

OFAC Sanctions Key Rosneft Subsidiary and Executive For Operating in the Oil Sector of Venezuela

February 20, 2020

Key Points

- On February 18, 2020, OFAC designated Rosneft Trading, S.A. (Rosneft Trading), a subsidiary of Russia-based Open Joint-Stock Company Rosneft Oil Company (Rosneft Oil Company), and its president, Didier Casimiro, on the SDN List for brokering crude oil shipments from Venezuela—activities that are restricted under E.O. 13850.
- As a result of this action, U.S. persons are generally prohibited from doing business with Rosneft Trading, Didier Casimiro, and entities they own 50 percent or more, absent OFAC authorization. These sanctions do not apply to Rosneft Oil Company or related entities that are not 50 percent or more owned by Rosneft Trading or Casimiro.
- OFAC has also issued General License 36, which authorizes U.S. persons to engage in otherwise prohibited activities in order to wind-down transactions involving Rosneft Trading and entities that it owns by 50 percent or more. This license is valid through **12:01 a.m. EDT on May 20, 2020**.
- Non-U.S. persons could be subject to sanctions if OFAC determines that they provide material assistance, goods or services to Rosneft Trading and/or Casimiro. OFAC states in an FAQ that non-U.S. persons will not be exposed to sanctions if they engage in activities with Rosneft Trading during the wind-down period that are consistent with General License 36, but such authorized wind-down activities would not include entering into “new business” with Rosneft Trading.

Background and Summary of Designations

On February 18, 2020, the U.S. Department of the Treasury, OFAC **designated** Rosneft Trading, a Swiss-incorporated subsidiary of Rosneft Oil Company, and its president, Didier Casimiro, as SDNs for engaging in activities deemed sanctionable under Executive Order 13850—specifically, operating in the oil sector of the Venezuelan economy, and in Casimiro’s case, acting on behalf of Rosneft Trading. In a press release accompanying the designation, the U.S. State Department **explained**

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that “[a]s the primary broker of global deals for the sale and transport of Venezuela’s crude oil, Rosneft Trading has propped up the dictatorial [Nicolás] Maduro, enabling his repression of the Venezuelan people.”

Over the past year, U.S. government officials have specifically mentioned Rosneft entities as potential targets of future U.S. sanctions due to Rosneft’s continued support of the Maduro regime in Venezuela. For instance, in March 2019, Secretary of State Mike Pompeo **stated** that “Russia’s state-owned oil company Rosneft continues to purchase crude oil cargoes from [Petróleos de Venezuela] PdVSA, Venezuela’s state-owned oil company in defiance of U.S. sanctions.” Earlier this month, White House National Security Adviser Robert O’Brien said in a press briefing that Rosneft’s continued support of the Maduro regime “is not a good business decision” and foreshadowed potential U.S. action “in the near future.”

Consistent with the administration’s “maximum pressure” policy against the Maduro regime, in announcing this sanctions designation, U.S. officials **indicated** that the administration will sanction additional persons who conduct business with the Maduro regime, which could occur as soon as the next several weeks.

Implications

As a result of the above designations, U.S. persons are generally prohibited from engaging in transactions or business with Rosneft Trading, Didier Casimiro and entities owned 50 percent or more by them, absent OFAC authorization. Additionally, U.S. persons that come into the possession or control of property or assets of these sanctioned persons are obligated to block them and report them to OFAC.

OFAC also issued **General License 36** (GL-36) to authorize the wind down of transactions involving Rosneft Trading and entities owned 50 percent or more by Rosneft Trading through **12:01 a.m. EST on May 20, 2020**. Furthermore, Rosneft Trading and entities owned 50 percent or more by Rosneft Trading, as well as other entities that Rosneft Oil Company owns by 50 percent or more, are also separately subject to Directives 2 and 4 of E.O. 13662 under the Ukraine Related Sanctions Regulations (URSR). Directives 2 and 4 prohibit U.S. persons from engaging in transactions involving certain debt issued by and unconventional oil projects involving these entities; thus, any wind-down activities must comply with these separate sanctions restrictions. See **OFAC FAQ #817**.

Additionally, as noted in newly-issued **OFAC FAQ #818**, non-U.S. persons may wind-down transactions with Rosneft Trading without sanctions exposure under E.O. 13850, as long as such wind-down activity is consistent with GL-36 and completed prior to 12:01 a.m. EDT, May 20, 2020. However, engaging in “new business” with Rosneft Trading and entities owned 50 percent or more by Rosneft Trading will not be considered wind-down activity. Non-U.S. persons may be subject to future secondary sanctions if the Secretary of Treasury determines that such persons have “materially assisted, sponsored, or provided financial, material, or technical support for, or goods or services to or in support of” Rosneft Trading or Casimiro. Non-U.S. persons may also face primary sanctions risks in connection with any business they may conduct involving a U.S. nexus (e.g., U.S. Dollar-denominated transactions or U.S. origin goods) with Rosneft Trading or Casimiro.

Additional Considerations

While OFAC's blocking action against Rosneft Trading does not apply to Rosneft Trading's ultimate parent company, Rosneft Oil Company, entities owned 50 percent or more by Rosneft Oil Company remain subject to Directives 2 and 4 sanctions restrictions under the URSR, as described above. Furthermore, U.S. persons are generally prohibited from engaging in transactions with Rosneft Oil Company if Rosneft Trading, Didier Casimiro or entities owned 50 percent or more by them are involved.

It is important to note that Didier Casimiro currently holds a prominent position as Vice President for Refining, Petrochemical, Commerce and Logistics at Rosneft Oil Company, sits on Rosneft Oil Company's management board and serves in prominent roles in other Rosneft subsidiaries. We highlight this because even though Rosneft Oil Company is not an SDN or blocked person, OFAC has issued guidance, in light of its 2017 civil penalty [action](#) against ExxonMobil involving the company's dealings with Rosneft President (and SDN) Igor Sechin,¹ warning that "persons should be cautious in dealings with such a non-blocked entity to ensure that they are not, for example, dealing with a blocked person representing the non-blocked entity, such as entering into a contract that is signed by a blocked person." See [OFAC FAQ #398](#). Given Casimiro's current position within Rosneft Oil Company, it will be important for U.S. persons to engage in due diligence to ensure that he is not involved in transactions in which they participate that involve Rosneft Oil Company.

¹ In December 2019, a federal district court in Texas vacated OFAC's civil penalty issued against ExxonMobil on due process grounds, but this ruling did not affect the applicability of OFAC's post-penalty guidance, including [FAQ #398](#).

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