



# ONPOINT / A legal update from Dechert

May 2018

## OFAC Issues Important Updates and Clarifications to Russia Sanctions

The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury issued updated general licenses and related guidance in connection with sanctions imposed in April on certain Russian individuals and entities on May 1, 2018. The updated authorizations and clarifications help address certain challenges being faced by U.S. asset managers and other persons affected by the recent sanctions, though many issues remain unresolved. Our prior OnPoint summarizing the April sanctions and related general licenses is [available here](#).

### Key Aspects of Updated Authorizations and Guidance

[Amended General License 13A](#), which authorizes activities related to the divestment or transfer of equity, debt, or holdings in certain sanctioned Russian entities, makes several important changes to the prior version:

- The deadline to conduct authorized divestment or transfer activities has been extended until **June 6, 2018** (from the original May 7 deadline);
- While the original version of the license only authorized divestment or transfer of debt, equity, or other holdings in EN+ Group, GAZ Group, or United Company RUSAL, the amended version covers debt, equity, or holdings issued by any entity in which those companies hold an interest of 50% or more as long as the securities of such subsidiaries were issued by **Irkutskenergo, GAZ Auto Plant, or Rusal Capital Designated Activity Company**;
- [OFAC also explicitly confirmed](#) that U.S. persons are authorized to engage in certain **intermediate purchases of, or investments in**, debt, equity, or other holdings in covered entities that are **in furtherance of authorized divestment activities** – in particular, U.S. persons are authorized to purchase securities of covered sanctioned entities and deliver them to a counterparty to close out a short position.

[Amended General License 12B](#), which authorizes transactions and activities related to maintenance or wind down of activities with certain sanctioned Russian entities, also makes certain changes to the prior version:

- To address challenges faced by blocked U.S. persons (e.g., U.S. subsidiaries of sanctioned Russian entities covered under General License 12) in accessing funds to engage in authorized maintenance and wind down activities, originating and intermediary U.S. financial institutions are now explicitly authorized to **process funds transfers to a U.S. account of a blocked U.S. person and release funds from such accounts** in furtherance of authorized maintenance or wind-down purposes.
- [OFAC also clarified](#) that while exports from the United States to covered sanctioned entities remain prohibited, **the export of goods from third countries** to covered sanctioned entities generally is permitted. Such activity also does not pose heightened risk under U.S. secondary sanctions related to facilitating significant transactions for or on behalf of Russian sanctioned entities, provided the transactions are maintenance or wind down in nature and occur before June 5.

## How Dechert Can Assist

Any company or person engaging in business with Russia should be aware of the sanctions environment and risks to transactions as a result thereof. Russian businesses also should consider how best to proactively address perceived sanctions risks related to doing business in Russia generally, in specific Russian industries, or with specific Russian individuals and entities. Dechert will continue to monitor sanctions-related developments and issue updates as appropriate.

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