

Locke Lord QuickStudy: OFAC Russia Related Sanctions Update: ?August 4, 2022? ?

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On August 2, 2022 and August 3, 2022, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") (i) amended two Russia-related General Licenses ("GLs"): (GL 40A) / [GL 40B](#)) and (GL 43A), (ii) issued two new Russia-related GLs: (GL 47 / GL 47A), (GL 48 / GL 48A), and (GL 49), and (iii) published three new Frequently Asked Questions FAQs (FAQ 1073), (FAQ 1074) and (FAQ 1075), in each case related to the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 (the "RuHSR"). Note that [GL 40B](#), [GL 47A](#) and [GL 48A](#) corrects a typographical error in the name "Joint Stock Company State Transportation Leasing Company" to add 'Leasing' in the company's name.

General Licenses

GL 40A and GL 40B, which authorize certain transactions to ensure the safety of civilian aircraft registered outside of the Russian Federation, replaces GL 40 effective as of August 2, 2022. GL 40A is identical to GL 40 but adds Joint Stock Company Government Transport Company as a blocked entity. This means that US Persons may transact with Joint Stock Company Government Transport Company and the other "blocked entities" as long as the transactions relate to the provision, exportation, or reexportation of goods, technology, or services for the safety of civilian aircraft registered outside of the Russian Federation.

GL 43A relates to the "Divestment or Transfer of Debt or Equity of, and Wind Down of Derivative Contracts Involving, Public Joint Stock Company Severstal or Nord Gold PLC." GL 43A is effective and replaces GL 43 as of August 2, 2022. GL 43A adds a new "paragraph (c)" that authorizes U.S. financial institutions to unblock covered debt or equity that was blocked on or after June 2, 2022 but before June 28, 2022, provided that the unblocked covered debt or equity is solely used to effect authorized transactions. U.S. financial institutions unblocking property pursuant to paragraph (c) are required to file an unblocking report pursuant to 31 CFR § 501.603. Presumably, GL 43A is designed to facilitate an auction to settle credit default swaps linked to Russia's foreign sovereign debt.

GL 47 and [GL 47A](#) authorize through September 21, 2022, the wind down of certain transactions involving (1) Skolkovo Foundation; (2) Skolkovo Institute of Technology; (3) Technopark Skolkovo Limited Liability Company; (4) Federal State Institution of Higher Vocational Education Moscow Institute of Physics and Technology; (5) Publichnoe Aktsionernoe Obschestvo Magnitogorskiy Metallurgicheskiy Kombinat; (6) Joint Stock Company Government Transport Company; or (7) Any entity in which one or more of the above persons own, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest. The authorization is limited by the prohibitions (i) of Directive 2 under E.O. 14024 "Related to Correspondent or Payable-Through Accounts and

Processing of Transactions Involving Certain Foreign Financial Institutions,” (ii) of Directive 4 under E.O. 14024, Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation, and (iii) of the RuHSR which prohibits transactions involving any other blocked person.

GL 48 and [GL 48A](#) authorize through October 3, 2002, certain transactions related to the “Divestment or Transfer of Debt or Equity of, and Wind Down of Derivative Contracts” acquired prior to August 2, 2022, involving” (i) Publichnoe Aktsionernoe Obschestvo Magnitogorskiy Metallurgicheskiy Kombinat; (ii) Joint Stock Company Government Transport Company; or (iii) any entity in which one or more of the above entities own, directly or indirectly, individually or in the aggregate, a 50 percent or greater interest. GL 48 does not authorize: (1) U.S. persons to sell, or to facilitate the sale of, covered debt or equity to, directly or indirectly, any person whose property and interests in property are blocked; or (2) U.S. persons to purchase or invest in, or to facilitate the purchase of or investment in, directly or indirectly, covered debt or equity, other than purchases of, or investments in, covered debt or equity that are ordinarily incident and necessary to the divestment or transfer of covered debt or equity. Furthermore, authorization is limited by the prohibitions (i) of Directive 2 under E.O. 14024 “Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions”, (ii) of Directive 4 under E.O. 14024, Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation, and (iii) of the RuHSR which prohibits transactions involving any other blocked person.

GL 49 authorizes through January 31, 2023, the wind down of certain transactions involving MMK Metalurji Sanayi Ticaret Ve Liman Isletmeciligi Anonim Sirketi (MMK Metalurji), or any entity in which MMK Metalurji owns, directly or indirectly, a 50 percent or greater interest. The authorization is limited by the prohibitions (i) of Directive 2 under E.O. 14024 “Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions,” (ii) of Directive 4 under E.O. 14024, Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation, and (iii) of the RuHSR which prohibits transactions involving any other blocked person.

New FAQs

FAQ 1073 makes clear that Sheremetyevo International Airport is not “designated,” despite potential affiliation with the “blocked person,” Alexander Anatolevich Ponomarenko.

FAQ 1074 makes clear that EuroChem Group AG is not “designated,” despite potential affiliation with the “blocked person,” Andrey Igorevich Melnichenko. OFAC adds that as a general matter, agricultural and medical trade are not the target of sanctions imposed by the United States on Russia in response to its unprovoked and brutal war against Ukraine

FAQ 1075 makes clear that PhosAgro PJSC is not “designated,” despite potential affiliation with the “blocked persons” Andrey Grigoryevich Guryev and Andrey Andreevich Guryev. As above, since PhosAgro PJSC is in the agricultural field, even if controlled by blocked persons, it may escape designation for humanitarian reasons.?

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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