

CLIENT ALERT

New Russia-Ukraine Sanctions: The G-7 Responds to Perceived Violations of the Geneva Accords

Apr.28.2014

On Monday, April 28th, the United States and Canada acted to adopt new sanctions against certain Russian individuals and entities (including several financial companies, transport and freight companies, and an investment company) and the United States expanded its export restrictions and the revocation of certain existing licenses for exports to Russia. On Tuesday, April 29th, the European Union sanctioned 15 individuals and Japan imposed visa bans on 23 individuals. These actions serve to implement the G-7's (a group of seven industrialized nations including the United States, the United Kingdom, France, Germany, Italy, Canada, and Japan) commitment on Sunday, April 27 stating that Russia had failed to live up to its commitments under the Geneva Accord by continuing to "destabilize Eastern Ukraine" and promising new sanctions in response. Below is a brief, non-exhaustive, summary of the new actions taken by these countries. Please contact the authors for additional guidance regarding these rapidly changing developments.

United States

Sanctions – Fulfilling the commitment President Obama made in a public address in the Philippines, on Monday morning, the U.S. Treasury Department issued new list-based sanctions targeting seven individuals and 17 entities under [Executive Order 13661](#).

Included in these new designations is Igor Sechin, the President and Chairman of the Board at Rosneft, one of Russia's largest oil companies. Additionally, the sanctions include a [large list](#) of newly designated entities, all with links to previously designated persons including Gennady Timchenko, Bank Rossiya, and Arkady and Boris Rotenberg. All assets of the following persons are blocked and U.S. persons are prohibited from engaging in virtually all transactions with these persons:

Individuals

- BELAVENCEV, Oleg Evgenyevich – Russian Presidential Envoy to the Crimean District; Member of the Russian Security Council.
- CHEMEZOV, Sergei – Director General of the State Corporation for Promoting Development, Manufacturing and Export of Russian Technologies (Rostec). Rostec is not yet sanctioned. Also serves on the Board of Rosneft.
- KOZAK, Dmitry – Deputy Prime Minister of the Russian Federation.
- MUROV, Evgeniy Alekseyevich – Director of the Federal Protective Service of the Russian Federation; Army General.
- PUSHKOV, Aleksei Konstantinovich – Chairman of State Duma Committee on International Affairs.
- SECHIN, Igor – President and Chairman of the Board of Rosneft. Rosneft is not yet sanctioned.
- VOLODIN, Vyacheslav – First Deputy Chief of Staff of the Presidential Executive Office.

Entities

- AQUANIKA – A Russian water and drink manufacturer.
- AVIA GROUP LLC – Involved in ground infrastructure for the Business Aviation Center at Sheremetyevo International Airport in Moscow.
- AVIA GROUP NORD LLC – Provides management services for corporate aviation at Pulkovo International Airport in Saint Petersburg, Russia.
- CJSC ZEST – Designated for being owned or controlled by Bank Rossiya.
- INVESTCAPITALBANK – Designated for being owned or controlled by Arkady and Boris Rotenberg.
- JSB SOBINBANK – Designated for being owned or controlled by Bank Rossiya.
- SAKHATRANS LLC – A transportation company engaged in the construction of the bulk terminal for coal and iron ore exports in Muchka Bay near Vanino in Russia's far east.
- SMP BANK – Owned or controlled by Arkady and Boris Rotenberg.
- STROYGAZMONTAZH – A gas pipeline construction company owned or controlled by Arkady Rotenberg. Rotenberg created SGM Group in 2008 after acquiring multiple Gazprom contractors.
- STROYTRANSGAZ GROUP – A Russian construction group, comprising a number of business entities that specialize in different aspects of the construction industry.
- STROYTRANSGAZ HOLDING – A holding company for construction assets.
- STROYTRANSGAZ LLC – An infrastructure construction company.
- STROYTRANSGAZ OJSC – An electricity construction company.
- STROYTRANSGAZ-M LLC – An industrial construction company focused on oil, gas, petrochemical, and other civil engineering projects.
- THE LIMITED LIABILITY COMPANY INVESTMENT COMPANY ABROS – Designated for being owned or controlled by Bank Rossiya.
- TRANSOIL – A Russian based rail freight operator specializing in the transportation of oil and oil products.
- VOLGA GROUP – A Luxembourg based investment vehicle which manages assets on behalf of Mr. Timchenko.

Under OFAC's guidance, any entities that are 50 percent or more owned by any of the entities or individuals designated above are themselves sanctioned by operation of law. Any entities that are otherwise controlled by these entities or individuals are eligible for future designation as sanctioned persons; companies should exercise a high degree of caution when considering transacting with them.

