

E-ALERT | International Trade Controls

April 28, 2014

RECENT DEVELOPMENTS IN SANCTIONS RELATING TO UKRAINE

The United States government today imposed sanctions on seven additional senior Russian government officials and 17 additional entities in response to the continuation of the crisis in Ukraine. The individuals targeted include two members of Russian President Vladimir Putin's inner circle and the President and Chairman of the Management Board of Rosneft Oil, a Russian-state-owned enterprise that is one of the world's largest publicly traded petroleum companies. Rosneft, however, has not been sanctioned. The entities targeted—which include oil, gas, and construction companies, as well as banks—were all designated as a result of being owned or controlled by previously designated parties.

The new sanctions were imposed pursuant to [Executive Order 13661](#), which was signed by President Obama on March 16, 2014 and summarized in our [e-alert](#) of March 18, 2014. E.O. 13661 authorizes sanctions on, among others, officials of the Russian Government and any individual or entity that is owned or controlled by, that has acted for or on behalf of, or that has provided material or other support to, a senior Russian government official.

In addition to these designations, the U.S. State and Commerce Departments have announced a new policy to deny licenses for exports or reexports to Russia or occupied Crimea of any high-technology items that could contribute to Russia's military capabilities. Those Departments also will revoke any existing licenses that meet these criteria. Further, the Commerce Department also imposed additional restrictions on 13 of the 17 newly sanctioned entities by naming these companies to its Entity List. This Commerce Department designation imposes a license requirement with a presumption of denial for the export, reexport, or other transfer to these companies of items that are U.S.-origin or otherwise subject to the Export Administration Regulations ("EAR").

The new actions come in the wake of a series of provocative acts over the past week that continue to destabilize Ukraine, including the detention of several Organization for Security and Cooperation in Europe observers by pro-Russian separatists in Eastern Ukraine. The U.S. government has emphasized that the sanctions have been imposed because Russia has not honored the commitments it made at the April 17 meeting in Geneva that sought to de-escalate the situation in Ukraine.

Also today, the Council of the European Union ("EU Council") [extended](#) the EU asset freezing measures and visa bans to 15 additional individuals deemed by the EU as responsible for threats to the territorial integrity, sovereignty, and independence of Ukraine. The EU will publish the names of those individuals in its Official Journal on April 29, 2014.

The U.S. and EU actions were not taken in isolation. On April 26, 2014, two other members of the G-7 group of countries—Canada and Japan—also said they would expand their sanctions on Russia. Today, Canada announced [sanctions](#) on nine Russian individuals, including Arkady and Boris Rotenberg, and two Russian banks, ExpoBank and RosEnergoBank.

ADDITIONAL U.S. DESIGNATIONS

In addition to the President and Chairman of the Management Board of Rosneft, the individuals and entities newly designated for sanctions by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") include Russian government officials, banks, investment companies, and companies in the construction, beverage, and transportation industries. The newly designated entities include 11 companies owned or controlled by Gennady Timchenko, who was previously designated under a Ukraine-related executive order. The newly designated parties are as follows:

Individuals

1. **Oleg Belavencev:** Belavencev was appointed by President Putin as Russia's Presidential Envoy to Crimea on March 21, 2014.
2. **Sergei Chemezov:** Chemezov is the Director General of the State Corporation for Promoting Development, Manufacturing and Export of Russian Technologies High-Tech Industrial Products, also known as Rostec. Rostec has not been sanctioned. Chemezov is a trusted ally of President Putin and was one of the Russian Government's nominees for the Board of Directors of Rosneft. He was selected for the Rosneft Board on June 20, 2013.
3. **Dmitry Kozak:** Kozak is a Deputy Prime Minister of the Russian Federation. Kozak has served in a number of capacities in the Russian Federation since 1999, including as Chief of the Government Staff and Minister of Regional Development.
4. **Evgeniy Murov:** Murov is the Director of Russia's Federal Protective Service and an Army General. Murov has worked in Russian state security services since 1971 and became Head and Director of the Federal Protective Service in May 2000.
5. **Aleksei Pushkov:** Pushkov has been a Deputy of the State Duma since December 4, 2011. He is also the Chairman of the State Duma Committee on International Affairs.
6. **Igor Sechin:** Sechin is the President and Chairman of the Management Board of Rosneft. (As noted above, Rosneft itself has not been sanctioned.) Sechin was formerly the Deputy Prime Minister of the Russian Federation from 2008 until 2012 and was the Deputy Chief of Staff for President Putin from 2004-2008.
7. **Vyacheslav Volodin:** Volodin is the First Deputy Chief of Staff of the Presidential Executive Office.

