

Locke Lord QuickStudy: Issuance of Russia-Related General License 13F and Russia-Related FAQ Regarding Holdings in the U.S.A.

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On August 8, 2023, the Department of the Treasury's Office of Foreign Assets Control (OFAC) issued [General License 13F](#) Authorizing Certain Administrative Transactions Prohibited by Directive 4 under Executive Order 14024 ("GL-13F").

General License 13F

GL-13F permits U.S. persons, or entities owned or controlled, directly or indirectly, by a U.S. person, to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications, to the extent such transactions would otherwise be prohibited by Directive 4 under Executive Order 14024.

Directive 4, as amended on October 31, 2017, imposes two prohibitions on the provision, exportation, or reexportation of goods, services (except for financial services), or technology for certain activities involving persons subject to Directive 4, their property, or their interests in property, operating in the energy sector of the Russian Federation.

1. Directive 4 prohibits the direct or indirect provision, exportation, or reexportation of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve any person determined to be subject to Directive 4 or such person's property or interests in property.
2. Pursuant to section 223(d) of Title II of Countering America's Adversaries Through Sanctions Act-Related Sanctions ("CAATSA"), Directive 4 further prohibits the direct or indirect provision, exportation, or reexportation of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that meet all three of the following criteria: (1) the project was initiated on or after January 29, 2018; (2) the project has the potential to produce oil in any location; and (3) any person determined to be subject to Directive 4 or any earlier version thereof, including their property or interests in property, either has a 33 percent or greater ownership interest in the project or owns a majority of the voting interests in the project.

The prohibitions on the exportation of services include, for example, drilling services, geophysical services, geological services, logistical services, management services, modeling capabilities, and mapping technologies. The prohibitions do not apply to the provision of financial services, e.g., clearing transactions or providing insurance related to such activities.

When Directive 4 was implemented on September 12, 2014, OFAC contemporaneously issued General License 2, which authorized for 14 days all services and activities prohibited by Directive 4 that are ordinarily incident and necessary to the wind down of operations, contracts, or other agreements involving persons determined to be subject to Directive 4. In order to qualify under this General License, a transaction must have (1) occurred prior to 12:01 a.m. eastern daylight time on September 26, 2014, and (2) been related to operations, contracts, or agreements that were in effect prior to September 12, 2014. General License 2 did not authorize any new provision, exportation, or re-exportation of goods, services, or technology except as needed to cease operations, contracts, or other agreements involving affected projects.

OFAC makes clear in GL-13F that the following activities are not covered and therefore remain prohibited for U.S. Persons:

1. Any debit to an account on the books of a U.S. financial institution of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation; or
2. Any transactions otherwise prohibited by the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 (RuHSR), including transactions involving any person blocked pursuant to the RuHSR, unless separately authorized.

Moreover, OFAC explains in [FAQ 1118](#) that Russian “Exit Taxes” are not permitted under GL-13E (and assumedly will apply to GL-13F) since the circumstances are the same. In FAQ 1118, OFAC states that “Payment of exit taxes is not considered ordinarily incident and necessary to day-to-day operations in the Russian Federation and, thus, is not authorized under GL 13E. Therefore, U.S. persons whose divestment of assets in the Russian Federation will involve a payment of such an ‘exit tax’ should seek a specific license from OFAC.”

GL-13F replaces GL-13E in its entirety and is effective August 10, 2023.

[FAQ 1131](#) – Letterone Holdings S.A. (“Letterone”)

Letterone presents itself as “a partnership of successful entrepreneurs, investors and leaders, passionate about building better businesses.” Its founders include Messrs. Petr Olegovich Aven, Mikhail Maratovich Fridman, German Borisovich Khan, and Alexey Viktorovich Kuzmichev who OFAC designated as “specially designated nationals” on August 11, 2023. The four have served on the supervisory board of the Alfa Group Consortium (“Alfa Group”), one of the largest financial and investment conglomerates in Russia. These individuals were previously sanctioned by Australia, Canada, the European Union, New Zealand, and the United Kingdom.

Despite their relationship with Letterone, OFAC makes clear in [FAQ 1131](#) that Letterone itself is not a sanctioned entity because based on information available to OFAC, Letterone is not owned 50 percent or more by blocked persons or otherwise considered the blocked property or interest in property of blocked persons.

Letterone’s chairman, Lord Davies of Brosch, wrote in Chairman’s Review dated July 2022, “When the war began, all of our founders were among the first to speak out against it. They were clear that they are non-political and solely business focused. Nonetheless, four of our founders –Mikhail Fridman, German Khan, Petr Aven and Alexey Kuzmichev – are subject to sanctions in the UK and EU. They will contest these sanctions as unjust and unfounded.” At the time, the founders had not been sanctioned in the U.S.

Conclusion

This paper is intended as a guide only and is not a substitute for specific legal or tax advice. Please reach out to the authors for any specific questions. We expect to continue to monitor the topics addressed in this paper and provide future client updates when useful.

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