

## International Trade Alert

May 8, 2018

### Key Point

- On May 1, 2018, OFAC issued General License 13A authorizing the divestment or transfer of certain debt, equity or other holdings issued by EN+ Group, GAZ Group or United Company RUSAL PLC, as well as entities in which such persons own 50 percent or greater interest, provided that such debt, equity or other holdings were issued by Irkutskenergo, GAZ Auto Plant or Rusal Capital Designated Activity Company; and extending the wind-down period to 12:01 a.m. Eastern Daylight Time on June 6, 2018
- On the same day, OFAC also issued General License 12B authorizing originating and intermediary U.S. financial institutions to process funds transfers that they would otherwise block to an account held by a blocked U.S. person at a U.S. financial institution through the wind-down period ending at 12:01 a.m. Eastern Daylight Time on June 5, 2018.



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## OFAC Issues Updated General Licenses Clarifying and Extending Authorized Activities with Russian Sanctioned Entities

### Background

On May 1, 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued [General License 12B](#) and [General License 13A](#), superseding and replacing General Licenses 12A and 13, together with Frequently Asked Questions (FAQs) addressing certain issues related to these General Licenses. These General Licenses follow [the April 6, 2018, designations](#) by OFAC of a number of Russian businessmen and entities. OFAC previously issued General Licenses 12 (superseded by 12A), 13 and 14, as amended, to allow U.S. persons to engage in maintenance and wind-down activities of operations and contracts involving such designated Russian companies if the contracts or operations predated the April 6 designations, including, in certain cases, divestment of debt, equity and other holdings.

### General License 13A

- Concurrent with the April 6 designations, OFAC issued General License 13 to authorize transactions and activities that are ordinarily incident and necessary to (1) divest or transfer debt, equity or other holdings in three of the Russian companies designated on April 6—**EN+ Group PLC, GAZ**

**Group and United Company RUSAL PLC (RUSAL)**—to a non-U.S. person; or (2) facilitate the transfer of debt, equity or other holdings in these three companies by a non-U.S. person to another non-U.S. person.

- On May 1, 2018, OFAC issued General License 13A, which extends the authorized transfer and divestment transactions and activities to entities in which EN+ Group PLC, GAZ Group and RUSAL own a 50 percent or greater interest, **provided that the debt, equity or other holdings were issued by Irkutskenergo, GAZ Auto Plant or Rusal Capital Designated Activity Company.**
- As in General License 13, the authorization in General License 13A includes transactions and activities to facilitate the transfer of such debt, equity or other holdings by a non-U.S. person to another non-U.S. person in order to enable U.S. persons to participate in such transaction.
- General License 13A replaces and supersedes General License 13 and extends the term of the license through 12:01 a.m. Eastern Daylight Time on **June 6, 2018, from May 7, 2018.**
- OFAC also issued updated **FAQs** related to General License 13A, clarifying that U.S. persons—including U.S. person counterparties—are authorized to engage in certain intermediate purchases of or investments in debt, equity or other holdings (e.g., purchases of securities to be delivered to a counterparty to close out a short position), that are ordinarily incident and necessary to divestment authorized by General License 13A.
- The FAQs note that such divestment, transfer or facilitation must not result in U.S. persons selling debt, equity or other holdings to; purchasing or investing in debt, equity or other holdings in; or directly or indirectly facilitating such transactions with any blocked person, including the entities identified in General License 13A, other than purchases of, or investments in, debt, equity or other holdings in the entities identified in General License 13A that are ordinarily incident and necessary to the divestment or transfer of debt, equity or other holdings in the entities identified in General License 13A.
- Finally, General License 13A clarifies the authorization for certain trades involving the purchase of securities in the blocked persons identified by GL 13A that were executed prior to April 6, 2018, but have not settled due to the imposition of sanctions.

## **General License 12B**

- Concurrent with the April 6 designations, OFAC issued General License No. 12 to authorize transactions and activities ordinarily incident and necessary to the maintenance or wind down of operations, contracts or other agreements in effect prior to April 6, 2018, including importation into the United States involving one or more of 12 enumerated designated entities and entities in which one or more of the enumerated entities own a 50 percent or greater interest, provided that any payments to, or for the benefit of, blocked persons made pursuant to the license were made into blocked accounts in the United States.
- General License 12B explicitly permits originating and intermediary U.S. financial institutions to process funds transfers that they would otherwise block to an account held by a blocked U.S. person

at a U.S. financial institution during the wind-down period (through 12:01 a.m. Eastern Daylight Time on June 5, 2018). In addition, General License 12B now authorizes the use of blocked funds of the enumerated blocked U.S. persons for maintenance or wind-down activities authorized by General License 12B. OFAC explains in FAQ #583 that it is issuing GL 12B “to address difficulties blocked U.S. persons are having accessing funds needed for authorized wind-down and maintenance activities.”

- General License 12B provides that payments to, or for, U.S. blocked persons specified in the license may be processed in accordance with the original wire instructions, so long as the instructions are consistent with the terms of the license.
- Several types of transactions remain beyond the scope of General License 12B, including exports from the United States (see also FAQ #582 explaining that General License 12B does not allow the export of goods from a third country to another location) and divestiture of debt, equity or other holdings in, to or for the benefit of the blocked persons described in General License 12B.
- The 12 enumerated designated entities are:
  - AgroHolding Kuban
  - Basic Element Limited
  - B-Finance Ltd.
  - EN+ Group PLC
  - JSC EuroSibEnerg
  - GAZ Group
  - Gazprom Burenie, OOO
  - Ladoga Menedzhment, OOO
  - NPV Engineering Open Joint Stock Company
  - Renova Group
  - Russian Machines
  - United Company RUSAL PLC.

## Contact Information

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