

# ClientAlert

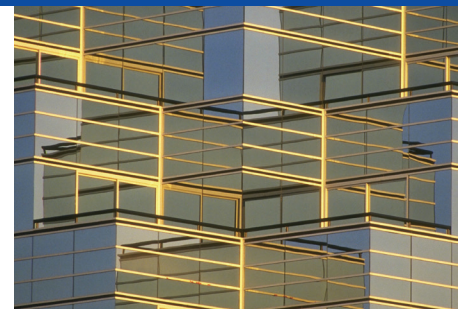
## International Trade

September 2014

### United States Tightens Sanctions Against Russian Financial, Defense, and Energy Sectors

On September 12, 2014, the United States issued another round of targeted sanctions against the Russian financial, defense, and energy sectors. Today's measures were a combination of new measures and modifications of prior measures issued pursuant to [Executive Order 13662](#) (EO 13662), including:

- **Financial Services Sector** – Directive 1 has been modified to further restrict prohibited “new debt” with a maturity exceeding 30 days.
- **Defense Sector** – New Directive 3 prohibits “new debt” with a maturity exceeding 30 days issued by listed defense companies.
- **Energy Sector** – Directive 2 remains intact and contains what OFAC refers to as “technical and non-substantive” amendments. New Directive 4 prohibits the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for certain Russian oil projects (deepwater, Arctic offshore, or shale projects).
- All Directives include evasion, avoidance, attempt, and conspiracy prohibitions. Directives 1 – 3 also include prohibitions on all financing in support of or any dealing in—including the provision of services in support of—prohibited “new debt” and/or “new equity.”
- With respect to Directives 1 and 2, as amended, all activities related to new debt and/or new equity issued before September 12, 2014 that would have been prohibited by the prior versions of these Directives remain prohibited.
- **General License 1A** replaces and supersedes General License 1 to authorize transactions involving certain derivative products by US persons with entities designated pursuant to Directives 1 and 2 (as amended) and new Directive 3.
- New **General License 2** authorizes through 12:01 a.m. EDT on September 26, 2014 certain activities prohibited by Directive 4 that are ordinarily incident and necessary to the wind down of operations, contracts, or other agreements involving entities designated pursuant to Directive 4.
- **Further Export Restrictions** – Further export control restrictions, including the addition of ten Russian defense and energy companies to the Entity List, have been imposed.

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The United States has added a number of entities to the Sectoral Sanctions Identifications List (SSI List) pursuant to the above amended and new Directives. Today's measures also add entities to the List of Specially Designated Nationals and Blocked Persons (SDN List). Both lists are administered by the US Treasury Department's Office of Foreign Assets Control (OFAC). The prohibitions applicable to entities designated under the Directives and blocked on the SDN List also apply to entities in which designated/blocked persons, either individually or in the aggregate, have a 50 percent or greater ownership interest.<sup>1</sup>

### Financial Services Sectoral Sanctions: Directive 1 (As Amended)

On July 16, 2014, OFAC introduced Directive 1, which prohibited the following transactions by US persons<sup>2</sup> or within the United States: transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or new equity, if that debt or equity was issued on or after the date of designation ("new debt" or "new equity") for persons named under Directive 1, their property, or their interests in property.<sup>3</sup> On September 12, 2014, OFAC amended [Directive 1](#) to tighten these debt financing restrictions by prohibiting the following activities by a US person or within the United States: all transactions in, provision of financing for, or other dealings in new debt of longer than 30 days maturity of persons determined to be subject to Directive 1, their property, or their interests in property. The July 16 new equity prohibitions remain intact.