Entities

1. **InvestCapitalBank:** This entity is controlled by Arkady and Boris Rotenberg, who were designated on March 20, 2014 pursuant to E.O. 13661 for acting for or on behalf of or materially assisting, sponsoring, or providing financial, material, or technological support for, or goods and services to or in support of, a senior official of the Government of the Russian Federation.
2. **SMP Bank:** Like InvestCapitalBank, this entity is controlled by Arkady and Boris Rotenberg, who were designated on March 20, 2014 pursuant to E.O. 13661.
3. **Stroygazmontazh (SGM Group):** SGM Group is a gas pipeline construction company owned or controlled by Arkady Rotenberg.
4. **Volga Group:** The Volga Group is owned or controlled by Gennady Timchenko. Mr. Timchenko was designated on March 20, 2014 pursuant to E.O. 13661 for acting for or on behalf of or materially assisting, sponsoring, or providing financial, material, or technological support for, or goods and services to or in support of, a senior official of the Government of the Russian

Federation. Mr. Timchenko is the sole shareholder of the Volga Group, an investment strategy group that holds interest in a variety of assets on behalf of Mr. Timchenko.

5. **Transoil:** Transoil is a Russia-based rail freight operator that specializes in the transportation of oil and oil products. Transoil is owned or controlled by the Volga Group and Mr. Timchenko.
6. **Aquanika (Russkoye Vremya LLC):** Aquanika is a Russia-based mineral water and soft drink company that is owned or controlled by the Volga Group and Mr. Timchenko. Aquanika produces drinks under several trade names, including Aquanika.
7. **Sakhatrans LLC:** Sakhatrans LLC is a transportation company engaged in the construction of the bulk terminal for coal and iron ore exports in Muchka Bay near Vanino in Russia's far east. Sakhatrans LLC is owned or controlled by the Volga Group and Mr. Timchenko.
8. **Avia Group LLC:** Avia Group LLC is involved in ground infrastructure for the Business Aviation Center at Sheremetyevo International Airport in Moscow offering aircraft maintenance services, including aircraft storage and organization support services for flight operations. Avia Group LLC is owned or controlled by the Volga Group and Mr. Timchenko.
9. **Avia Group Nord LLC:** Avia Group Nord LLC provides management services for corporate aviation at Pulkovo International Airport in Saint Petersburg, Russia. Avia Group Nord LLC is owned or controlled by the Volga Group and Mr. Timchenko.
10. **Stroytransgaz Holding:** Stroytransgaz Holding is a holding company for construction assets and is owned or controlled by the Volga Group and Mr. Timchenko.
11. **Stroytransgaz Group:** Stroytransgaz Group is a Russian construction group, comprising a number of business entities that specialize in different aspects of the construction industry. Stroytransgaz Group is owned or controlled by the Volga Group and Mr. Timchenko.
12. **Stroytransgaz OJSC:** Stroytransgaz OJSC is an electricity construction company. Stroytransgaz OJSC is owned or controlled by the Stroytransgaz Group, the Volga Group, and Mr. Timchenko.
13. **Stroytransgaz-M LLC:** Stroytransgaz-M LLC is an industrial construction company focused on oil, gas, petrochemical, and other civil engineering projects. Stroytransgaz-M LLC is owned or controlled by the Stroytransgaz Group, the Volga Group, and Mr. Timchenko.
14. **Stroytransgaz LLC:** Stroytransgaz LLC is an infrastructure construction company. Stroytransgaz LLC is owned or controlled by the Stroytransgaz Group, the Volga Group, and Mr. Timchenko.
15. **The Limited Liability Company Investment Company Abros:** The Limited Liability Company Investment Company Abros is owned or controlled by Bank Rossiya. Bank Rossiya was designated on March 20, 2014 pursuant to E.O. 13661 for acting for or on behalf of or materially assisting, sponsoring, or providing financial, material, or technological support for, or goods and services to or in support of, a senior official of the Government of the Russian Federation. Bank Rossiya was also designated for being owned or controlled by Yuri Kovalchuk, who was designated on March 20, 2014 pursuant to E.O. 13661.
16. **CJSC Zest:** CJSC Zest is being designated for being owned or controlled by Bank Rossiya.
17. **JSB Sobinbank:** JSB Sobinbank is being designated for being owned or controlled by Bank Rossiya.

