

E-ALERT | International Trade Controls

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OFAC PUBLISHES NEW SYRIA AND UKRAINE SANCTIONS REGULATIONS; DESIGNATES RUSSIAN BANK FOR ITS INVOLVEMENT IN SYRIAN UNREST

The U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") recently published a [final rule](#) amending and reissuing in their entirety the Syrian Sanctions Regulations ("SSR"), 31 C.F.R. Part 542. The reissued SSR contain six new general licenses, including one that authorizes the provision by a U.S. person or from the United States of services ordinarily incident to the supply to Syria of non-U.S. food, medicine, and medical devices that are non-sensitive in nature.

In addition, OFAC last week issued new [Ukraine-Related Sanctions Regulations](#) to implement executive orders that the Administration issued in March 2014, and designated a Russian bank (Tempbank) and the Chairman of its Management Committee (Mikhail Georgievich Gagloev) for providing material support and services to the Government of Syria.

BACKGROUND ON SYRIAN SANCTIONS REGULATIONS

Syria has been the target of U.S. economic sanctions since it was designated as a state sponsor of terrorism in 1979. The SSR, which first went into effect in April 2005, constitute one of the primary regulatory regimes that implements these sanctions. (The Commerce Department's Export Administration Regulations ("EAR") also broadly prohibit, absent licensing, exports and reexports to Syria of most items, other than food and non-sensitive medicines, that are of U.S.-origin or that incorporate more than *de minimis* U.S.-origin content.) Since the original issuance of the SSR in 2005, the Bush and Obama Administrations have issued executive orders broadening the U.S. sanctions against Syria by imposing new blocking measures and other trade restrictions. OFAC also has issued a number of general licenses authorizing certain otherwise prohibited transactions. These developments had created a complex patchwork of authorities imposing sanctions on Syria. OFAC's overhaul of the SSR combines many of these authorities into a single, unified, and up-to-date set of regulations.

INCORPORATED EXECUTIVE ORDERS

The reissued SSR, which went into effect on May 2, 2014, incorporate asset-blocking measures and other trade restrictions imposed under six executive orders issued between 2006 and 2012. As a result, Section 542.201 of the SSR now requires the blocking of all property and interests in property of the Government of Syria (including its agencies, instrumentalities, and controlled entities) that are or hereafter come into the United States or the possession or control of a U.S. person, as well as such assets of Specially Designated Nationals ("SDNs") sanctioned because they were determined to have undertaken activities specified in the executive orders. U.S. persons may not transfer, pay, export, withdraw, or otherwise deal in such blocked property. Consistent with OFAC guidance with respect to numerous sanctions programs, SSR § 542.411 clarifies that if a person whose assets are blocked under Section 542.201 owns, directly or indirectly, a 50 percent or greater interest in an entity, that entity's assets are also blocked even if that entity is not added to the SDN List.

The SSR also now contain certain other trade restrictions originally imposed by [Executive Order 13582](#) (effective August 18, 2011), which we discussed in our [e-alert](#) of August 19, 2011. These restrictions prohibit:

- U.S. persons, wherever located, from making new investments in Syria (§ 542.206) ;
- The export, reexport, sale, or supply, directly or indirectly, by a U.S. person or from the United States of any services to Syria (§ 542.207);
- The importation into the United States of Syrian-origin petroleum or petroleum products (§ 542.208);
- U.S. persons from engaging in any transaction or dealing related to Syrian-origin petroleum or petroleum products (§ 542.209); and
- U.S. persons from approving, financing, facilitating, or guaranteeing a transaction by a foreign person that would be prohibited if performed by a U.S. person or within the United States (§ 542.210).

GENERAL LICENSES AND STATEMENTS OF LICENSING POLICY

In addition to incorporating prior executive orders, the reissued SSR incorporate (at Sections 542.509 through 542.520 and 542.523) a number of general licenses that were previously posted on OFAC's website, and add six new general licenses and three new statements of licensing policy. The new general licenses authorize the following transactions:

