

Client Update

U.S. Issues Guidance on Sanctions Relating to Russia's Defense and Intelligence Sectors

On Friday, October 27, the U.S. Department of State issued [public guidance](#) on the implementation of Section 231 of the Countering America's Adversaries Through Sanctions Act (CAATSA). Section 231 of CAATSA requires the U.S. President to impose potential sanctions against individuals or entities that knowingly engage in "significant transactions" with persons that are a part of, or operating for or on behalf of, Russia's defense or intelligence sectors. An overview of CAATSA is provided in our [Client Update](#) of July 28, 2017.

The new guidance is accompanied by a list of entities considered to be operating in Russia's defense or intelligence sectors. The guidance indicates, however, that not all large transactions with the listed entities will be considered "significant." Rather, the State Department will focus largely on defense-related or intelligence-related transactions. Section 231 of CAATSA authorizes sanctions for conduct engaged on or after August 2, 2017, with any sanctions imposed becoming effective on or after January 29, 2018. The State Department also has stated that it intends, when possible, to "work with" persons contemplating transactions with the listed persons to help avoid sanctionable transactions.

DEFENSE AND INTELLIGENCE SECTORS

Over thirty entities, listed in the appendix to this update, are identified in the guidance as persons that are part of, or operating for or on behalf of, Russia's defense or intelligence sectors. As the State Department's guidance makes clear, the entities named in the guidance are not subject to U.S. sanctions solely by virtue of being listed, though several have previously been placed on U.S. sanctions lists. Rather, only "significant" transactions with entities on the list could potentially trigger sanctions against counterparties of those entities.

SIGNIFICANT TRANSACTIONS

The guidance discusses when a transaction is "significant" for purposes of Section 231. The State Department will assess each relevant transaction on a case-by-case basis and consider the totality of facts and circumstances surrounding the transaction. Relevant factors include:

- The significance and impact of the transaction to U.S. national security and foreign policy interests;
- The nature and magnitude of the transaction; and
- The relation of the transaction to Russia's defense and intelligence sectors.

At this stage, the State Department has stated that its focus will be on transactions “of a defense or intelligence nature” with the listed entities. Specifically, the guidance states that the following circumstances will “weigh heavily” against any finding that a transaction is significant:

- The transaction involves only goods or services having purely civilian end-uses or end-users and does not involve entities in the intelligence sector, or
- The transaction is necessary to comply with rules administered by Russia's Federal Security Service, such as obtaining required permits for the importation, distribution or use of information technology products.

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Please do not hesitate to contact us with any questions.

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APPENDIX

The tables below include all of the entities associated with Russia’s defense or intelligence sectors named in the newly-issued guidance. In addition, we have included the sanctions program that each entity is subject to and which sanctions list each entity is identified on. Where an entity is not currently subject to U.S. sanctions, we have indicated so by noting “None.” Note that, in addition to the “menu” of sanctions authorized under Section 231, persons engaging in significant transactions with blocked persons may also be subject to blocking sanctions under Section 228, for which further guidance may be forthcoming.

CAATSA Section 231(d)

List Regarding the Defense Sector of the Government of the Russian Federation

Entity	Program	List
Admiralty Shipyard JSC	UKRAINE-EO13661	SDN
Almaz-Antey Air and Space Defense Corporation JSC	UKRAINE-EO13661	SDN
Dolgoprudny Research Production JSC	UKRAINE-EO13661	SDN
Federal Research and Production Center Titan Barrikady JSC (Titan Design Bureau)	None	None
Izhevsk Mechanical Plant (Baikal)	UKRAINE-EO13661	SDN
Izhmash Concern JSC	UKRAINE-EO13661	SDN
Kalashnikov Concern JSC	UKRAINE-EO13661	SDN
Kalinin Machine Building Plant JSC (KMZ)	UKRAINE-EO13661	SDN
KBP Instrument Design Bureau	UKRAINE-EO13661	SDN
MIC NPO Mashinostroyenia	UKRAINE-EO13661	SDN
Molot Oruzhie	UKRAINE-EO13661	SDN
Mytishchinski Mashinostroitelny Zavod	UKRAINE-EO13661	SDN
Novator Experimental Design Bureau	UKRAINE-EO13661	SDN
NPO High Precision Systems JSC	UKRAINE-EO13662	SSI
NPO Splav JSC	UKRAINE-EO13662	SSI
Oboronprom OJSC	UKRAINE-EO13662	SSI
Radio-Electronic Technologies (KRET)	UKRAINE-EO13661	SDN
Radiotechnical and Information Systems (RTI) Concern	None	None
Research and Production Corporation Uralvagonzavod JSC	UKRAINE-EO13661	SDN

Entity	Program	List
Rosoboronexport OJSC (ROE)	UKRAINE-EO13662	SSI
Rostec (Russian Technologies State Corporation)	UKRAINE-EO13662	SSI
Russian Aircraft Corporation MiG	None	None
Russian Helicopters JSC	UKRAINE-EO13662	SSI
Sozvezdie Concern JSC	UKRAINE-EO13661	SDN
State Research and Production Enterprise Bazalt JSC	UKRAINE-EO13661	SDN
Sukhoi Aviation JSC	None	None
Tactical Missiles Corporation JSC	None	None
Tikhomirov Scientific Research Institute JSC	UKRAINE-EO13661	SDN
Tupolev JSC	None	None
United Aircraft Corporation	None	None
United Engine Corporation	UKRAINE-EO13662	SSI
United Instrument Manufacturing Corporation	UKRAINE-EO13662	SSI
United Shipbuilding Corporation	UKRAINE-EO13661	SDN

CAATSA Section 231(d)

List Regarding the Intelligence Sector of the Government of the Russian Federation

Entity	Program	List
Autonomous Noncommercial Professional Organization/Professional Association of Designers of Data Processing (ANO PO KSI)	CYBER2	SDN
Federal Security Service (FSB)	CYBER2	SDN
Foreign Intelligence Service (SVR)	None	None
Main Intelligence Directorate of the General Staff of the Russian Armed Forces (GRU)	CYBER2	SDN
Special Technology Center	CYBER2	SDN
Zorsecurity	CYBER2	SDN