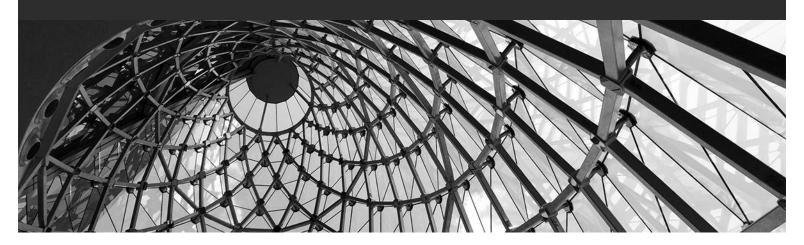


Alert | Export Controls & Economic Sanctions



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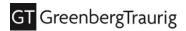
OFAC Announces New Sanctions Against Russian Companies, Oligarchs, and Government Officials

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.

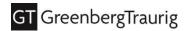
Notably, even non-U.S. persons may be subject to sanctions if they are found to have facilitated "significant transactions" for sanctioned individuals and entities. OFAC has not yet promulgated regulations that define the term "significant transaction," but has issued guidance to regulated parties which 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.

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