

**On September 12, the United States implemented another round of economic sanctions against Russia in response to the continued crisis in eastern Ukraine.**

On September 11, US President Barack Obama declared the US would “join the European Union in announcing that we will intensify our coordinated sanctions on Russia.” The US and EU have sought to impose sanctions in lockstep in order to increase economic pressure on Russia in an attempt to address the situation in Ukraine. The EU published its new sanctions today in conjunction with US government (See also Squire Patton Boggs’ summary on the EU sanctions [here](#)).

The US Department of the Treasury’s Office on Foreign Assets Control (OFAC) announced the following new measures today:

**Two New SSI List Directives Issued.**

- **Directive 3** targets the Russian defense and its related material sector. This Directive prohibits debt financing of 30 days or more for persons determined to be subject to this Directive. Rostec was added to the Sectoral Sanctions Identification (SSI) List, while the following entities are added to the Specially Designated Nationals (SDN) List: OAO ‘Dolgoprudny Research Production Enterprise,’ Mytishchinski Mashinostroitelny Zavod OAO, Kalinin Machine Plant JSC, Almaz-Antey GSKB, and JSC NIIP. The legal implications of the SDN designation means that corporation’s assets are frozen, it is prohibited from accessing the US financial system, and no US persons may participate in transactions with it.
- **Directive 4** prohibits the provision, exportation, or reexportation – directly or indirectly – of goods, services (financial services excepted), 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. The following entities were added to the SSI List: OAO Gazprom, Gazprom Neft, Transneft, Lukoil OAO, and Surgutneftegas.

**Existing SSI List Directives Amended.**

- **Directive 1** is amended to reduce the term from 90 to 30 days for which it is permissible to the prohibition to provide financing to transactions dealing in new debt related to the sanctioned banks. Dealing in new debt of longer than 30 days maturity is now also prohibited. In addition, Sberbank – Russia’s largest bank – was added to the SSI List.
- **Directive 2** is amended to reflect Transneft and Gazprom Neft were added to the SSI List. Notably, OFAC did not change the 90-day debt maturity provision in this Directive.

**Changes to General Licenses.**

- **General License 1A**, which permits transactions involving derivative products whose value is linked to an underlying asset covered by an SSI List directive, is amended to reflect the publication of Directive 3 and incorporates the 30-day debt maturity restrictions in Directive 1.

- **General License 2** is new and authorizes wind down activities incident to activities otherwise prohibited by Directive 4.

Also new is the following:

**Expanded Export Controls.**

In conjunction with OFAC, the US Department of Commerce’s Bureau of Industry and Security (BIS) also announced additional steps to further restrict trade with Russia. Five SDN-listed Russian defense sector entities were included on the BIS Entity List. An export license will be required to export to any of these entities any goods, software or technology that is subject to the Export Administration Regulations (EAR). Five SSI-listed Russian energy sector entities were also added to the BIS Entity List. Export licenses will be required to ship to these entities if the exporter knows the items intended for export will be used directly or indirectly in oil exploration or production from deepwater, Arctic offshore, or shale projects in Russia.

**What Does This Mean for You?**

Today’s development is consistent with Washington’s effort throughout the summer to remain aligned with the EU on sanctions policy toward Russia. While the new Western sanctions appear complementary, it is important to note that the legal impacts to multinational companies with Russian interests may be nuanced. Any companies conducting business with Russia should keep a close eye on the new changes and make sure that they fully comply with the new rules, while putting in place a number of sanctions checks on any transaction involving the country.

**What is Next?**

The US and EU continue to seek a diplomatic resolution to the conflict in Ukraine, and have expressed a willingness to lift sanctions if Russia fully implements its commitments under the Minsk peace process agreement. However, President Obama stated yesterday that Russia could continue to see costs imposed if the situation in Ukraine.

Congress is scheduled to be in session for one more week, before recessing to return to their respective states with many campaigning for re-election in November. The midterm elections present an opportunity for the Republicans to gain control of the US Senate from the Democrats, and pressure is mounting in both parties prior to the elections. While Congress typically focuses on domestic matters in advance of elections, the foreign policy crises – Syria, Iraq, Ukraine and Ebola – have risen in priority.

There is general bipartisan support for Ukraine in Washington. For example, Ukrainian President Petro Poroshenko will address a special joint session of Congress next Thursday (September 18) while in Washington. Sanction bills in Congress also typically garner bipartisan support and can legislatively advance rapidly, especially if Congress should feel the situation in Ukraine is deteriorating. Squire Patton Boggs is monitoring the situation and will be providing further details as they arise.

This client alert provides an update to a series of international economic sanctions alerts on the situation in Ukraine. For more information, please see prior alerts including an [overview of coordinated sanctioned imposed by the US and EU against Russia](#).

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