The new restrictions under amended Directive 1 apply to five previously designated Russian banks and one newly designated bank, Sberbank of Russia. These banks are as follows:

- SBERBANK OF RUSSIA (f.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO SBERBANK ROSSII; a.k.a. SBERBANK ROSSII; f.k.a. SBERBANK ROSSII OAO), 19 ul. Vavilova, Moscow 117997, Russia; SWIFT/BIC SABRRUMM [UKRAINE-EO13662].
- BANK OF MOSCOW (f.k.a. AKTSIONERNY KOMMERCHESKI BANK BANK MOSKVY, OTKRYTOE AKTSIONERNOE OBSHCHESTVO; a.k.a. JOINT STOCK COMMERCIAL BANK – BANK OF MOSCOW, OPEN JOINT STOCK COMPANY), 8/15 Korp. 3 ul. Rozhdestvenka, Moscow 107996, Russia; Bld 3 8/15, Rozhdestvenka St., Moscow 107996, Russia; SWIFT/BIC MOSW RU MM; Website [www.bm.ru](http://www.bm.ru); Email Address [holmogorov\\_ss@mmbank.ru](mailto:holmogorov_ss@mmbank.ru);
- alt. Email Address [info@mmbank.ru](mailto:info@mmbank.ru); BIK (RU) 044525219; Executive Order 13662 Directive Determination – Subject to Directive 1; Registration ID 1027700159497; Government Gazette Number 29292940 [UKRAINE-EO13662].
- GAZPROMBANK OAO (a.k.a. GAZPROMBANK GAS INDUSTRY OJSC; a.k.a. GAZPROMBANK OJSC; a.k.a. GAZPROMBANK OPEN JOINT STOCK COMPANY; a.k.a. GAZPROMBANK OTKRYTOE AKTSIONERNOE OBSHCHESTVO; a.k.a. GPB, OAO; a.k.a. GPB, OJSC), 16, Building 1, Nametkina St., Moscow 117420, Russia; 63, Novocheremushkinskaya St., Moscow 117418, Russia; SWIFT/BIC GAZPRUMM; Website [www.gazprombank.ru](http://www.gazprombank.ru); Email Address [mailbox@gazprombank.ru](mailto:mailbox@gazprombank.ru); Executive Order 13662 Directive Determination – Subject to Directive 1; Registration ID 1027700167110; Tax ID No. 7744001497; Government Gazette Number 09807684 [UKRAINE-EO13662].
- RUSSIAN AGRICULTURAL BANK (f.k.a. OTKRYTOE AKTSIONERNOE ROSSISKI SELSKOKHOZYAISTVENNY BANK; a.k.a. ROSSELKHOZBANK; a.k.a. ROSSIYSKI SELSKOKHOZYAISTVENNY BANK OAO; a.k.a. RUSSIAN AGRICULTURAL BANK OAO), 3, Gagarinsky Pereulok, Moscow 119034, Russia; 3 Gagarinsky per., Moscow 119034, Russia; SWIFT/BIC RUAG RU MM; Website <http://www.rshb.ru>; Email Address [office@rshb.ru](mailto:office@rshb.ru); Executive Order 13662 Directive Determination – Subject to Directive 1; Registration ID 1027700342890; Government Gazette Number 52750822 [UKRAINE-EO13662].
- VNESHNECONOMBANK (a.k.a. BANK FOR DEVELOPMENT AND FOREIGN ECONOMIC AFFAIRS (VNESHNECONOMBANK) STATE CORPORATION; a.k.a. BANK RAZVITIYA I VNESHNEKONOMICHESKOI DEYATELNOSTI (VNESHNECONOMBANK) GOSUDARSTVENNAYA KORPORATSIYA; a.k.a. "VEB"), 9 Akademika Sakharova prospekt, Moscow 107996, Russia; SWIFT/BIC BFEA RU MM; Website <http://www.veb.ru>; Email Address [info@veb.ru](mailto:info@veb.ru); BIK (RU) 044525060 [UKRAINE-EO13662].
- VTB BANK OAO (f.k.a. BANK VNESHNEY TORGOVLI ROSSIYSKOY FEDERATSII, CLOSED JOINT-STOCK COMPANY; f.k.a. BANK VNESHNEY TORGOVLI RSFSR; f.k.a. BANK VNESHNEY TORGOVLI, JOINT-STOCK COMPANY; f.k.a. BANK VNESHNEY TORGOVLI, OPEN JOINT-STOCK COMPANY; a.k.a. BANK VTB OAO; a.k.a. BANK VTB, OPEN JOINT-STOCK COMPANY; a.k.a. JSC VTB BANK; f.k.a. VNESHNORGBANK; f.k.a. VNESHNORGBANK ROSSII, CLOSED JOINT-STOCK

<sup>1</sup> A copy of our recent Client Alert discussing the modified 50% Rule is available [here](#).

