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ADVISORY

MARCH 11, 2022

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NEW U.S. SANCTIONS TARGET RUSSIAN IMPORTS, RUSSIA AND BELARUS LUXURY GOODS EXPORTS, AND MORE…

Guess what? More U.S. sanctions on Russia… Today's **Executive Order** (March 11) prohibits:

1. IMPORTS into the U.S. of fish, seafood, alcohol, and non-industrial diamonds from Russia (more items may be added later). OFAC **published** several FAQs and General Licenses related to this restriction, including: **GL17** permitting imports under pre-existing contracts through March 25; and FAQs clarifying that U.S. persons may engage in transactions to sell or re-direct shipments, and that foreign persons will not face secondary sanctions for importing Russian goods into other countries, provided that the transactions do not involve sanctioned parties.

2. EXPORT, reexport, sale, or supply, from the U.S. or by a U.S. person, of luxury goods. The term "luxury goods" is not defined in the Order, but a White House **fact sheet** identifies as examples high end-watches, luxury vehicles, high-end apparel, high-end alcohol, and jewelry. A new Commerce Department rule implements these changes and lists the affected items by tariff code – see below for details.

3. EXPORT, reexport, sale, or supply, from the U.S. or by a U.S. person, of U.S. dollar-denominated banknotes to the Russian government or any person in Russia. New **GL18** authorizes certain transactions necessary for the transfer of such banknotes for noncommercial, personal remittances, while **GL19** authorizes U.S. persons to engage in transactions necessary to personal maintenance in Russia (food, lodging, taxes, etc.).

4. New INVESTMENT by a U.S. person in any sector of the Russian economy designated as off-limits by Treasury.

5. FACILITATION, approval, financing, or guarantee by a U.S. person, of any transaction by a foreign person that would be prohibited for the United States person.

Other actions announced today include:

1. **New blocking sanctions** on billionaire banker Yuri Kovalchuk, executives of sanctioned banks, and Duma members who sponsored legislation to recognize the self-declared Donetsk People's Republic and Luhansk People's Republic. OFAC also sanctioned a yacht and a jet owned by Victor Vekselberg (the yacht is named TANGO, E5U3540, with a Cook Islands flag, IMO 1010703, and MMSI 518100626, while the jet is a 2007 A319-115 with MSN 3133 and tail number P4-MIS).

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2. White House will work with Congress to revoke Russia's Most Favored Nation status (permitting punitive tariffs on Russian goods).

3. Agreement with G7 Leaders to ensure that Russia cannot obtain financing from multilateral financial institutions including the International Monetary Fund and the World Bank.

The new luxury goods export rule (15 CFR 746.10) imposes an export license requirement (and presumption of denial for license requests) for "luxury goods" that are subject to the EAR when: (1) transferred to or within Russia or Belarus; or (2) transferred anywhere in the world to Russian and Belarusian parties subject to certain Russia- or Ukraine-related U.S. sanctions (or when such persons are a "party" to the transaction, i.e., purchaser, end user, consignee, or even intermediate consignee).

Affected goods are identified by description and tariff code in new Supplement 5 to Part 746, and include (but are not limited to): pearls, diamonds, and other gemstones; silver, gold, and certain jewelry and watches; alcohol; tobacco; snuff; nicotine products (including patches); perfume and perfume oils; make up and powder puffs for applying it; plastic products including sports gloves, racquet strings, statuettes, and parts for yachts; leather handbags, golf bags, and other leather goods; fur and feather products of various kinds; tropical woods products of various kinds; silk yarns and other silk products; carpets and tapestries; various clothing and footwear items; blankets, tents, sails, and life jackets; ceramic and glass products of various kinds; outboard engines and hydrojet engines for marine applications; motorcycles and passenger vehicles (including used) and parts; scuba gear; grand pianos and ivory products; paintings and mosaics and collages and various other artworks, regardless of age; and antiques between 100 and 250 years old.

The rule is effective immediately. However, it includes a savings clause authorizing delivery of shipments that were en route aboard a carrier, pursuant to actual purchase orders, on or before March 11. No license exceptions are available except BAG, **15 CFR 740.14** (basically for personal effects during travel) and a limited portion of AVS, **15 CFR 740.15(b)(3)(v)**, permitting third country airlines not registered in, owned, controlled, chartered or leased by Russia, Belarus, or a national thereof, to carry such goods as saloon stores and supplies (so the duty free cart will not be empty…).