

Locke Lord QuickStudy: OFAC Sanctions New Russian Price Cap Violator and Publishes General Licenses and FAQ

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On January 18, 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") designated Hennessea Holdings Limited ("Hennessea") and multiple vessels owned by Hennessea to the Specially Designated Nationals ("SDN") List. Simultaneously, OFAC published General License ("GL") 13H that extends authorization to pay Russian taxes, GL 86 that authorizes assistance for the safety of blocked Russian vessels and crews, and amended FAQ 1157 that expands the list of seafood products that are prohibited from importation into the U.S.

SDN Designation

OFAC sanctioned United Arab Emirates-based shipping company Hennessea and its controlled subsidiaries (collectively, "Blocked Persons"), as well as 18 Hennessea-owned vessels. OFAC claims that Hennessea transported Russian crude oil priced above the \$60 per barrel price cap while using a covered U.S.-based provider. Shortly before the price cap went into effect, Hennessea, which was established in late 2022, acquired older tankers that ship Russian crude oil and petroleum products. Tankers ultimately owned by Hennessea have repeatedly conducted port calls in Russian Federation ports.

These sanctions build upon previous OFAC oil price cap actions taken in October, November and December of 2023 (see our October 31, 2023 [QuickStudy: Russian Oil Price Cap Advisory and Violation & Issuance of Russia-Related General License](#), November 20, 2023 [QuickStudy: Oil Price Cap Violations & New OFAC GL for Crew Health and Safety and Safety of Blocked Vessels](#), December 11, 2023 [QuickStudy: OFAC Sanctions Additional Maritime Companies & Vessels for Violating Russian Oil Price Cap & Issues Related General License](#), and January 9, 2024 [QuickStudy: OFAC Targets Maritime Companies & Vessels for Violating Russian Oil Price Cap & Issues Related General Licenses](#)).

As a result of the designations, any property and interests owned by Blocked Persons within the U.S. or under the possession or control of U.S. persons are now frozen and must be reported to OFAC. All transactions involving the property or interests in property of Blocked Persons within, transiting, or related to the U.S. are prohibited, unless specifically authorized by OFAC through a general or specific license or exempt by law.

OFAC indicated it will continue to sanction oil price cap violators who leverage products from the Oil Price Cap Coalition, including insurance.

GLs

GL 13H, which replaces GL 13G, extends through April 17, 2024, U.S. persons' authorization to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, certifications or tax refunds to the such transactions that would otherwise be prohibited by Directive 4 under Executive Order ("EO") 14024 ("Directive 4"). These transactions are only permissible if they are ordinarily incident and necessary to their day-to-day operations in Russia. Directive 4 otherwise prohibits any transaction 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, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities. The previous GL 13G was set to expire on January 31, 2024. U.S. persons remain prohibited under GL 13G from paying pay Russian "Exit Taxes."

GL 86 authorizes, through April 17, 2024, transactions that are ordinarily incident and necessary to the following limited activities involving the Blocked Persons: (1) ensuring the secure docking and anchoring of, or any part of any vessels in which any Blocked Person has a property interest ("Blocked Vessels"); (2) safeguarding the health or safety of the crew of any of the Blocked Vessels; or (3) conducting emergency repairs of any of the Blocked Vessels, or carrying out environmental mitigation or protection activities linked to any of the Blocked Vessels. However, any payments to the Blocked Vessels or Blocked Persons must be made into a blocked account.

FAQs

FAQ 1157 – OFAC has expanded the list of "salmon," "cod," "pollack," and "crab" goods categorized under the Harmonized Tariff Schedule of the United States that are subject to the import prohibition under the determination pursuant to EO 14068 ("Prohibitions Related to Imports of Certain Categories of Fish, Seafood, and Preparations Thereof").

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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