<sup>2</sup> A US Person is defined to include any US citizen, permanent resident alien, entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

<sup>3</sup> For purposes of these restrictions, the term "debt" includes bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers acceptances, discount notes or bills, or commercial paper. "Equity" includes stocks, share issuances, depositary receipts, or any other evidence of title or ownership.

COMPANY; a.k.a. VTB BANK, OPEN JOINT-STOCK COMPANY), 29, Bolshaya Morskaya str., St. Petersburg 190000, Russia; 37 Plyushchikha ul., Moscow 119121, Russia; 43, Vorontsovskaya str., Moscow 109044, Russia; SWIFT/BIC VTBRRUMM; Website www.vtb.com; Executive Order 13662 Directive Determination – Subject to Directive 1; Registration ID 1027739609391 (Russia); Tax ID No. 7702070139 (Russia); Government Gazette Number 00032520 (Russia); License 1000 (Russia) [UKRAINE-EO13662].

OFAC also issued new [General License 1A](#), which replaces and supersedes previously issued General License 1. General License 1A authorizes all transactions by US persons, wherever located, and transactions within the United States involving derivative products whose value is linked to an underlying asset that constitutes (1) new debt with a maturity of longer than 30 days or new equity issued by a person subject to Directive 1; (2) new debt with a maturity of longer than 90 days issued by a person subject to Directive 2; and (3) new debt with a maturity of longer than 30 days issued by a person subject to Directive 3.

## Defense and Related Materiel Sectoral Sanctions: Directive 3

The United States also issued new [Directive 3](#), which targets entities operating in Russia's defense and related materiel sector. Under Directive 3, the following activities by US persons or within the United States are prohibited: all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity of persons determined to be subject to Directive 3, their property, or their interests in property.

The following entity has been designated pursuant to Directive 3:

- ROSTEC (a.k.a. ROSTEC STATE CORPORATION; a.k.a. RUSSIAN TECHNOLOGIES; a.k.a. RUSSIAN TECHNOLOGIES STATE CORPORATION FOR ASSISTANCE TO DEVELOPMENT, PRODUCTION AND EXPORT OF ADVANCED TECHNOLOGY INDUSTRIAL PRODUCT; a.k.a. STATE CORPORATION FOR ASSISTANCE TO DEVELOPMENT, PRODUCTION AND EXPORT OF ADVANCED TECHNOLOGY INDUSTRIAL PRODUCT ROSTEKHNOLOGII; a.k.a. STATE CORPORATION ROSTEKHNOLOGII; a.k.a. STATE CORPORATION ROSTEKHNOLOGII), 24 Usacheva ul., Moscow 119048, Russia; 21 Gogolevsky Blvd., Moscow 119991, Russia; Website www.rostec.ru; Email Address info@rostec.ru; Executive Order 13662 Directive Determination – Subject to Directive 3; Registration ID 1077799030847 (Russia); Tax ID No. 7704274402 (Russia); Government Gazette Number 94137372 (Russia) [UKRAINE-EO13662].

