

# Locke Lord QuickStudy: OFAC Russia Related Sanctions Update: ?November 11, 2022?

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G7 leaders agreed last month to implement a price cap on Russian oil sales starting December 5, 2022. In conjunction with the G-7 agreement, on October 31, 2022, the U.S. Department of the Treasury's Office of Foreign Assets ?Control ("OFAC") issued FAQ 1094, which stated that shipments and services related to the maritime transport of Russian oil will be exempt from the U.S. price cap if the oil is loaded before December 5, 2022 and unloaded by January 19, 2023.

Pursuant to FAQ 1094, crude oil of Russian Federation origin that is loaded onto a vessel at the port of loading prior to 12:01 a.m., eastern standard time, December 5, 2022, and unloaded at the port of destination prior to 12:01 a.m., eastern standard time, January 19, 2023, will not subject to the price cap. U.S. service providers can also provide services related to the maritime transport of crude oil of Russian Federation origin at a price above the price cap, if loaded and unloaded in accordance with the aforementioned timeframes.

OFAC anticipates implementing the maritime services policy by publishing a determination pursuant to Executive Order ("EO") 14071 that (i) permits the exportation, reexportation, sale or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of services related to the maritime transport of crude oil or petroleum products of Russian Federation origin, where the price of such crude oil or petroleum products of Russian Federation origin does not exceed the price cap and (ii) prohibits such services if the crude oil or petroleum products of Russian Federation origin are priced above the cap. This determination would take effect at 12:01 a.m., EST, December 5, 2022, with respect to maritime transport of crude oil of Russian Federation origin loaded on or after 12:01 a.m., EST, December 5, 2022.

On November 10, 2022, OFAC issued General License ("GL") 53, GL 8D and FAQ 1096 related to the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 (the ??"RuHSR"). ?

- GL 53 authorizes U.S. persons to engage in transactions ordinarily incident and necessary to the official business of diplomatic or consular missions of the Government of the Russian Federation ("Russian missions") and the compensation of employees of Russian missions, including payment of salaries and reimbursement of expenses, where such transactions are prohibited by Directive 4 under EO 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").
- GL 8D, which replaces GL 8C, extends the temporary wind down period to May 15, 2023 for energy related transactions involving the following specially designated nations ("SDNs"): (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) 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; or (8) the Central Bank of the Russian Federation.

- FAQ 1096 clarifies that GL 53 authorizes U.S. persons to engage in all transactions ordinarily incident and necessary to the official business of Russian missions located in or outside the United States. GL 53 authorizes the payment of salaries to employees of Russian missions that may otherwise be prohibited by Directive 4, such as a payment originated by the Ministry of Finance of the Russian Federation from a non-blocked Russian bank. Notably, GL 53 does not authorize any transactions involving blocked persons, including blocked Russian financial institutions; nor does it authorize debits to the accounts on the books of U.S. financial institutions of entities subject to Directive 4. Furthermore, non-U.S. persons may engage in transactions that are authorized for U.S. persons under GL 53 without risk of sanctions under EO 14024.

## **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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