

# Locke Lord QuickStudy: OFAC Russia Related Sanctions Update: ?April 17, 2023?

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## WRITTEN BY

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On April 12, 2023, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") published four new General Licenses ("GL") ([GL 62](#), [GL 63](#), [GL 64](#), and [GL 65](#)), revoked [GL 15](#), and issued [FAQ 1122](#) related to the [?Russian Harmful Foreign Activities ?Sanctions Regulations](#), 31 CFR Part 587 (the ???"RuHSR"). Additionally, OFAC and the U.S. Department of State [imposed sanctions](#) on an additional 120 individuals, entities and vessels across more than 20 countries who have been designated as aiding Russia's war against Ukraine and for their roles in Russian sanctions evasion efforts. Lastly, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") [added](#) 28 companies in multiple jurisdictions to the "Entity List" for assisting Russia's military as part of a "third-country evasion crackdown" to prevent Russia from accessing certain U.S. technology through other countries.

## GLs

[GL 62](#) authorizes transactions through July 11, 2023 that are ordinarily incident and necessary to the wind down of transactions involving the following entities: (1) Kompaniya Metalloinvest AO; (2) Megafon PAO; (3) Limited Liability Company USM Telecom; (4) Akkermann Cement Ca Limited Liability Company; or (5) 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 (collectively, "GL 62 Entities"). Any payment made to GL 62 Entities must be made into a blocked account.

[GL 63](#) authorizes U.S. persons, until July 11, 2023, to transfer, divest or facilitate the divestment or transfer of debt or equity of the following blocked persons ("Covered Debt or Equity") to a non-U.S. person: (1) Holdingovaya Kompaniya Metalloinvest AO ("Metalloinvest"); or (2) any entity in which Metalloinvest owns, directly or indirectly, individually or in the ??aggregate, a 50% or greater interest (collectively, "Blocked Persons")?. Transactions that are ordinarily incident and necessary to facilitating, clearing, and settling trades of Covered Debt or Equity that were placed prior to 4:00 p.m. eastern daylight time on April 12, 2023 are permitted through July 11, 2023. Furthermore, transactions that are ordinarily incident and necessary to the wind down of derivative contracts entered into prior to 4:00 p.m. eastern daylight time on April 12, 2023 that include Blocked Persons as a counterparty or linked to Covered Debt or Equity are authorized through July 11, 2023, provided that any payments to Blocked Persons must be made into a blocked account.

[GL 64](#) authorizes transactions that are otherwise prohibited by [Executive Order \("EO"\) 14024](#) which involve Joint-

Stock Company Kommersant (“JSC Kommersant”) or any entity that JSC Kommersant owns, directly or indirectly, at least a 50% interest that are ordinarily incident and necessary to the operations of the newspaper *Kommersant*.

[GL 65](#) authorizes transmission of telecommunications and Internet-based communications involving Megafon PAO (“Megafon”), Digital Invest Limited Liability Company (“Digital Invest”), or any entity in which Megafon or Digital Invest owns, directly or indirectly, individually or in the aggregate, a 50% or greater interest (collectively, “GL 65 Entities”), as well as involving Tajikistan or Uzbekistan. GL 65 also authorizes, directly or indirectly, from the U.S. or by a U.S. person, wherever located, the exportation or reexportation, sale, or supply, services, software, hardware, or technology incident to the exchange of communications over the Internet, such as instant messaging, video conferencing, chat and email, social networking, sharing of photos, movies, and documents, web browsing, blogging, web hosting, and domain name registration services.

[GL 15](#) has been revoked by OFAC as of April 12, 2023. The license had authorized transactions involving any entity owned 50% or more, directly or indirectly, by Alisher Burhanovich Usmanov, that was not listed on the Specially Designated Nationals and Blocked Persons (“SDN”) List.