## Energy Sectoral Sanctions: Directives 2 (As Amended) and 4

OFAC has made what it refers to as “technical and non-substantive” amendments to [Directive 2](#). Directive 2 targets the Russian energy sector and still prohibits the following activities by US persons or within the United States: all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity of persons determined to be subject to Directive 2, their property, or their interests in property. The restrictions under amended Directive 2 apply to two previously designated Russian entities and two newly designated entities, AK Transneft OAO and OJSC Gazprom Neft. The full listing of entities designated pursuant to Directive 2 is as follows:

- OAO NOVATEK (a.k.a. FINANSOVO-INVESTITSIONNAYA KOMPANIYA NOVAFININVEST OAO; a.k.a. NOVATEK), 2, Udaltsova Street, Moscow 119415, Russia; 22 A, Pobedy Street, Tarko-Sale, Yamalo-Nenets Autonomous District 629580, Russia; 22a Pobedy ul., Tarko-Sale, Purovski raion, Tyumenskaya Oblast 629850, Russia; Email Address novatek@novatek.ru; Executive Order 13662 Directive Determination – Subject to Directive 2; Registration ID 1026303117642 (Russia); Government Gazette Number 33556474 (Russia); [UKRAINE-EO13662].
- OPEN JOINT-STOCK COMPANY ROSNEFT OIL COMPANY (a.k.a. OAO ROSNEFT OIL COMPANY; a.k.a. OIL COMPANY ROSNEFT; a.k.a. OJSC ROSNEFT OIL COMPANY; a.k.a. ROSNEFT; a.k.a. ROSNEFT OIL COMPANY), 26/1 Sofiyskaya Embankment, Moscow 115035, Russia; Website www.rosneft.com; alt. Website www.rosneft.ru; Email Address postman@rosneft.ru; Executive Order 13662 Directive Determination – Subject to Directive 2; alt. Executive Order 13662 Directive Determination – Subject to Directive 4; Registration ID 1027700043502 (Russia); Tax ID No. 7706107510 (Russia); Government Gazette Number 00044428 (Russia) [UKRAINE-EO13662].
- AK TRANSNEFT OAO (a.k.a. AKTSIONERNAYA KOMPANIYA PO TRANSPORTUNEFTI TRANSNEFT OAO; a.k.a. OAO AK TRANSNEFT; a.k.a. OIL TRANSPORTING JOINT-STOCK COMPANY TRANSNEFT; a.k.a. TRANSNEFT; a.k.a. TRANSNEFT OJSC; a.k.a. TRANSNEFT, JSC), 57 B. Polyanka ul., Moscow 119180, Russia; 57 Bolshaya. Polyanka, Moscow 119180, Russia; Website www.transneft.ru; Email Address transneft@ak.transneft.ru; Executive Order 13662 Directive Determination – Subject to Directive 2; Registration ID 1027700049486; Tax ID No. 7706061801; Government Gazette Number 00044463 [UKRAINE-EO13662].

- OJSC GAZPROM NEFT (a.k.a. GAZPROM NEFT OAO; a.k.a. JSC GAZPROM NEFT; a.k.a. OPEN JOINT-STOCK COMPANY GAZPROM NEFT; f.k.a. SIBIRSKAYA NEFTYANAYA KOMPANIYA OAO), Let. A. Galernaya, 5, ul, St. Petersburg 190000, Russia; Ul. Pochtamtskaya, 3-5, St. Petersburg 190000, Russia; 3-5 Pochtamtskaya St., St. Petersburg 190000, Russia; 125 A. Profsoyuznaya Street, Moscow 117647, Russia; Website <http://www.gazprom-neft.com/>; Email Address [info@gazprom-neft.ru](mailto:info@gazprom-neft.ru); alt. Email Address [pr@gazprom-neft.ru](mailto:pr@gazprom-neft.ru); alt. Email Address [shareholders@gazprom-neft.ru](mailto:shareholders@gazprom-neft.ru); alt. Email Address [ir@gazprom-neft.ru](mailto:ir@gazprom-neft.ru); Executive Order 13662 Directive Determination – Subject to Directive 2; alt. Executive Order 13662 Directive Determination – Subject to Directive 4; Registration ID 1025501701686; Tax ID No. 5504036333; Government Gazette Number 42045241 [UKRAINE-EO13662].

