

CLIENT MEMORANDUM

U.S. and Europe Impose New Sanctions Against Russia

April 29, 2014

AUTHORS

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On April 28, 2014, the White House announced new sanctions against Russia. This is the fourth round in a series of escalating sanctions imposed following the annexation of Crimea by Russia in March. In this latest action, the U.S. Treasury Department has added seven Russian government officials and 17 companies to the U.S. List of Specially Designated Nationals and Blocked Persons (the “SDN List”). According to the White House, this latest round of sanctions was imposed in response to Russia’s continued illegal intervention in Ukraine and Russia’s failure to meet the commitments it made in Geneva on April 17th to de-escalate the situation in eastern Ukraine. The White House asserts that Russian actions have in fact further escalated the crisis in Ukraine.

The listed individuals include Igor Sechin, president of the state-owned oil company Rosneft, and Sergei Chemezov, the head of the state-owned energy giant Gazprom. However, neither Rosneft nor Gazprom has been sanctioned.¹ The sanctioned entities include a number of companies that are controlled by Boris and Arkady Rotenberg and Gennady Timchenko, such as Investcapitalbank, JSB Sobinbank, SMP Bank, the Stroytransgaz Group, and the Volga Group. All of the individuals are subject to asset freezes and visa bans. The companies are subject to asset freezes.

¹ A complete list of sanctioned entities and individuals is found in the Office of Foreign Assets Control’s (“OFAC”) Notice of Ukraine-Related Designations, dated April 28, 2014. A link to the Notice is provided below.

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In addition to the asset freezes and visa bans, the United States is restricting licenses for certain U.S. exports to 13 of the 17 listed companies. The Department of Commerce has imposed a license requirement, with a presumption of denial, for the export, re-export, or other foreign transfer of U.S.-origin items to these companies by placing them on the U.S. Entities List. The additions to the Entities List are:

Stroytransgaz Holding, located in Cyprus;
Volga Group, located in Luxembourg and Russia; and
Aquanika,
Avia Group LLC,
Avia Group Nord LLC,
CJSC Zest,
Sakhatrans LLC,
Stroygazmontazh,
Stroytransgaz Group,
Stroytransgaz LLC,
Stroytransgaz-M LLC,
Stroytransgaz OJSC, and
Transoil, all located in Russia.

Further, the Departments of Commerce and State each announced today a tightened policy to deny export license applications for any high-technology items that could contribute to Russia's military capabilities. Effective immediately, both agencies will deny pending applications for licenses to export or re-export any such high-technology item subject to U.S. export licensing requirements to Russia or occupied Crimea. In addition, each Department is taking action to revoke any existing export licenses that meet these conditions. All other pending applications and existing licenses will receive a case-by-case evaluation to determine their potential contribution to Russia's military capabilities. However, no pending export licenses have been approved by either the Department of Commerce or Department of State since March 1, 2014.

On April 29, 2014, the EU added 15 additional persons to its targeted sanctions list, aimed at persons "responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence" of Ukraine. The EU sanctions impose a travel ban and freeze the assets within the EU belonging to those individuals named in the list. The individuals include Russian individuals, such as the Deputy Prime Minister Dimitry Kozakh, as well as members of the pro-Russian separatist movements inside Ukraine. No companies have been directly targeted in the latest round of EU sanctions. A complete list of sanctioned persons can be found in Council Implementing Regulation (EU) No. 433/2014, dated April 28, 2014, and published April 29, 2014, in the Official Journal of the European Union. A link to the Implementing Regulation

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is provided below. The UK Treasury is expected to update its consolidated list of targets to include the latest updates within the next day.²

Companies that are subject to U.S. or EU sanctions and doing business in or with Russia or Russian entities should develop a clear understanding of whom they are dealing with and whether that entity or individual is subject to sanctions. U.S. sanctions apply not only to the listed individuals and entities, they also extend to companies in which the designated person has an ownership interest of 50 percent or more. The EU sanctions extend not only to the named persons, but also to those entities that are owned or controlled by the named persons. Therefore, not only will companies need to make sure they have adequate screening procedures in place that utilize the most current information, but they will also need to conduct sufficient due diligence on their customers/vendors to know whether these companies are owned or controlled by a sanctioned entity.

Related Links

OFAC Notice of Ukraine-Related Designations

Office of Foreign Assets Control, Specially Designated Nationals List Update, Ukraine-Related Designations (Apr. 28, 2014), <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20140428.aspx>

Relevant U.S. Press Releases

Press Release, U.S. White House, Statement by the Press Secretary on Ukraine (Apr. 28, 2014), <http://www.whitehouse.gov/the-press-office/2014/04/28/statement-press-secretary-ukraine>

Press Release, U.S. Department of Commerce, Commerce Department Announces Expansion of Export Restrictions on Russia (Apr. 28, 2014), <http://www.bis.doc.gov/index.php/component/content/article/9-bis/carousel/666-commerce-department-announces-expansion-of-export-restrictions-on-russia>

Press Release, U.S. Department of State, United States Expands Export Restrictions on Russia (Apr. 28, 2014), <http://www.state.gov/r/pa/prs/ps/2014/04/225241.htm>

EU Council Implementing Regulation

Council of the European Union, Council Implementing Regulation (EU) No. 433/2014 (Apr. 28, 2014), http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL_2014_126_R_0002

² Note that sanctions linked to the Ukraine crisis are listed under two separate European directives: Ukraine (Misappropriation and Human Rights) and Ukraine (Sovereignty and Territorial Integrity): <https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>.

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If you have any questions or need any assistance in determining whether your company may be affected by U.S./EU sanctions against Russia, please contact Martin J. Weinstein, (202-303-1122, mweinstein@willkie.com), Robert J. Meyer (202-303-1123, rmeyer@willkie.com), Jeffrey D. Clark (202-303-1139, jdclark@willkie.com), Peter Burrell (+44 20 3580 4702, pburrell@willkie.com); Russell L. Smith (202-303-1116, rsmith@willkie.com), Miriam A. Bishop (202-303-1126, mbishop@willkie.com) or the Willkie attorney with whom you regularly work.

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