

Locke Lord QuickStudy: OFAC Russia Related Sanctions Update: ??July 20, 2022? ?

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On July 14, 2022, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") issued four Russia-related General Licenses ("GL") (GL 6B, GL 25C, GL 30A, and GL 44), published three amended FAQs (FAQ 967, FAQ 1039, and FAQ 1040) related to the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 (the "RuHSR"), published a Food Security Fact Sheet on "Russia Sanctions and Agricultural Trade", and removed an entity from the Specially Designated Nationals and Blocked Persons ("SDN") List.

General Licenses

- GL 6B (replacing GL 6A) continues to authorize until further notice transactions related to: (1) the production, manufacturing, sale, or transport of agricultural commodities, agricultural equipment, medicine, medical devices, replacement parts and components for medical devices, or software updates for medical devices; (2) the prevention, diagnosis, or treatment of the COVID-19; or (3) clinical trials and other medical research activities. Note that GL 6B is no longer limited to transactions related to clinical trials or other medical research activities that were in effect prior to March 24, 2022.
- GL 25C (replacing GL 25B) continues to authorize until further notice (subject to other blocking laws) transactions related to telecommunications and certain internet-based communications that are otherwise prohibited by the RuHSR. However, transactions involving Joint Stock Company Channel One Russia, Joint Stock Company NTV Broadcasting Company, Television Station Russia-1, Limited Liability Company Algoritm, New Eastern Outlook, or Oriental Review continue to be prohibited, absent a specific license.
- GL 30A (replacing GL 30) extends to December 16, 2022, the authorization for transactions involving SEFE Securing Energy for Europe GmbH (formally known as Gazprom Germania GmbH), which are otherwise prohibited by Directive 3 under Executive Order ("EO") 14024. The extensions include transactions involving any entity in which SEFE Securing Energy for Europe GmbH owns, directly or indirectly, a 50% or greater interest.
- GL 44 authorizes all transactions ordinarily incident and necessary to the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of tax preparation or filing services to any individual who is a U.S. person located in the Russian Federation, which are otherwise prohibited by EO 14071.

FAQs

- FAQ 967 – Directive 2 under EO 14024 ("Prohibitions Related to Correspondent or Payable-Through Accounts and Processing of Transactions Involving Certain Foreign Financial Institutions" or the "CAPTA Directive") prohibits U.S. financial institutions from: (i) the opening or maintaining of a correspondent account or payable-through account for or on behalf of blocked institutions; or (ii) processing transactions involving the blocked institutions. Institutions designated on the List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (the "CAPTA List") can be accessed via OFAC's website.

Directive 2 under EO 14024 does not impose blocking sanctions and, thus, does not require U.S. financial institutions (or other U.S. persons) to block the assets of foreign financial institutions determined to be subject to the CAPTA prohibitions. However, U.S. persons should be aware that foreign financial institutions subject to the prohibitions of this directive might also be subject to additional prohibitions under other sanctions authorities, such as additional directives under EO 14024 or EO 13662.

- FAQ 1039 – Transactions that are ordinarily and necessary to the exportation or reexportation of agricultural commodities to, from, or transiting the Russian Federation that involve Agropromyshlennyi Kompleks Voronezhskii OOO, Anninskii Elevator OOO, and Azovskaya Zernovaya Kompaniya OOO are authorized under OFAC sanctions. GL 6B authorizes, among other activities, certain transactions prohibited by the RuHSR, that are related to the sale, or transport of agricultural commodities, which includes transactions ordinarily incident and necessary to the exportation or reexportation of agricultural commodities to, from, or transiting the Russian Federation. For further information on relevant authorizations, exemptions, and public guidance, review OFAC’s Fact Sheets, “Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia’s War Against Ukraine” and “Russia Sanctions and Agricultural Trade”.
- FAQ 1040 – GL 25C authorizes, subject to certain exceptions, the exportation or reexportation, sale, or supply, directly or indirectly, from the United States or by U.S. persons, wherever located, to the Russian Federation of services, software, hardware, or technology incident to the exchange of communications over the internet, such as instant messaging, videoconferencing, chat and email, social networking, sharing of photos, movies, and documents, web browsing, blogging, web hosting, and domain name registration services that are otherwise prohibited by the RuHSR. Among other things, GL 25C explicitly excludes from the authorization any transactions involving Joint Stock Company Channel One Russia, Television Station Russia-1, Joint Stock Company NTV Broadcasting Company, Limited Liability Company Algoritm, New Eastern Outlook, or Oriental Review, which are designated pursuant to EO 14024.

Food Security Fact Sheet

OFAC issued a fact sheet on “Russia Sanctions and Agricultural Trade” to make clarifications regarding the updates of July 14, 2022. It reiterates information provided from the new GLs, such as how the U.S. has not imposed sanctions on the production, manufacturing, sale, or transport of agricultural commodities, agricultural equipment, or medicine relating to the Russian Federation that otherwise would be prohibited by the RuHSR. As such, this fact sheet expands on the recent updates to demonstrate their relation to previously released information found in the RuHSR and Russia-related executive orders and FAQs. Some of the guidance issued by OFAC in the fact sheet includes the following:

- U.S. sanctions do not prohibit the exportation of fertilizer from, to, transiting, or related to Russia. [GL 6B](#) authorizes certain transactions related to the production, manufacturing, sale, or transport of agricultural commodities, which includes fertilizers.
- Since the Port of Novorossiysk is not on the SDN List, it is not subject to blocking sanctions under the RuHSR or any other U.S. sanctions authority. GL 6B authorizes certain transactions related to agricultural and medical products, which includes exporting such products from the Novorossiysk port.
- The United States has not imposed sanctions on the exportation of agricultural commodities from, to, or involving Russia, so providing insurance or reinsurance related to the transportation or shipping of these products is not prohibited. GL 6B authorizes certain transactions related to the production, manufacturing, sale, or transport of agricultural commodities and agricultural equipment. Such transactions may include insurance and reinsurance services related to the transportation or shipping of agricultural commodities or agricultural equipment.
- [EO 14068](#) prohibits the importation into the United States of fish, seafood, and preparations thereof; alcoholic beverages; and non-industrial diamonds of Russian Federation origin. However, to the extent the importation of such products of Russian Federation origin into jurisdictions outside of the United States does not involve a sanctioned person or an otherwise prohibited transaction, non-U.S. persons are not exposed to sanctions under

EO 14068. GL 6B authorizes certain transactions related to the exportation of Russian Federation origin fish, seafood, and preparations thereof, provided such transactions are not for the importation of these Russian Federation origin goods into the United States.

- In accordance with GL 6B, U.S. financial institutions can process transactions related to the exportation of agricultural commodities, medicine, or medical devices to, from, transiting, or related to Russia. In addition, foreign financial institutions may engage in or facilitate transactions under GL 6B without exposure to sanctions.
- Joint Stock Company Russian Agricultural Bank (“Russian Agricultural Bank”) is not on the SDN List and therefore not subject to blocking sanctions under the RuHSR or any other U.S. sanctions authority. However, U.S. persons are subject to certain restrictions on dealings in debt and equity of Russian Agricultural Bank. See Directive 1 under [EO 13662](#) and Directive 3 under [EO 14024](#).

SDN List Deletions

OFAC removed “Subsidiary Bank Alfa-Bank JSC” (a.k.a. “JSC SB Alfa Bank”) from the OFAC List.

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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