**Directive 4**, which further targets the Russian energy sector, prohibits the following activities by US persons or within the United States: the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve any person determined to be subject to Directive 4, its property, or its interests in property.

OFAC has issued guidance that a project is considered to be a “deepwater” project if the project involves underwater activities at depths of more than 500 feet. Deepwater projects that have the potential to produce oil are covered, irrespective of whether the project also has the potential to produce gas. Deepwater projects that have the potential to produce gas only are not prohibited.

OFAC has also issued guidance stating that the prohibitions on the “exportation” of services include, for example, drilling services, geophysical services, geological services, logistical services, managements services, modeling capabilities, and mapping technologies. This guidance further states that the prohibitions *do not* apply to the provision of financial services, e.g., clearing transactions or providing insurance related to such activities.

Five entities have been added to the SSI List under Directive 4 as follows:

- OJSC GAZPROM NEFT (identified above with respect to amended Directive 2).
- OJSC ROSNEFT OIL COMPANY (identified above with respect to amended Directive 2).
- OPEN JOINT STOCK COMPANY GAZPROM (a.k.a. GAZPROM OAO; a.k.a. OAO GAZPROM), 16 Nametkina St., Moscow, Russia GSP-7, 117997, Russia; 16 Nametkina ul., Moscow 117991, Russia; Website [www.gazprom.ru](http://www.gazprom.ru); Email Address [gazprom@gazprom.ru](mailto:gazprom@gazprom.ru); Executive Order 13662 Directive Determination – Subject to Directive 4; Registration ID 1027700070518 (Russia); Tax ID No. 7736050003 (Russia); Government Gazette Number 00040778 (Russia) [UKRAINE-EO13662].
- LUKOIL OAO (a.k.a. LUKOIL; a.k.a. LUKOIL OIL COMPANY; a.k.a. NEFTYANAYA KOMPANIYA LUKOIL OOO; a.k.a. NK LUKOIL OAO), 11 Sretenski boulevard, Moscow 101000, Russia; Website [www.lukoil.ru](http://www.lukoil.ru); Email Address [info@lukoil.ru](mailto:info@lukoil.ru); Executive Order 13662 Directive Determination – Subject to Directive 4; Registration ID 1027700035769; Tax ID No. 7708004767; Government Gazette Number 00044434 [UKRAINE-EO13662].
- SURGUTNEFTEGAS (a.k.a. OPEN JOINT STOCK COMPANY SURGUTNEFTEGAS; a.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO SURGUTNEFTEGAZ; a.k.a. SURGUTNEFTEGAS OAO; a.k.a. SURGUTNEFTEGAS OJSC; a.k.a. SURGUTNEFTEGAZ OAO), ul. Grigoriya Kukuyevitskogo, 1, bld. 1, Khanty-Mansiysky Autonomous Okrug – Yugra, the city of Surgut, Tyumenskaya Oblast 628415, Russia; korp. 1 1 Grigoriya Kukuevitskogo ul., Surgut, Tyumenskaya oblast 628404, Russia; Street Kukuevitskogo 1, Surgut, Tyumen Region 628415, Russia; Website [www.surgutneftegas.ru](http://www.surgutneftegas.ru); Email Address [secretary@surgutneftegas.ru](mailto:secretary@surgutneftegas.ru); Executive Order 13662 Directive Determination – Subject to Directive 4 [UKRAINE-EO13662].

## General License 2: Authorizing 14-Day Wind-Down Activities in respect of Directive 4 Prohibitions and Reporting Requirements

New [General License 2](#) authorizes for 14 days all activities prohibited by Directive 4 that are “ordinarily incident and necessary to the wind down of operations, contracts, or other agreements involving [persons added to the SSI List under Directive 4] that were in effect prior to September 12, 2014.” Wind-down transactions must be completed by 12:01 a.m. EDT on September 26, 2014. General License 2 does not authorize “any new provision, exportation, or reexportation of goods, services (except for financial services), or technology except as needed to cease operations involving projects covered by Directive 4...” US persons participating in transactions authorized by General License 2 are required to file a report within 10 business days after the wind-down activities conclude.



