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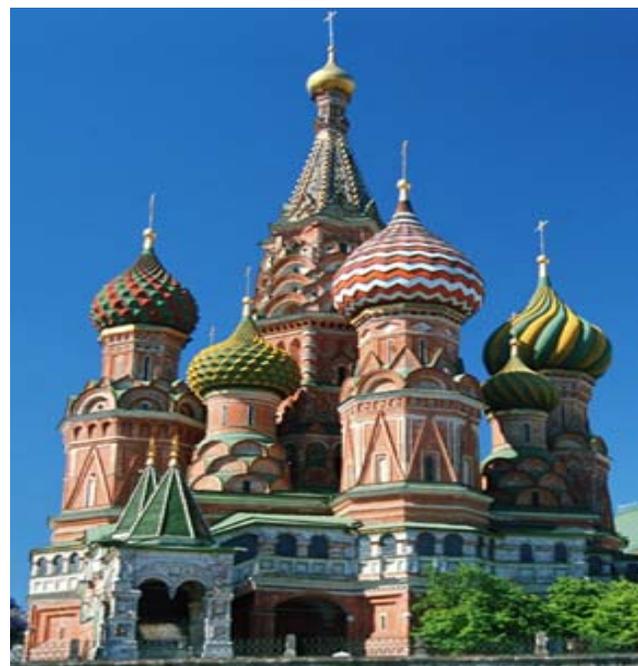
Update on Recent Russian Sanctions Enacted by the EU and US

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Ukraine Crisis: Additional US and EU Sanctions against Russia

On September 12, the United States and the European Union adopted further economic sanctions against Russia, in connection with the ongoing Ukraine crisis.



United States: September 12, 2014

Overview

- The new sanctions adopted by the United States:
 - tightened debt financing restrictions on specifically named Russian entities;
 - implemented additional restrictions on sales of certain goods, services and technology for oil-related operations; and
 - designated additional Russian entities as SDNs.
- Primarily enacted through the expansion of OFAC's "sectoral" sanction directives (initially issued on March 20, 2014 under Executive Order 13662).

United States Sectoral Sanctions

Capital Markets

- The new sanctions prohibit:
 - new debt financing with maturity greater than 30 days, or new equity financing, for designated entities including Bank of Moscow, Gazprombank, Russian Agricultural Bank, Sberbank, VEB, VTB Bank or their subsidiaries, and transactions with or dealing in such debt or equity;
 - new debt financing with maturity greater than 90 days for designated entities including Gazpromneft, Novatek, Rosneft and Transneft or their subsidiaries, and transactions with or dealing in such debt;
 - new debt financing with maturity greater than 30 days for Russian Technologies (Rostec) or its subsidiaries, and transactions with or dealing in such debt.

United States Sectoral Sanctions (con't)

Energy

- Prohibits sale, export or reexport, or other provision of goods, services (except 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 Russia, to designated entities including Gazprom, Gazpromneft, Lukoil, Rosneft and Surgutneftegas or their subsidiaries.
- As a result, the existing US export ban now covers all goods, as well as US-origin services, technical assistance and technology, in respect of such projects.
- US entities must withdraw from existing projects on or before 25 September 2014 (under OFAC General License 2, which granted a two-week period for winding-down pre-existing contracts and operations).

United States Sectoral Sanctions (con't)

- *Resources:*

- http://www.treasury.gov/resource-center/sanctions/Programs/Documents/eo13662_directive1.pdf
- http://www.treasury.gov/resource-center/sanctions/Programs/Documents/eo13662_directive2.pdf
- http://www.treasury.gov/resource-center/sanctions/Programs/Documents/eo13662_directive3.pdf
- http://www.treasury.gov/resource-center/sanctions/Programs/Documents/eo13662_directive4.pdf

United States Sectoral Sanctions (con't)

Export Restrictions

- Together with the expansion of OFAC's sectoral sanctions, the US Department of Commerce's Bureau of Industry and Security has rolled out new export restrictions.
- *Resource:*
 - <http://www.bis.doc.gov/index.php/about-bis/newsroom/press-releases/107-about-bis/newsroom/press-releases/press-release-2014/742-u-s-commerce-department-expands-export-restrictions-aimed-at-russia-s-defense-sector>

