

CLIENT UPDATE

US AND EU EXPAND SANCTIONS AGAINST RUSSIA

LONDON

Lord Goldsmith QC
phgoldsmith@debevoise.com

Matthew Howard Getz
mgetz@debevoise.com

Jessica Gladstone
jgladstone@debevoise.com

Jane Rahman
jrahman@debevoise.com

MOSCOW

Natalia A. Drebezhina
nadrebezhina@debevoise.com

Alan V. Kartashkin
avkartashkin@debevoise.com

Alyona N. Kucher
ankucher@debevoise.com

Dmitri V. Nikiforov
dvnikiforov@debevoise.com

NEW YORK

Carl Micarelli
cmicarelli@debevoise.com

WASHINGTON, DC

Satish M. Kini
smkini@debevoise.com

Robert T. Dura
rdura@debevoise.com

In our Client Updates of [March 7](#), [March 13](#), [March 18](#), [March 20](#), [March 21](#), [March 31](#) and [April 11, 2014](#), we reported that the United States and European Union had imposed asset freezes and visa bans on certain Russian, Crimean and former Ukrainian individuals, and an asset freeze on one Russian company, in connection with the crisis in Ukraine. This week, the United States designated seven more individuals and 17 companies, and the European Union imposed sanctions on a further 15 individuals.

US SANCTIONS

The US Treasury announced that the seven individuals were designated because they are officials of the Russian government. The new designations, however, include two senior executives of state-owned companies who do not appear to hold any positions in the Russian government. Igor Sechin is the President and Chairman of the Management Board of Rosneft, one of the world's largest oil companies, and Sergei Chemezov is the Director General of Rostec, a state-owned holding company. The designation of an individual who serves as senior executive of a Russian company, absent other facts or factors, should not restrict the ability of US companies and individuals to transact with the Russian company.

The new designations also include 17 entities, all of which were designated because they are owned or controlled by persons subject to sanctions under E.O. 13661. The majority of the designated entities are linked to Gennady Timchenko, who was designated on March 20, 2014. In particular, the Volga Group, of which Mr. Timchenko is the sole shareholder, and several companies owned or controlled by the Volga Group across numerous industries are now subject to blocking sanctions. The other designated entities are linked to Arkady and Boris Rotenberg and include InvestCapitalBank, SMP Bank and Stroygazmontazh (SGM Group), a gas pipeline construction company.

As discussed in our earlier Client Updates, US law prohibits US persons—including US banks and other companies anywhere in the world—from engaging in business with the designated individuals and entities. Any of their assets in the United States or in the possession of US persons must be frozen. Blocked financial institutions will have their accounts in the United States frozen. In addition, wire transfers in US dollars are likely to be frozen because such transfers are typically routed through the United States, and no US entity will be able to provide the blocked entity any services. The same consequences will apply to any direct or indirect subsidiaries of the blocked company.

The designations were made pursuant to Executive Order 13661, which authorizes the President to impose sanctions on Russian government officials and any individuals or entities that provide support to them. Please see our [March 18 Client Update](#) for a full discussion of E.O. 13661. In total, the United States has now designated 45 individuals and 19 entities under sanctions authorized in response to events in Ukraine.

In addition to the new designations, the Departments of Commerce and State also announced tightened export controls, stating that export license applications for high-technology military items to Russia will be denied and existing licences will be revoked. The Commerce Department also placed 13 of the 17 newly designated companies on the so-called Entity List, which imposes a licensing requirement, with a presumption of denial, for the export, re-export or other foreign transfer of certain US-origin items to these companies.

EU SANCTIONS

The EU also expanded its sanctions regime by adding a further 15 names to its list of those persons designated pursuant to Council Regulation (EU) No. 269/2014 of March 17, 2014.¹ The 15 individuals have been listed because the EU either considers that they are persons responsible for “actions which undermine or threaten the territorial integrity, sovereignty

¹ Pursuant to Council Implementing Regulation (EU) No. 433/2014. The designated individuals are: Dmitry Nikolayevich Kozak, Oleg Yevgenyovich Belavantsev, Oleg Genrikhovich Savelyev, Sergei Ivanovich Menyailo, Olga Fedorovna Kovatidi, Ludmila Ivanovna Shvetsova, Sergei Ivanovich Neverov, Igor Dmitrievich Sergun, Valery Vasilevich Gerasimov, German Prokopiv, Valeriy Bolotov, Andriy Purgin, Denys Pushylin, Tsyplakov Sergey Gennadevich and Igor Strelkov (Ihor Strielkov).

and independence of Ukraine” or that they are associated with such persons. The newly designated persons include a number of Russian government officials including Dmitry Kozak (Deputy Prime Minister), Oleg Savelyev (Minister for Crimean Affairs) and Valery Gerasimov (Chief of the General Staff of the Armed Forces of the Russian Federation), and the leaders of various alleged separatist groups currently active in Ukraine.

This expansion of the list of designated persons brings the total number of people listed pursuant to Council Regulation (EU) No. 269/2014 to 48.²

The current EU sanctions relating to Russia and Ukraine prohibit EU persons, which includes persons within the EU as well as EU nationals anywhere in the world, from dealing in funds or economic resources that belong to or are controlled or held by listed individuals. EU persons are also prohibited from making funds or economic resources available to listed individuals, whether directly or indirectly.

Although the EU and the US are coordinating the expansions of their sanctions regimes, the individuals named by the EU differ from those named by the US. Only two of the individuals designated by the EU this week were also listed by the US.³ Unlike the US, the EU has not designated any entities.

We will continue to provide updates as the situation develops.

For updates on Ukraine-related sanctions, and other sanctions developments, please subscribe to the Debevoise & Plimpton LLP Sanctions Alert. The Sanctions Alert is a free, semi-monthly e-mail summary of developments in the area of economic and trade sanctions in the United States, the European Union and around the world. If you would like to subscribe, please e-mail sanctions@debevoise.com with a request to be added to the Sanctions Alert mailing list or sign up [here](#). The Firm’s sanctions-related publications can also be found at [The Sanctions Resource](#) page of our website.

* * *

Please do not hesitate to contact us with any questions.

April 29, 2014

² Council Regulation (EU) No. 269/2014 originally designated 21 individuals on March 17, 2014. On March 21, 2014 a further 12 individuals were designated pursuant to Council Implementing Regulation (EU) No. 284/2014.

³ The individuals designated by the EU today who were also designated by the US yesterday are Dmitry Nikolayevich Kozak and Oleg Yevgenyevich Belavantsev.