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President Barack Obama issued a new Executive Order on Thursday addressing the crisis in Ukraine, dovetailing Executive Orders 13360 and 13361, on March 6 and March 16, respectively. This most recent action follows a recent referendum in the Crimea where voters voted in favor of annexation by Russia. This latest Executive Order substantially broadens the scope of budding U.S. sanctions against Russian entities, adding 20 individuals and a financial institution to the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals (SDN) list.

The March 20 Executive Order includes a combination of blocking provisions and U.S. visa bans on those entities and individuals deemed to have a critical role in the Russian economy as determined by the U.S. Department of the Treasury. .

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With respect to blocking, the Executive Order calls for the blocking of “all property and interests in property” coming into the United States or the possession of a U.S. person in which the following persons have an interest:

- (1) Entities operating certain sectors of the Russian economy as determined by the U.S. Secretary of the Treasury in consultation with the Secretary of State, including financial services, energy, metals, engineering and defense;
- (2) Entities that have “materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of” any of the blocked persons described above; and
- (3) Entities owned or controlled by the blocked entities.

The individuals that are blocked pursuant to the Executive Order are also subject to a visa ban.

More broadly, the Executive Order places an effective block on all transactions with the designated entities, including not only dealings, but contributions and exchanges of funds, as well as on transactions that intend to evade, avoid or violate the Executive Order.

What largely distinguishes this most recent Executive Order from its predecessors is the fact that it moves more clearly beyond Russia’s public sector to specifically give the Department of the Treasury broad discretion to designate major players in the Russian economy.

Among the newly designated entities are the Chief of Staff of President Vladimir Putin’s Presidential Executive Office, the Chairman of the Security and Defense Federation Council of the Russian Federation and other high-ranking individuals. Also notably, Bank Rossiya (formerly known as Aktsionerny Bank Russian Federation) is now on the SDN list.

Ensuring Compliance with the New Executive Order

Thursday’s action by President Obama and OFAC furthers the case for revisiting compliance. Although this nascent Russian sanctions program is effectively limited to blocking provisions and is not a country-wide program (such as those imposed on Cuba, Iran and Syria) it does involve very critical players in the Russian economy. Specifically, compliance programs are well served to be revisited, particularly for companies doing business in the Commonwealth of Independent States (CIS), but also other geographic locales heavily exposed to Russian investment and other economic involvement. Given the close relations of some government officials in Russia’s private sector, it is critical to engage in heightened due diligence, tightening Know Your Customer (KYC) policies, evaluating current business relationships with Russia, as well as screen any potential new business with entities in that country, or entities outside Russia known to have a significant nexus to that country.

U.S. Broadens Sanctions on Russian Entities As Ukraine Crisis Escalates

Any U.S. persons dealing with designated entities or entities owned or controlled by such entities should note that the effective blanket ban on transactions with such entities renders most dealings with these entities effective violations and should plan accordingly. Specific OFAC authorization may be necessary in most cases, and companies violating the terms of the Executive Order after its imposition may wish to strongly consider voluntary self-disclosures CVSOS to OFAC to help mitigate any potential penalties.

What is critical to note is that while the number of entities now placed on the SDN list as a result of the three Russia-related U.S. Executive Orders is fairly modest, the language of the Executive Orders give the U.S. Executive Branch far-reaching discretion to designate broad swaths of Russia's elite and major economic players. Accordingly, should the situation in Crimea and more generally Ukraine and Russia escalate, there is a strong likelihood that the designations could expand substantially and quickly. Therefore, businesses and other organizations should constantly monitor these developments and seek advice where necessary.

This Client Alert is intended solely for informational purposes and should in no way be construed as legal advice. If you have any questions or are unclear on any of the subject matters addressed or discussed on this Client Alert, please consult a licensed legal professional.