +1 512.320.7236 | marinellimx@gtlaw.com
- **Daniel E. Parga** | +1 202.533.2355 | pargad@gtlaw.com
- Or your **Greenberg Traurig** attorney

[†]Admitted in Virginia. Practice in the District of Columbia limited to matters and proceedings before Federal courts and Agencies.

[‡]Admitted in the District of Columbia. Not admitted in Texas.

Albany. Amsterdam. Atlanta. Austin. Boca Raton. Boston. Chicago. Dallas. Delaware. Denver. Fort Lauderdale. Germany. [~]Houston. Las Vegas. London. ^{*}Los Angeles. Mexico City. ⁺Miami. New Jersey. New York. Northern Virginia. Orange County. Orlando. Philadelphia. Phoenix. Sacramento. San Francisco. Seoul. [∞]Shanghai. Silicon Valley. Tallahassee. Tampa. Tel Aviv. [^]Tokyo. [•]Warsaw. ⁻Washington, D.C.. West Palm Beach. Westchester County.

This Greenberg Traurig Alert is issued for informational purposes only and is not intended to be construed or used as general legal advice nor as a solicitation of any type. Please contact the author(s) or your Greenberg Traurig contact if you have questions regarding the currency of this information. The hiring of a lawyer is an important decision. Before you decide, ask for written information about the lawyer's legal qualifications and experience. Greenberg Traurig is a service mark and trade name of Greenberg Traurig, LLP and Greenberg Traurig, P.A. [~]Greenberg Traurig's Berlin office is operated by Greenberg Traurig Germany, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ^{}Operates as a separate UK registered legal entity. ⁺Greenberg Traurig's Mexico City office is operated by Greenberg Traurig, S.C., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. [∞]Operates as Greenberg Traurig LLP Foreign Legal Consultant Office. [^]Greenberg Traurig's Tel Aviv office is a branch of Greenberg Traurig, P.A., Florida, USA. [•]Greenberg Traurig Tokyo Law Offices are operated by GT Tokyo Horitsu Jimusho, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. ⁻Greenberg Traurig's Warsaw office is operated by Greenberg Traurig Grzesiak sp.k., an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP. Certain partners in Greenberg Traurig Grzesiak sp.k. are also shareholders in Greenberg Traurig, P.A. Images in this advertisement do not depict Greenberg Traurig attorneys, clients, staff or facilities. No aspect of this advertisement has been approved by the Supreme Court of New Jersey. ©2018 Greenberg Traurig, LLP. All rights reserved.*