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From Oligarch to SDN: New Designations Deepen Risks of Business with Russia

On April 6, 2018, the Department of Treasury's Office of Foreign Assets Control ("OFAC") announced new Specially Designated National ("SDN") and Russian Sectoral Sanctions designations for a number of individuals and entities pursuant to its authority under Ukraine/Russia-related Executive Orders 13661 and 13662, the Syria Sanctions Regulations, and the Foreign Narcotics Kingpin Designation Act. In addition to these designations, OFAC issued [General License 12](#) and [General License 13](#), which authorize certain wind down and divestiture-related activities that would otherwise be prohibited as a result of the new designations.

A number of the designations announced on April 6 are directed at individuals who were previously identified by OFAC as

Senior Political Figures or Oligarchs of the Russian Federation in its [January 29, 2018 Report to Congress Pursuant to Section 241 of the Countering American's Adversaries Through Sanctions Act of 2017 Regarding Senior Foreign Political Figures and Oligarchs in the Russian Federation and Russian Parastatal Entities](#) ("OFAC's Report to Congress"), as well as entities with which they are affiliated. While identification as a Russian Senior Political Figure or Oligarch did not immediately subject individuals to U.S. sanctions, suspicions that this listing could lead to sanctions designations in the future appears to be validated by OFAC's most recent designations. More than half of the individuals designated as SDNs on April 6 were previously identified in OFAC's Report to Congress, as follows:

Designations Associated with Russia/Ukraine Sanctions Program	
April 6 Individual SDN Designations	Named Russian Oligarch or Senior Political Figure
Andrey Igorevich Akimov ¹¹	X
Vladimir Leonidovich Bogdanov	X
Oleg Vladimirovich Deripaska	X
Alexey Gennadyevich Dyumin	

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Designations Associated with Russia/Ukraine Sanctions Program (continued)	
April 6 Individual SDN Designations	Named Russian Oligarch or Senior Political Figure
Mikhail Efimovich Fradkov	
Sergei Fursenko	
Oleg Govorun	X
Suleiman Abusaidovich Kerimov	X
Vladimir Alexandrovich Kolokoltsev	X
Konstantin Kosachev	
Andrey Leonidovich Kostin	X
Alexey Borisovich Miller	X
Nikolai Platonovich Patrushev	X
Vladislav Matusovich Reznik	
Igor Arkadyevich Rotenberg	
Kirill Nikolaevich Shamalov	X
Evgeniy Mikhailovich Shkolov	X
Andrei Vladimirovich Skoch	X
Alexander Porfiryevich Torshin	
Vladimir Vasilyevich Ustinov	X
Timur Samirovich Valiulin	
Viktor Feliksovich Vekselberg	X
Alexander Alexandrovich Zharov	
Viktor Vasiliyevich Zolotov	X
April 6 Entity Designations	OFAC Identified Affiliation
Agroholding Kuban Basic Element Limited B-Finance Ltd EN+ Group PLC GAZ Group Russian Machines JSC Eurosibenergo United Company Rusal PLC	Oleg Vladimirovich Deripaska

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Designations Associated with Russia/Ukraine Sanctions Program (continued)	
April 6 Entity Designations	OFAC Identified Affiliation
Gazprom Burenie, OOO NPV Engineering Open Joint Stock Company	Igor Arkadyevich Rotenberg
Ladoga Menedzhment, OOO	Kirill Nikolaevich Shamalov
Renova Group	Viktor Feliksovich Vekselberg

In addition to designating individuals and entities in connection with the Russia/Ukraine Sanctions Program, OFAC also added Rosoboroneksport OAO, an entity associated with Rostec, as a Sectoral Sanctions Entity subject to Directive 3, and designated the following individuals and entities pursuant to its authority under the Foreign Narcotics Kingpin Regulations and Syria Sanctions Regulations: Russia Financial Corporation, Miguel Jose Leone Martinez, Jesus Perez Alvear, and Gallistica Diamonte.

The February 6 designations are yet another reminder of the risks associated with the evolving landscape of Russia sanctions. Businesses currently doing business with individuals – or entities owned by individuals – included in OFAC’s Report to Congress but not yet designated should consider whether to take prophylactic steps to limit the risk of being entangled in a business relationship with a potential future SDN. In addition, the designations illustrate the importance of staying on top of the sanctions status of key points of contact at business partners – such as Andrey Igorevich Akimov, Chairman of the Management Board of Gazprombank,

who has now been designated as an SDN (Gazprombank itself is a Sectoral Sanctions Entity subject to Directive 1). OFAC has made clear that U.S. persons may not enter into contracts that are signed by an SDN, even on behalf of a non-SDN company, and constant vigilance is necessary to avoid inadvertent breaches of this rule.

GENERAL LICENSES 12 AND 13

In parallel with the designations, OFAC issued two time-limited General Licenses authorizing certain wind down and divestiture-related activities that would otherwise be prohibited as a result of the new designations. Businesses subject to U.S. jurisdiction doing business with the newly-designated individuals and entities should perform a prompt and careful review of the General Licenses to and be aware that the licenses have a short lifespan, and narrow scope, so some transactions necessary to sever ties with a newly-designated person will require a specific license from OFAC. Key provisions of the new GLs are as follows:

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General License	Key Provisions
<p>General License 12</p> <p>Authorizing Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts</p>	<ul style="list-style-type: none"> • Applies only to SDNs listed in the GL, and any entity in which one or more listed SDN owns, directly or indirectly, a 50 percent or greater interest • Authorizes until June 5, 2018 transactions ordinarily incident to the maintenance or wind down of operations, contracts, or other agreements, including the importation of goods, services or technology to the United States that were in effect prior to April 6, 2018. • Any payment to or for the benefit of a blocked person authorized by the GL must be made into a blocked, interest-bearing account located in the United States. • Requires any US Person relying on the GL to file a comprehensive, detailed report of each transaction to OFAC within 10 days after the expiration of the GL
<p>General License 13</p> <p>Authorizing Certain Transactions Necessary to Divest or Transfer Debt, Equity, or other Holdings in Certain Blocked Persons</p>	<ul style="list-style-type: none"> • Applies only to holdings in EN+ Group PLC, GAZ Group, and United Company RUSAL PLC • Authorizes until May 7, 2018 all transactions ordinarily incident and necessary to divest or transfer debt, equity, or other holdings in listed persons to a non-U.S. person. • Authorizes until May 7, 2018 the facilitation of the transfer of debt, equity, or other holdings in the listed persons by a non-U.S. person (or on behalf of another U.S. person) to a non-U.S. person. • Requires any US Person relying on the GL to file a comprehensive, detailed report of each transaction to OFAC within 10 days after the expiration of the GL.

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FOOTNOTES

[1] Chairman of the Management Board of Gazprombank, which was previously designated as a Sectoral Sanctions Entity subject to Directive 1.

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