## Entities Added to the SDN List

The United States, pursuant to [Executive Order 13661](#), designated and added to the SDN List the following defense technology firms operating in the arms or related materiel sector in Russia:

- JOINT STOCK COMPANY ALMAZ-ANTEY AIR DEFENSE CONCERN MAIN SYSTEM DESIGN BUREAU NAMED BY ACADEMICIAN A.A. RASPLETIN (a.k.a. A.A. RASPLETIN MAIN SYSTEM DESIGN BUREAU; a.k.a. ALMAZ-ANTEY GSKB; a.k.a. ALMAZ-ANTEY GSKB IMENI ACADEMICIAN A.A. RASPLETIN; a.k.a. ALMAZ-ANTEY MSDB; a.k.a. ALMAZ-ANTEY PVO 'AIR DEFENSE' CONCERN LEAD SYSTEMS DESIGN BUREAU OAO 'OPEN JOINT-STOCK COMPANY' IMENI ACADEMICIAN A.A. RASPLETIN; a.k.a. GOLOVNOYE SISTEMNOYE KONSTRUKTORSKOYE BYURO OPEN JOINT-STOCK COMPANY OF ALMAZ-ANTEY PVO CONCERN IMENI ACADEMICIAN A.A. RASPLETIN; a.k.a. JSC 'ALMAZ-ANTEY' MSDB; f.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO NAUCHNO PROIZVODSTVENNOE OBEDINENIE ALMAZ IMENI AKADEMIKA A.A. RASPLETINA; a.k.a. "GSKB"), 16-80, Leningradsky Prospect, Moscow 125190, Russia; Website <http://www.raspletin.ru/>; Email Address [info@raspletin.ru](mailto:info@raspletin.ru); Email Address [almaz\\_zakupki@mail.ru](mailto:almaz_zakupki@mail.ru) [UKRAINE-EO13661].
- JSC V. TIKHOMIROV SCIENTIFIC RESEARCH INSTITUTE OF INSTRUMENT DESIGN (a.k.a. JSC NIIP; f.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO NAUCHNO ISSLEDOVATELSKI INSTITUT PRIBOROSTROENIYA IMENI V.V. TIKHOMIROVA), 3 Ul. Gagarina, Zhukovskiy, Moskovskaya Obl 140180, Russia; Gagarin Str, 3, Zhukovskiy 140180, Russia; Website <http://www.niip.ru/>; Email Address [niip@niip.ru](mailto:niip@niip.ru); Registration ID 1025001627859; Government Gazette Number 13185231 (Russia) [UKRAINE-EO13661].
- KALININ MACHINE PLANT JSC (a.k.a. KALININ MACHINE-BUILDING PLANT OPEN JOINT-STOCK COMPANY; a.k.a. KALININ MACHINERY PLANT-BRD; a.k.a. MASHINOSTROITEL'NYI ZAVOD IM. M.I. KALININA, G. YEKATERINBURG OAO; a.k.a. MZIK OAO; a.k.a. OPEN-END JOINT-STOCK COMPANY 'KALININ MACHINERY PLANT. YEKATERINBURG'; a.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO MASHINOSTROITELNY ZAVOD IM.M.I.KALININA, G.EKATERINBURG), 18 prospekt Kosmonavtov, Ekaterinburg, Sverdlovskaya obl. 620017, Russia; Email Address [info@zik.ru](mailto:info@zik.ru) [UKRAINE-EO13661].
- MYTISHCHINSKI MASHINOSTROITELNY ZAVOD, OAO (a.k.a. JSC MYTISHCHINSKI MACHINE-BUILDING PLANT; a.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO 'MYTISHCHINSKI MASHINOSTROITELNY ZAVOD'), 4 ul. Kolontsova Mytishchi, Mytishchinskiy Raion, Moskovskayaobl 141009, Russia; UL. Koloncova, d.4, Mytishi, Moscow region 141009, Russia; Website [www.mmzavod.ru](http://www.mmzavod.ru); Email Address [mmzavod@mail.ru](mailto:mmzavod@mail.ru); Registration ID 1095029003860 (Russia); Government Gazette Number 61540868 (Russia) [UKRAINE-EO13661].
- OAO 'DOLGOPRUDNY RESEARCH PRODUCTION ENTERPRISE' (a.k.a. DOLGOPRUDNENSKOYE NPP OAO; a.k.a. DOLGOPRUDNY; a.k.a. DOLGOPRUDNY RESEARCH PRODUCTION ENTERPRISE; a.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO DOIGOPRUDNENSKOE NAUCHNO PROIZVODSTVENNOE PREDPRIYATIE), 1 Pl. Sobina, Dolgoprudny, Moskovskaya obl. 141700, Russia; Proshchad Sobina 1, Dolgoprudny 141700, Russia; Email Address [dnpp@orc.ru](mailto:dnpp@orc.ru); Registration ID 1025001202544; Tax ID No. 5008000322; Government Gazette Number 07504318 [UKRAINE-EO13661].

