

# Locke Lord QuickStudy: OFAC Issues Russia Sanctions General ?Licenses and FAQs ?Related to Securities Held at the National ?Settlement Depository

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## WRITTEN BY

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On October 10, 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") issued Frequently Asked Question ("FAQ") 1197 on securities held at the National Settlement Depository ("NSD") in connection with Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 ("RuHSR"). On October 30, 2024, OFAC issued General License ("GL") 8K, GL 25G, GL 110, GL 111, and GL 112, as well as issued one new and two amended Russia-related FAQs (FAQ 976, FAQ 1040, and FAQ 1198).

## New GLs

GL 110 authorizes the wind down of transactions involving the following blocked entities until December 14, 2024, as long as any payment to these blocked entities are made into a blocked account: (1) **XH Smart Tech China Co Ltd**; (2) **Lokesh Machines Limited**; (3) **Galaxy Bearings Ltd**; (4) **Orbit Fintrade LLP**; (5) **Wuhan Huazhong Numerical Control Co Ltd**; (6) **Beijing Dynamic Power Co Limited**; (7) **Sharpline Automation Private Limited**; and (8) any entity owned, directly or indirectly, individually or in the aggregate, 50% or more by one of the foregoing.

GL 111 permits, through December 14, 2024, all transactions typically required for the divestment or transfer, or for facilitating the divestment or transfer, of debt or equity issued or guaranteed by the following blocked entities ("GL 111 Covered Debt or Equity") to a non-U.S. person: (1) **XH Smart Tech China Co Ltd**; (2) **Lokesh Machines Limited**; (3) **Galaxy Bearings Ltd**; (4) **Beijing Dynamic Power Co Limited**; (5) **Wuhan Huazhong Numerical Control Co Ltd**; and (6) any entity owned, directly or indirectly, individually or in the aggregate, 50% or more by one of the foregoing (collectively, the "GL 111 Blocked Persons"). GL 111 also authorizes, until December 14, 2024, all transactions necessary to facilitate, clear, and settle trades of GL 111 Covered Debt or Equity placed before October 30, 2024, as well as the wind down of derivative contracts entered into before October 30, 2024, involving a GL 111 Blocked Person as a counterparty or linked to GL 111 Covered Debt or Equity. Payments to a GL 111 Blocked Person must be made into a blocked account.

GL 112 authorizes, through December 14, 2024, transactions that are ordinarily incident and necessary to the provision, exportation, or reexportation of goods, technology, or services to ensure the safety of civil aviation involving **Shaurya Aeronautics Private Limited** ("Shaurya"), or any entity in which Shaurya owns, directly or indirectly, a 50% or greater interest (collectively, "GL 112 Blocked Persons"). This authorization applies as long as the goods, technology, or services that are provided, exported, or reexported are intended for aircraft used in civil

aviation. GL 112 also authorizes the wind down of transactions involving GL 112 Blocked Persons through December 14, 2024, provided that any payment to a GL 112 Blocked Person is made into a blocked account.

## Amended GLs

GL 8K, which replaces GL 8J, extends to April 30, 2025, authorization for U.S. persons to engage in transactions involving specific financial institutions that are related to energy. OFAC defines “related to energy” as “extraction, production, refinement, liquefaction, gasification, regasification, conversion, enrichment, fabrication, transport, or purchase of petroleum, including crude oil, lease condensates, unfinished oils, natural gas liquids, petroleum products, natural gas, or other products capable of producing energy, such as coal, wood, or agricultural products used to manufacture biofuels, or uranium in any form, as well as the development, production, generation, transmission, or exchange of power, through any means, including nuclear, thermal, and renewable energy sources.” “Financial institutions” within the scope of GL 8K include: (1) **State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank**; (2) **Public Joint Stock Company Bank Financial Corporation Otkritie**; (3) **Sovcombank Open Joint Stock Company**; (4) **Public Joint Stock Company Sberbank of Russia**; (5) **VTB Bank Public Joint Stock Company**; (6) **Joint Stock Company Alfa-Bank**; (7) **Public Joint Stock Company Rosbank**; (8) **Bank Zenit Public Joint Stock Company**; (9) **Bank Saint-Petersburg Public Joint Stock Company**; (10) **National Clearing Center (“NCC”)**; and (11) any entity in which one or more of the above persons own, directly or indirectly, individually or in the aggregate, a 50% or greater interest; and (12) the **Central Bank of the Russian Federation** (collectively, the “GL 8K Covered Entities”).

