

International Trade Alert

May 24, 2018

Key Points

- On May 22, 2018, OFAC issued General License 15, authorizing U.S. persons to engage in specified transactions related to maintenance or wind-down of operations, contracts or other agreements involving GAZ Group or any entity in which GAZ Group owns, directly or indirectly, a 50 percent or greater interest, until October 23, 2018, extending the previous deadline of June 5, 2018.
- This is the same type of relief that OFAC authorized under General License 14 with regard to UC RUSAL PLC on April 23, 2018.
- OFAC also issued amended General License 12C, which contains minor changes intended to reflect and reference the new authorization provided in General License 15, and issued Frequently Asked Questions related to General Licenses 15 and 12C.



OFAC Issues General License 15 Expanding and Extending Authorized Activities with GAZ Group Until October 23, 2018

Issuance of General Licenses 15 and 12C

On May 22, 2018, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued **General License 15** authorizing U.S. persons to engage in specified transactions related to maintenance or wind-down of operations, contracts or other agreements involving Russian automotive manufacturer GAZ Group, a Specially Designated National (SDN), until October 23, 2018. Previously, General License 12B had imposed a June 5, 2018, deadline on such activities.

OFAC's issuance of General License 15 is intended to address the impact of its April 6, 2018, sanctions designation of GAZ Group, which OFAC reports as being owned or controlled by Oleg Deripaska, who was separately designated as an SDN on April 6, 2018.

Importantly, General License 15 applies to entities in which GAZ Group owns, directly or indirectly, 50 percent or greater interest, but does not extend to other persons sanctioned on April 6, 2018, including other entities owned by Mr. Deripaska. General License 14, which allows U.S. persons to temporarily engage in similar maintenance or wind-down activities with respect to UC RUSAL PLC, another company owned and controlled by Mr. Deripaska, was separately granted last month. We explained the significance of that General License [here](#).

As with General License 14, General License 15 does not authorize the divestiture or transfer of debt, equity or other holdings in, to or for the benefit of GAZ Group. Further, General License 15 does not unblock funds that were blocked prior to May 22, 2018, the date that General License 15 was issued. However, General License 15 authorizes the use of blocked funds for the maintenance and wind-down activities described in the General License, and “U.S. persons are not required to block transactions authorized by General License 15 that occur on or after May 22, 2018, except for transactions involving blocked persons other than GAZ Group or any other entity in which GAZ Group owns, directly or indirectly, a 50 percent or greater interest” (FAQ 586).

On May 22, 2018, OFAC also issued amended [General License 12C](#), which contains minor changes intended to reflect and reference the new authorization provided in General License 15. General License 12C authorizes until June 5, 2018, certain transactions and activities necessary to maintain or wind down operations, contracts or other agreements involving 12 entities designated as SDNs on April 6, 2018, as well as entities owned 50 percent or more by them.

Related New FAQs

OFAC also issued updated Frequently Asked Questions (FAQ) related to General Licenses 15 and 12C.

With respect to secondary sanctions, FAQ 589 clarifies that non-U.S. persons may engage in maintenance or wind-down activities that are within the scope of General License 15 without such activities being considered “significant” for the purposes of a sanctions designation under Sections 226 and 228 of the Countering America’s Adversaries Through Sanctions Act. OFAC also clarified that non-U.S. persons engaging in maintenance or wind-down activities within the scope of General License 15 are not required to deposit payments into blocked accounts of U.S. financial institutions in order to avail themselves of this stated policy (FAQ 590).

FAQ 591 explains that General License 15 does not restrict the exportation of goods from the United States to GAZ Group or any other entity in which GAZ Group owns, directly or indirectly, a 50 percent or greater interest, so long as the exportation is for maintenance or wind-down and consistent with the “requirements of other federal agencies,” which would include the Department of Commerce’s Bureau of Industry and Security, as well as the Department of State’s Directorate of Defense Trade Controls, among others.

Finally, FAQ 587 specifically states that “the path for the United States to provide sanctions relief is through divestment and relinquishment of control of GAZ Group by any Specially Designated Nationals, including Oleg Deripaska.” This is consistent with OFAC’s guidance with respect to UC RUSAL, and Mr. Deripaska has reportedly already taken steps to relinquish his control of [UC RUSAL](#) and its controlling stakeholder (and SDN) [EN+ Group PLC](#). It is unknown at this time whether Mr. Deripaska will take similar steps with respect to his role at GAZ Group.

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