



U.S. Sanctions Imposed on Russian Individuals, Associated Entities, and Government Officials

IN SHORT

The Situation: The Trump Administration has imposed sanctions against a number of high-profile Russian individuals and entities by adding them to the Specially Designated Nationals and Blocked Persons ("SDN") List.

The Result: U.S. persons generally are prohibited from engaging in transactions with the designated individuals and entities, and non-U.S. persons could face sanctions for engaging in certain transactions with the designated individuals and entities. Even if an entity has not itself been added to the SDN List, its ownership or control by a blocked person could cause it to be subject to the same restrictions as an entity that has been added to the SDN List.

Looking Ahead: U.S. persons and non-U.S. persons should continue to undertake reasonable compliance due diligence when engaging in transactions involving Russia, including determining ownership and control of the entities with which they do business.

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On April 6, 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), in consultation with the U.S. Department of State, [designated](#) as Specially Designated Nationals and Blocked Persons ("SDNs") seven high-profile Russian individuals, a dozen companies owned or controlled by those individuals, 17 senior Russian governmental officials, a Russian weapons trading company with ongoing ties to the Syrian government, and a Russian bank controlled by that company. In announcing the sanctions, Treasury Secretary Steven Mnuchin stated, "The Russian government operates for the disproportionate benefit of oligarchs and government elites. The Russian government engages in a range of malign activity around the globe.... Russian oligarchs and elites who profit from this corrupt system will no longer be insulated from the consequences of their government's destabilizing activities."

Additions to the SDN List

As a result of the designations, U.S. persons are generally prohibited from participating in transactions with the designated persons, and the property and interests in property of the designated persons that are in the United States, that come within the United States, or that are or come within the possession or control of any U.S. person (including any non-U.S. branch) are blocked. Moreover, under OFAC's 50 Percent Rule, any entity that is owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is also blocked, regardless of whether it is expressly named as a designated person. As a result, any entity owned 50 percent or more by the above designated persons also is considered blocked. In addition, pursuant to the Countering America's Adversaries Through Sanctions Act ("CAATSA"), non-U.S. persons who knowingly facilitate significant transactions for or on behalf of the designated persons risk additional sanctions.

Guidance Regarding the New Sanctions

OFAC issued a number of [Frequently Asked Questions](#) ("FAQs") in relation to the April 6, 2018, designations. Among other guidance, FAQ 568 provides that U.S. persons who are employed by or sit on the board of such an entity are, absent authorization from OFAC, now prohibited from continuing such employment or board service.



As a result of the designations, which were made in consultation with the U.S. Department of State, U.S. persons are generally prohibited from participating in transactions with the designated persons.



General Licenses Issued

Along with the designations, OFAC issued two general licenses. First, General License No. 12 authorizes certain actions relating to the maintenance or wind-down of operations, contracts, or other agreements involving a set of the newly designated entities that were in effect prior to the April 6, 2018, designations. This license establishes a grace period through June 5, 2018, for specified activities. It also authorizes payments to or for the direct or indirect benefit of a blocked person that is ordinarily incident and necessary to give effect to a transaction authorized under the general license, but these payments must be made into a blocked, interest-bearing account located in the United States. U.S. companies that have outstanding orders from those newly designated entities may import those goods in accordance with the requirements of General License No. 12. See FAQ 569.

Second, General License No. 13 authorizes transactions and activities related to divesting or transferring debt, equity, or other holdings in certain entities included in the new designations through May 7, 2018. The general license only authorizes such divestments and transfers to non-U.S. persons. General License No. 13 does not authorize U.S. persons to: sell debt, equity, or other holdings to; purchase or invest in debt, equity, or other holdings in; or facilitate such transactions with, directly or indirectly, any person whose property is blocked pursuant to the Ukraine Related Sanctions Regulations.

General License Nos. 12 and 13 include a reporting requirement. U.S. persons who participate in transactions authorized under these general licenses must file a report with OFAC describing the transaction within 10 business days of the expiration of the licenses.

Transactions by Non-U.S. Persons

Under the relevant executive orders and CAATSA, non-U.S. persons can be designated if they provide material assistance or support, or facilitate a significant transaction with, one of the persons designated on April 6, 2018. This would impose the same restrictions on non-U.S. persons that engage in such transactions as are imposed on the designated persons.

We will continue to monitor and report on significant developments regarding sanctions relating to Russia and Ukraine.

THREE KEY TAKEAWAYS

1. The United States continues to target Russian persons and entities.
2. In connection with these most recent designations, OFAC has issued general licenses authorizing certain activities relating to the maintenance or wind-down of operations or agreements with specified designated persons.
3. Non-U.S. persons are also subject to possible U.S. sanctions if they engage in certain transactions with designated persons.

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