## **FAQs**

[FAQ 1122](#) – Megafon and Digital Invest were designated as SDNs on April 12, 2023 pursuant to [EO 14024](#). U.S. persons are prohibited from transacting with these entities unless authorized by an OFAC license. [GL 25C](#) authorizes certain transactions related to the receipt or transmission of telecommunications *involving Russia* that are otherwise prohibited by the RuHSR, and the exportation or reexportation, sale, or supply, directly or indirectly, from the U.S. or by U.S. persons to the Russian Federation of services, software, hardware, or technology incident to the exchange of communications over the internet. However, certain transactions related to GL 65 Entities, may not involve the Russian Federation, and thus, may not be authorized by GL 25C. To promote U.S. policy aimed at supporting the free flow of information globally, OFAC issued [GL 65](#), authorizing certain transactions related to the receipt or transmission of telecommunications and internet-based communications involving the Covered Entities and Tajikistan or Uzbekistan, and the export, reexport, sale, or supply of internet-related services, software, hardware, or technology from the U.S. or by U.S. persons to the Covered Entities. GL 65 does not exempt U.S. persons from complying with other federal laws and regulations, including export licensing requirements maintained by the U.S. Department of Commerce’s BIS under the [Export Administration Regulations](#) (“EAR”).

## **Designations**

On April 12, 2023, in an effort to further curb Russia’s access to the international financial system and disrupt its importation of critical technologies used in its war against Ukraine, OFAC, the U.S. Department of State and the BIS, unveiled a new round of economic and trade sanctions that target individuals and entities used as intermediaries to circumvent sanctions and export controls in support of Russia’s aggression against Ukraine.

OFAC [designated](#) numerous entities, individuals and vessels with touchpoints in over twenty jurisdictions as SDNs, including Hungary, United Arab Emirates, Turkey, and Switzerland. The U.S. Department of State also [sanctioned](#) more than eighty entities and individuals pursuant to [EO 14024](#) for operating in the defense sector of the Russian Federation economy, being part Russia’s State Atomic Energy Corporation (Rosatom), supporting Russia’s war against Ukraine, and facilitating sanctions evasion activity via international transshipment. All

property and interests in property of these designated individuals and entities that are in the U.S. or in possession or control of U.S. persons are blocked (*i.e.*, frozen) and must be reported to OFAC. Additionally, all individuals or entities that have ownership, either directly or indirectly, 50% or more by one or more blocked person are also blocked. All transactions by U.S. persons or within the U.S. that involve any property or interests in property of designated or otherwise blocked persons are prohibited unless authorized by a license issued by OFAC.

The BIS issued a [final rule](#) amending the EAR, which added twenty-eight entities in several countries, including China, Turkey, Spain and United Arab Emirates, to the “Entity List” for their support of Russia’s defense industries. The BIS determined that these companies evaded U.S. export controls, assisted in the transfer of Iranian unmanned aerial vehicles from Iran to Russia, and acquired or attempted to acquire, U.S.-origin items in support of Russia’s military industrial base. As a result, U.S. companies and individuals are generally prohibited from exporting, reexporting, or transferring items subject to the EAR to any of these listed entities without obtaining a license from the BIS. Export license applications will be reviewed under a policy of denial for all items subject to the EAR apart from food and medicine designated as EAR99, which will be reviewed on a case-by-case basis.

These recent actions are representative of the U.S. commitment to impose severe costs on third-country actors who assist Russia in its war against Ukraine. The U.S. has demonstrated a willingness to use extraterritorial sanctions to achieve its foreign policy objectives against individuals and entities in other countries who support Russia. Individuals and companies in every country now face significant financial, legal and reputational consequences for evading U.S. sanctions and export controls at the expense of aiding Russia. This includes restrictions on access to U.S. financial markets, freezing of assets, potential fines, and visa restrictions. As such, it is important for companies and individuals to be aware of the complex risks presented by sanctions and export control and take appropriate measures to mitigate these risks, including implementing effective compliance programs.

## **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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