Export Control – Additionally, the United States announced new restrictions on export control licensing. Previously, the United States had suspended pending applications for licenses of products controlled under both the Export Administration Regulations (EAR) and the International Traffic in Arms Regulation (ITAR). Today, both the State Department and the Commerce Department went further and announced both agencies will: (1) deny all pending applications for the export or re-export of any "high technology" defense articles or services (State) or items subject to the EAR (Commerce) that "contribute to Russia's military capability" and (2) take action to revoke any existing license that meets those conditions. All other pending and existing licenses will be evaluated on a case-by-case basis to determine "their contribution to Russia's military capabilities."

Additionally, the Commerce Department buttressed the new sanctions by adding 13 of the sanctioned entities to the Entity List: Stroytransgaz Holding; Aquanika; Avia Group LLC; Avia Group Nord LLC; CJSC Zest; Sakhatrans LLC; Stroygazmontazh;

Stroytransgaz Group; Stroytransgaz LLC; Stroytransgaz-M LLC; Stroytransgaz OJSC; and Transoil. The net effect – because U.S. persons were already restricted from transacting with these entities under Treasury's sanctions – of these additions is to impose re-export restrictions on non-U.S. persons for items subject to the EAR.

European Union

The EU agreed to sanction 15 individuals on Monday, and announced the following names on Tuesday, April 29th.

- BOLOTOV, Valeriy – Russian Representative to Crimean Federal District
- GENNADEVICH, Tsyplakov Sergey – Leader of "Army of the South-East"
- GERASIMOV, Valery Vasilevich – Chief of the General Staff of the Russian Armed Forces
- KOVATIDI, Olga Fedorovna – Member of the Russian Federation Council
- KOZAK, Dmitry Nikolayevich – Deputy Prime Minister (Already sanctioned by U.S. and Canada)
- MENYAILO, Sergei Ivanovich – Acting Governor of Sevastopol
- NEVEROV, Sergei Ivanovich – Deputy Chairman of Russia State Duma
- PROKOPIV, German – Active Leader of the "Lugansk Guard"
- PURGIN, Andriy – Head of the "Donetsk Republic"
- PUSHYLIN, Denys – One of the leaders of the "Donetsk Republic"
- SAVELYEV, Oleg Genrikhovich – Minister for Crimean Affairs
- SERGUN, Igor Dmitrievich – Director of GRU (Intelligence Directorate) (Already sanctioned by U.S. and Canada)
- SHVETSOVA, Ludmila Ivanovna – Deputy Chairman of State Duma
- STRELKOV, Igor – Staff of the GRU

Canada & Japan

As members of the G-7, Canada and Japan have both committed to imposing additional sanctions against Russia. On Monday, Canada sanctioned two Russian companies and nine individuals. Specifically, they sanctioned the following:

Individuals

- BABAKOV, Alexander Mikhailovich
- BELAVENTSEV, Oleg Evgenyevich [Sanctioned by U.S. on April 28]
- KOZAK, Dmitry [Sanctioned by U.S. on April 28]
- MOROV, Evgeniy Alexsevevich [Sanctioned by U.S. on April 28]
- PUSHKOV, Aleksey [Sanctioned by U.S. on April 28]
- ROTENBERG, Arkady [Sanctioned by U.S. on March 17]
- ROTENBERG, Boris [Sanctioned by U.S. on March 17]
- VOLODIN, Vyacheslav [Sanctioned by U.S. on April 28]
- ZHIRINOVSKY, Vladimir Volfovich

Entities

- ExpoBank
- RosEnergoBank

On Tuesday, April 29, Japan announced that it would issue visa bans for 23 individuals. Japan has not announced the names of these individuals, but has indicated the list is based on the sanctions imposed by the United States and the EU.

These sanctions remain quite fluid and additional developments are likely over the coming days; Russia has promised to retaliate against any expanded sanctions while the G-7 warned that these sanctions represented only the beginning of a potential escalation and that they were prepared "to move to broader, coordinated sanctions, including sectoral measures should circumstances warrant." Companies are advised to closely monitor developments and to contact the authors, or their regular Crowell & Moring contacts, with any questions.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

Alan W. H. Gourley

Partner – Washington, D.C.

Phone: +1 202.624.2561

Email: agourley@crowell.com

David (Dj) Wolff

Partner; Attorney at Law – Washington, D.C., London

Phone: +1 202.624.2548, +44.20.7413.1368

Email: djwolff@crowell.com