The property and property interests of designated parties that are or come into the United States or the possession or control of a U.S. person are blocked and cannot be dealt in absent licensing or other authorization from OFAC. As a result, the designations effectively prohibit U.S. persons from engaging in any business or financial dealings with the designated persons or, under OFAC policy, with any entity in which any designated person owns a 50% or greater interest (regardless of whether such entities are themselves designated). The designated individuals are also subject to a visa ban,

and will be denied entry into the United States. The designations will also impact non-U.S. companies because U.S. banks will no longer process transactions involving a designated person or entities in which a designated person owns a 50% or greater interest.

OTHER U.S. RESTRICTIONS ON TRADE WITH RUSSIA

In addition to the new OFAC designations, the U.S. State Department has implemented additional restrictive measures on defense exports to Russia. Effective immediately, the U.S. State Department's Directorate of Defense Trade Controls ("DDTC") will deny licenses to export or reexport to Russia or occupied Crimea high-technology defense articles or defense services regulated under the U.S. Munitions List that contribute to Russia's military capabilities. In addition, DDTC is taking actions to revoke any existing licenses which meet these criteria. All other pending license applications and existing licenses will receive a case-by-case evaluation to determine their contribution to Russia's military capabilities.

Meanwhile, the U.S. Commerce Department's Bureau of Industry and Security ("BIS") also announced on April 28 that it will deny licenses to export or reexport any high-technology items subject to the EAR—which includes U.S.-origin items and non-U.S. items with more than *de minimis* controlled U.S. content by value—to Russia or occupied Crimea, where such items contribute to Russia's military capabilities. Like DDTC, BIS is taking actions to revoke any existing export licenses which meet these criteria, and all other pending license applications and existing licenses will receive a case-by-case evaluation to determine their contribution to Russia's military capabilities.

In addition, BIS has added 13 of the 17 entities newly designated by OFAC to its [Entity List](#) based on a determination they are involved, or pose a significant risk of becoming involved, in activities contrary to the national security and foreign policy interests of the United States. As a result, any person, including any non-U.S. person, that wishes to export, reexport, or transfer to these entities any items subject to the EAR must first obtain a license from BIS. Applications for such licenses will be subject to a "presumption of denial."

The 13 entities added to the BIS Entity List are: Stroytransgaz Holding (located in Cyprus); Volga Group (located in Luxembourg and Russia); and Aquanika, Avia Group LLC, Avia Group Nord LLC, CJSC Zest, Sakhatrans LLC, Stroygazmontazh, Stroytransgaz Group, Stroytransgaz LLC, Stroytransgaz-M LLC, Stroytransgaz OJSC, and Transoil (located in Russia).

ADDITIONAL EU DESIGNATIONS

Separately, the EU Council extended the EU asset freezing measures and visa bans imposed by Regulation 269/2014 to a further 15 individuals deemed by the EU as responsible for threats to the territorial integrity, sovereignty, and independence of Ukraine.

The EU has yet to make public the names of the newly designated persons. The EU will publish the names in its Official Journal on April 29, 2014. Based on press reports, the EU list is limited to government officials, and does not include business executives supporting the Russian regime or commercial entities.

POTENTIAL ADDITIONAL DEVELOPMENTS IN U.S. AND EU SANCTIONS RELATING TO UKRAINE

U.S. officials have emphasized that the United States will continue to ramp up pressure on Russia if the Russian leadership continues engaging in what the United States considers provocative acts instead of de-escalating the situation in Ukraine, and next steps could include wider sanctions

against key sectors of the Russian economy. As described in [our e-alert of March 21](#), President Obama already has signed an executive order authorizing the imposition of sanctions against individuals and entities operating in key sectors of the Russian economy, such as financial services, energy, metals and mining, engineering, and defense, which positions OFAC to expand sanctions quickly as the situation in Ukraine evolves and particularly if there is further Russian military intervention in Ukraine.

If the situation in Ukraine deteriorates further, the EU may similarly impose additional sanctions against Russia. As a last resort, the EU may impose a broader range of sanctions targeted at the Russian financial and energy sectors, as suggested by the [EU Council's April 14, 2014 conclusions](#).

It also is possible that Russia may impose sanctions against U.S. and/or EU individuals or entities in retaliation for the latest round of sanctions, as it did when it imposed sanctions on Senator John McCain, Senator Mary Landrieu, and others in response to U.S. sanctions imposed on March 20.

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We are following developments in Ukraine closely and will provide further updates as events unfold. Our U.S. and EU offices have deep expertise in the application of U.S. and EU sanctions, and we are well-positioned to advise companies and individuals on compliance with the sanctions relating to Ukraine, as well as on the broader impact of the Ukraine crisis on foreign investment and other commercial and legal interests in Ukraine, Russia, and elsewhere in the region.

If you have any questions concerning the material discussed in this client alert, please contact the following members of our international trade controls practice group:

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