- With certain limitations, the receipt of payment of professional fees and reimbursement of incurred expenses for the provision of authorized legal services to or on behalf of the Government of Syria and other blocked parties (§ 542.508);
- All transactions in the United States between U.S. persons and persons who have been granted certain categories of U.S. visas; services in connection with the filing of applications for such visas; and services provided by accredited U.S. graduate and undergraduate degree-granting institutions for the filing and processing of applications to enroll in the institutions, and the acceptance of payments for submitted applications to enroll and tuition from persons ordinarily resident in Syria (§ 542.521);
- Otherwise prohibited transactions between blocked SDNs and employees, grantees, or contractors of the U.S. federal government that are for official government business (§ 542.522);
- The following services provided in the United States to non-Syrian carriers transporting passengers or goods to or from Syria (but not the Government of Syria or blocked parties): bunkers and bunkering services, services supplied or performed in the course of emergency repairs, and services supplied or performed under circumstances which could not be anticipated prior to the carrier's departure for the United States (§ 542.524);
- The provision by a U.S. person or from the United States of services ordinarily incident to the supply to Syria of non-U.S.-origin food, medicine, and medical devices that would be classified EAR99 if subject to the EAR (§ 542.525); and
- Certain services related to conferences, performances, exhibitions, or similar events in the United States or a third country attended by persons who are ordinarily resident in Syria, other than the Government of Syria or blocked parties (§ 542.526).

The new general license found at Section 542.525 is a particularly noteworthy development, as it eliminates an anomaly in the prior sanctions regime's licensing requirements. Under the general license now found at Section 542.510, U.S. persons are authorized to be involved in and facilitate

the supply to Syria of food, medicines and medical devices authorized for supply to Syria by the U.S. Commerce Department. However, because the Commerce Department regulations do not apply to exports to Syria of most non-U.S.-origin items that contain 10 percent or less U.S. content by value, U.S. persons were not permitted by the OFAC general license to facilitate the supply of such non-U.S.-origin items to Syria; rather, a specific OFAC license was required. The new general license authorizes the provision of services by a U.S. person or from the United States related to the export and reexport to Syria of non-U.S.-origin food, medicines, and medical devices that would be classified EAR99 if subject to the EAR.

In addition, three new statements of licensing policy contained in the SSR clarify that specific licenses may be issued by OFAC on a case-by-case basis authorizing: (1) certain transactions involving Syria's telecommunications sector that are otherwise prohibited by the SSR, in order to enable private persons in Syria to better and more securely access the Internet (§ 542.527); (2) certain transactions involving Syria's agricultural sector that are otherwise prohibited by the SSR, in order to strengthen that sector in light of Syria's food "insecur[ity]" (§ 542.528); and (3) certain transactions that are otherwise prohibited by Sections 542.206 through 542.210 of the SSR, including new investment related to Syrian petroleum and petroleum products for the benefit of the National Coalition of Syrian Revolutionary and Opposition Forces (§ 542.529).

NEW SYRIA-RELATED DESIGNATIONS

In addition to reissuing the SSR, on May 8, 2014, OFAC announced 10 [new Syria-related designations](#). These designations included six Syrian government officials and two Syrian refineries. OFAC also designated a Russian Bank (Tempbank) and the Chairman of its Management Committee (Mikhail Georgievich Gagloev) pursuant to Executive Order 13582 for providing material support and services to the Government of Syria, including the Central Bank of Syria and SYTROL, Syria's state oil marketing firm. The Treasury Department statement announcing the designations noted that Tempbank has provided millions of dollars and facilitated the provision of financial services to the Syrian regime, and that Mr. Gagloev personally travelled to Damascus to make deals with the Syrian regime on behalf of Tempbank.

As a result of these designations, U.S. persons are generally prohibited from engaging in any transactions or dealings with these parties, and the property and property interests of these parties that are or come into the United States or the possession or control of a U.S. person are blocked. Further, the sanctions apply to any entity in which any designated person owns a 50 percent or greater interest (regardless of whether such entity is itself designated).

PUBLICATION OF UKRAINE-RELATED SANCTIONS REGULATIONS

Also on May 8, OFAC issued new [Ukraine-Related Sanctions Regulations](#) at 31 C.F.R. Part 589 to implement executive orders issued in March 2014 (EOs 13660, 13661, and 13662, which were the subject of our prior e-alerts on [March 6, 2014](#), [March 18, 2014](#), and [March 21, 2014](#)).

The newly issued regulations, which were effective immediately, do not substantively change the scope of the Ukraine-related sanctions program, but do provide directions for management of blocked funds and property, definitions, interpretations, and limited general licenses. The general licenses authorize transactions such as certain transfers of property between blocked accounts in a U.S. financial institution, debits from blocked accounts by a U.S. financial institution for normal service charges, the provision of certain legal services, the receipt of certain payments for the provision of authorized legal services, and the provision of emergency medical services in the United States.

OFAC stated that these regulations were being published in abbreviated form, and that it intends to supplement them with a more comprehensive set of regulations, which may include additional definitions, interpretive guidance, general licenses, and statements of licensing policy.

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We are following developments in Syria, Russia, and Ukraine closely and will provide further updates as events unfold. We are well-positioned to advise clients regarding the application of the amended and reissued SSR and the modified licensing requirements, as well the sanctions relating to Ukraine and Russia

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