

Locke Lord QuickStudy: OFAC Targets Russia's Military-Industrial Base and Third-Country Supporters, and Issues Related General Licenses

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On April 29, 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") published General License ("GL") 8I related to the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR Part 587 (the "RuHSR"). Several days later, on May 1, 2024, OFAC issued three additional Russia-related GLs: GL 95 ("*Authorizing Civil Aviation Safety and Wind Down Transactions Involving Limited Liability Company Aviakompaniya Pobeda*"), GL 96 ("*Authorizing Limited Safety and Environmental Transactions Involving Certain Blocked Persons or Vessels*"), and GL 97 ("*Authorizing the Wind Down of Transactions Involving Certain Entities Blocked on May 1, 2024*"). On the same day, OFAC sanctioned over 300 persons related to Russia's military-industrial base and third-countries that have helped Russia acquire key inputs for weapons or defense-related production.

GLs

GL 8I, which replaces GL 8H, extends to November 1, 2024, U.S. persons' authority to conduct transactions with the following listed financial institutions for energy-related transactions (e.g., the extraction, transport or purchase of petroleum):

- State Corporation Bank for Development and Foreign Economic Affairs Vnesheconombank;
- Public Joint Stock Company Bank Financial Corporation Otkritie;
- Sovcombank Open Joint Stock Company;
- Public Joint Stock Company Sberbank of Russia;
- VTB Bank Public Joint Stock Company;
- Joint Stock Company Alfa-Bank;
- Public Joint Stock Company Rosbank;
- Bank Zenit Public Joint Stock Company;
- Bank Saint-Petersburg Joint Stock Company;
- 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; and
- the Central Bank of the Russian Federation.

Except for the Central Bank of the Russian Federation, which OFAC lists as "Non-SDN Menu-Based Sanctions List (NS-MBS List)," all of the above financial institutions are "specially designated nationals" or "SDNs" and, unless the U.S. person avails itself of another OFAC general or specific license, other transactions with the listed

entities are prohibited. Without the GL 8I extension, GL 8H expired on May 1, 2024.

GL 95 authorizes through July 30, 2024 the wind down of transactions necessary to the provision, exportation, and reexportation of goods, technology or services to ensure the safety of civil aviation involving Limited Liability Company Aviakompaniya Pobed (“Aviakompaniya”), provided that the goods, technology, or services provided, exported, or reexported are for use solely on civil aviation aircraft. Any payment to Aviakompaniya authorized under GL 95 must be paid into a blocked account in accordance with RuHSR requirements. This GL 95 does not authorize any transaction otherwise prohibited by the RuHSR; GL 95 is limited to the designated safety activities for Aviakompaniya and does not authorize other transactions with Aviakompaniya or other Russian airlines unless a U.S. person avails itself of a OFAC specific license or another GL.?

GL 96 authorizes through July 30, 2024, all transactions that are ordinarily incident and necessary to one of the following activities involving GL 96 Blocked Persons (defined below), provided that any payment to a GL 96 Blocked Person must be made into a blocked account in accordance with the RuHSR: (1) the safe docking and anchoring of any of any vessels in port in which GL 96 Blocked Persons have a property interest (“Blocked Vessels”); (2) the preservation of the health or safety of the crew of any of the Blocked Vessels; and (3) emergency repairs of any of the Blocked Vessels or environmental mitigation or protection activities relating to any of the Blocked Vessels. GL 96 authorizes transactions with the following “Blocked Persons,” and any entity that any of the Blocked Persons own, directly or indirectly, a 50% or greater interest: (1) Red Box Energy Services PTE LTD; (2) CFU Shipping Co Limited; and (3) Transstroy Limited Liability Company (collectively, “GL 96 Blocked Persons”).

GL 96 authorizations do not authorize: (1) entering into new commercial contracts involving the property of GL 96 Blocked Persons and their vessels (e.g., “Blocked Vessels”), except as permitted under the terms of GL 96; (2) the offloading of any cargo from any of the Blocked Vessel, including offloading of crude oil or petroleum products of Russian origin, except for the offloading of cargo that is necessary to address vessel emergencies permitted under GL 96; (3) any transaction related to the sale of crude oil or petroleum products of Russian origin; or (4) any other transactions otherwise prohibited by the RuHSR, including transactions involving any person blocked pursuant to the RuHSR.?

GL 97 authorizes through June 17, 2024 transactions prohibited by Executive Order 14024, necessary for winding down any dealings involving the following blocked persons (“GL 97 Blocked Persons”): LLC Sibcapital, Yantai Iray Technology Co Ltd, and any entity owned 50% or more by LLC Sibcapital or Yantai Iray Technology Co Ltd. Payments made to a GL 97 Blocked Person must be made into a blocked account in accordance with the RuHSR.

Designations

The U.S. Department of the Treasury (“Treasury Department”) has intensified its efforts to diminish Russia’s capacity to sustain its military operations against Ukraine. These designations target Russia’s military-industrial complex, as well as its chemical and biological weapons programs, along with entities and individuals in third-countries that facilitate Russia’s acquisition of vital components for defense-related activities. The third-country designations primarily target China and UAE persons who are aiding Russia’s military capabilities. The sanctions, jointly imposed by the Treasury Department and the U.S. Department of State (“State Department”), encompass

nearly 300 targets. The State Department also imposed sanctions on over 80 entities and individuals involved in sanctions evasion and Russia's chemical and biological weapons programs and defense industry. Furthermore, the State Department's actions target Russia's revenue sources from future energy, metal, and mining production, along with individuals associated with the death of opposition leader Aleksey Navalny.

The U.S. Department of Justice also filed a forfeiture complaint against aircraft landing gear purchase for the benefit of a trans-shipper servicing Russia in violation of U.S. sanctions. The Treasury Department's commitment to disrupting entities facilitating Russia's acquisition of technology and equipment extends globally, with nearly 60 additional targets identified across various countries.

Transactions involving the property of designated individuals and entities are prohibited for U.S. persons or within the United States unless authorized by OFAC. Foreign financial institutions engaging with Russia's military-industrial base face potential sanctions, including for activities like maintaining accounts or providing financial services to designated persons.

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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