

Sanctions 18 Apr, 2018

## Russia: Increased sanctions - Update

On 6<sup>th</sup> April OFAC and the State Department added 7 Russian oligarchs to the list of SDNs together with 12 companies which they control, and 17 senior Russian officials.

While US persons are prohibited from engaging in any transactions with these designated entities or individuals there are also potential repercussions in that foreign individuals could be subject to US sanctions if they facilitate *significant transactions* for or on behalf of the designated entities or individuals.

The recently designated companies include:

AGROHOLDING KUBAN  
BASIC ELEMENT LIMITED  
B-FINANCE LTD.  
EN+ GROUP  
GAZ GROUP  
GAZPROM BURENIE, OOO  
JSC EUROSIBENERGO  
LADODA MENEDZHMENT, OOO  
NPV ENGINEERING OPEN JOINT STOCK COMPANY  
PLC RENOVA GROUP  
RUSSIAN MACHINES  
UNITED COMPANY RUSAL PLC

US Banks cannot process any payments to or from the above entities, or the newly listed individuals.

The Club's US attorneys Freehill Hogan & Mahar advise the impact on foreign nationals as follows:

*While the U.S. SDN List typically does not have extraterritorial effect, in this instance foreign persons are potentially exposed to U.S. sanctions because of the amendment of Section 10 of SSIDES by Section 228 of CAATSA. Under amended Section 10, it is now mandatory that sanctions be imposed on any foreign person who is determined to have knowingly facilitated a significant transaction for or on behalf of any person subject to U.S. sanctions against Russia, which would include all of those individuals and entities designated on April 6th. OFAC FAQs advise that, as used in Section 10, "persons subject to sanctions imposed by the United States with respect to the Russian Federation", includes persons listed on either the SDN List or the Sectoral Sanctions Identification List. Section 10 also extends to any child, spouse, parent or sibling of any designated individual. Obviously, of critical importance is what is meant by "facilitates" and "significant transaction."*

Further details, and definitions of *facilitation* and *significant transaction* can be found at the Freehill, Hogan & Mahar Client Alert [here](#).

In so far as the Sectoral Sanctions Identification List (SSI) list is concerned (that is, the list under which US persons are restricted with respect to the terms under which they can extend new debt or credit) it appears that any dealings with an entity on the SSI List would only be determined to be "significant" if the transaction involved a deceptive practice.

Therefore, if Members transport cargoes for entities listed on the SSI list, it would seem that such transportation transactions may only be deemed *significant* if they involved deceptive practices. Additional News Items on these aspects, and the wider implications of the recent sanctions will follow.

Freehill Hogan & Mahar conclude by warning that

*Non-U.S. persons may be engaged in sanctionable activity under the U.S. sanctions against Russia if they engage in or facilitate a significant transaction with any individuals or entities who have been designated to the SDN list under the U.S. sanctions against the Russian Federation.*

We will be reporting further on this matter but in the meantime any Member with specific questions concerning these measures and any other sanctions matters should contact the Managers.