GL 25G, which replaces GL 25F, extends until further notice and subject to other blocking laws, authorization to conduct transactions related to telecommunications and certain Internet-based communications that would otherwise be prohibited by the RuHSR. However, transactions, involving specific entities— **Joint Stock Company Channel One Russia**; **Joint Stock Company NTV Broadcasting Company**; **Television Station Russia-1**; **Limited Liability Company Algoritm**; **New Eastern Outlook**; **Oriental Review**; **Garantex Europe OU**; **Autonomous Non-Profit Organization Dialog**; **Autonomous Non-Profit Organization Dialog Regions**; **Federal State Unitary Enterprise International Information Agency Rossiya Segodnya**; **Autonomous Non-Profit Organization TV Novosti**; and **XH Smart Tech China Co Ltd**; and **CJSC Perspective Technologies Agency** (collectively “GL 25G Blocked Persons”)—remain prohibited unless a specific license is obtained. GL 25G adds XH Smart Tech China Co Ltd and CJSC Perspective Technologies Agency to the list of GL 25G Blocked Persons.

## FAQs

FAQ 1197 – OFAC clarified that securities blocked at Russia’s NSD must be blocked again if transferred to another Russian registrar under Russian Decree 840. NSD, along with Moscow Exchange (“MOEX”) and the NCC, were sanctioned by OFAC on June 12, 2024, for supporting Russia’s defense industry and aggression against Ukraine. GL 99A and GL 100A allowed limited transactions with these entities until October 12, 2024. After such date, U.S. persons must treat securities and income from NSD as blocked. OFAC advises that the Russian Federation has attempted to evade or avoid OFAC sanctions on NSD via Presidential Decree 840 by requiring the transfer of certain securities to local Russian registrars.

FAQ 976 – GL 8K clarifies that GL 8K does not authorize transactions that are otherwise prohibited by Directive

1A under Executive Order (“EO”) 14024 (“Prohibitions Related to Certain Sovereign Debt of the Russian Federation”) or Directive 2 under EO 14024 (“Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions”). GL 8K also does not authorize debits (offsets) to Russian Central Bank accounts in U.S. financial institutions or the use of U.S. correspondent accounts for sanctioned foreign banks. U.S. financial institutions may only engage in transactions authorized by GL 8K which is “related to energy” and involves one or more GL 8K Covered Entity, if the transaction is processed indirectly through a non-sanctioned, non-U.S. financial institution. OFAC confirms that U.S. persons may rely on information available in the ordinary course of business to assess whether a transaction is authorized under GL 8K.

FAQ 1040 – [GL 25G](#) allows the export, reexport, sale, or supply of software, hardware, and technology from the United States, or by a U.S. person, wherever located, to Russia, provided it is necessary for Internet-based communications. This authorization is subject to compliance with the Export Administration Regulations, 15 CFR parts 730-774 (“EAR”), or availability of a license exception or authorization by the U.S. Department of Commerce, if subject to the EAR.

FAQ 1198 – U.S. persons are permitted to conduct transactions involving **Shreya Life Sciences Private Limited** (“Shreya”) and its subsidiaries for pharmaceutical and humanitarian-related goods, as such trade is not targeted by U.S. sanctions. GL 6D authorizes certain activities related to the production, sale, and transport of medicine and medical devices, allowing U.S. persons to continue authorized transactions with Shreya. Additionally, OFAC confirmed that non-U.S. persons generally won’t face sanctions risks for similar transactions if such transactions are authorized for U.S. persons under general licenses issued pursuant to the Russian Harmful Foreign Activities Sanctions program.

## 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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