United States Direct Sanctions

SDN List

- The US “direct” sanctions have also been expanded, with a number of companies in the Russian defense sector being added to the “SDN” list. All trading with SDNs and their subsidiaries is generally prohibited.
- *Resource:*
 - <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20140912.aspx>

European Union Sectoral Sanctions

Overview

- The EU has adopted Council Regulation No. 960/2014, dated September 8, 2014 (amending Council Regulation 833/2014 of July 31, 2014).
- This expands the existing EU sanctions regime, with focus on the financial, energy and military sectors.

European Union Sectoral Sanctions

“Dual Use” or Military Goods and Services

- The banned activities include:
 - sale, supply, transfer or export, directly or indirectly, of certain “dual-use” goods and technology to nine designated Russian entities in the defense sector;
 - as listed in Annex I to EU Regulation (EC) No. 428/2009;
 - related services, technical assistance and financing also prohibited; and
 - with certain exceptions, including for pre-existing contracts or use in the aeronautics and space sector.
 - Also, provision of financing or insurance, directly or indirectly, in connection with goods or technology listed in the “Common Military List” established by the EU (or related technical assistance), to any person in Russia.

European Union Sectoral Sanctions (con't)

Other banned activities include:

Energy

- Provision of the following services for deep water oil exploration and production, Arctic oil exploration and production, or shale oil projects in Russia, directly or indirectly: drilling, well testing, logging and completion services, or supply of specialised floating vessels.
- Exceptions apply in case of pre-existing contracts or certain events threatening health or environmental impact.



European Union Sectoral Sanctions (con't)

Capital Markets

- The purchase or sale of, provision of investment services for or assistance in the issuance of, or other dealings with, certain debt or equity securities issued by designated Russian financial institutions (Gazprombank, Russian Agricultural Bank, Sberbank, VEB, VTB Bank), their subsidiaries outside the EU, or persons acting on their behalf.
- The affected securities now include shares or equivalent securities, certain bonds or other forms of “securitized debt,” or depositary receipts (collectively defined as “transferable securities”) and money-market instruments.
- The ban applies to debt securities issued from 2 August to 12 September 2014 with a maturity over 90 days, and after 12 September 2014 with a maturity over 30 days.

European Union Sectoral Sanctions (con't)

Capital Markets (2)

- The purchase or sale of, provision of investment services for or assistance in the issuance of, or other dealings with, certain debt or equity securities issued by designated Russian entities connected with military goods or services (3 entities are currently listed, including United Aircraft) or the sale or export of crude oil or petroleum products (Gazpromneft, Rosneft and Transneft are currently listed), together with their subsidiaries outside the EU, or persons acting on their behalf.
- Again, the affected securities include transferable securities and money-market instruments. The ban applies to debt securities with a maturity over 30 days.

European Union Sectoral Sanctions (con't)

Loans

- Any arrangements for new loans or credit with a maturity exceeding 30 days to any person covered under the previous two slides
 - i.e., the designated Russian financial institutions, listed entities connected with military goods or services or the sale or export of crude oil or petroleum products, their subsidiaries outside the EU, or persons acting on their behalf.
- Exceptions are provided for “loans or credit that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the [EU] and Russia, or ... to provide emergency funding to meet solvency and liquidity criteria” for EU subsidiaries of the designated Russian financial institutions.
 - However, these exceptions do not allow funding of the persons covered under the previous two slides.

European Union Sectoral Sanctions (con't)

No Circumvention

- The Regulation also bans participation in activities that have the object or effect of circumventing the above prohibitions.
- *Resource:*
 - http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.271.01.0003.01.ENG

European Union Direct Sanctions

- The EU also adopted Council Regulation No. 961/2014, dated September 8, 2014.
- The new Regulation adds 24 persons to the EU “blacklist” previously established under Regulation No. 269/2014 dated March 17, 2014.
- All trading with the listed persons (or their subsidiaries or certain other affiliates) is banned.
- *Resource:*
 - http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1410865224060&uri=OJ:JOL_2014_271_R_0003

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