All property and interests in property of these entities located in the United States or within the possession or control of a US person, wherever located, are considered blocked and may not be dealt in. US persons may not engage in any dealings, directly or indirectly, with blocked parties. The provision of goods, services, or support for blocked parties is a basis for potential future designation.

## Further Export Restrictions

The United States also has further expanded export restrictions related to the Russian defense and energy sectors. The US Department of Commerce Bureau of Industry and Security (BIS) announced that it has added five entities operating in Russia's energy sector and five entities operating in Russia's defense sector to the BIS Entity List. OFAC has designated the five energy companies as SSI entities and the five defense companies as SDNs. BIS expects to issue regulations regarding the Russia-related export restrictions as early as the week of September 15, 2014.

For the five Russian energy companies, BIS is imposing a license requirement for the export, reexport, or foreign transfer of items subject to the Export Administration Regulations (EAR) to those companies when the exporter, reexporter, or transferor knows those items will be used directly or indirectly in exploration for, or production from, deepwater, Arctic offshore, or shale projects in Russia. License applications for such transactions will be reviewed with a presumption of denial when for use directly or indirectly for these projects in Russia that have the potential to produce oil. The five Russian energy sector entities added to the BIS Entity List are:

- Gazprom, OAO
- Gazpromneft
- Lukoil, OAO
- Rosneft
- Surgutneftegas

BIS also will impose a license requirement for the export, reexport, or foreign transfer of items subject to the EAR to five Russian defense companies, with a presumption of denial. BIS announced it also will require licenses for an additional group of items destined to military end uses or end users in Russia. The five defense sector entities added to the BIS Entity List are:

- Almaz-Antey Air Defense Concern Main System Design Bureau, JSC
- Tikhomirov Scientific Research Institute of Instrument Design
- Mytishchinski Mashinostroitelny Zavod, OAO
- Kalinin Machine Plant, JSC
- Dolgoprudny Research Production Enterprise

Designation on the Entity List imposes a license requirement for the export, re-export, or foreign transfer of items subject to the EAR to the designated entities, with a presumption of denial. This includes most US-origin products, as well as some non-US made items that incorporate greater than *de minimis* US-origin content and in some cases items that are the direct product of certain US-origin technology.

This policy affects not only US businesses engaged in exports to Russia, but also non-US companies engaged in exports to Russia from third countries of products that are of US-origin and that require BIS licenses. This can include products with US-origin content or made as the direct product of US-origin technology.

More information about the Russia sanctions, including the corresponding Executive Orders and sanctions measures, can be found [here](#).

Companies doing business with or exporting to Russia and Ukraine should closely monitor any measures imposed by the United States to ensure compliance. Penalties for noncompliance can be severe. We will continue to track and report on any additional sanctions developments.

## Client Alert

### International Trade

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