



From Russia to Cuba – A Complex Tale of Old Friends & Sanctions

ACAMS NY Chapter Learning Event

April 16, 2015

6:00 pm – 8:00 pm

Hosted by:



5 Times Square

New York, NY 10036

Russia/Ukraine Related Sanctions

What is Business as Usual?

Executive Orders:

1. EO 13660 (3/6/2014)
2. EO 13661 (3/17/2014)

What I need to know:

1. Blocking of property and interests in property of SDNs; and
2. Prohibition in dealing with SDNs.

Major Challenges:

1. Capturing entities that fall under the 50% ownership by an SDN rule;
2. Making sense of separatists names;
3. Should I block/reject if the EU has listed but not the U.S.?
4. PEPs - Both orders target/may target individuals in Ukraine and Russia who are/were officials.

Russia/Ukraine Related Sanctions

The New Territory

Executive Orders:

1. EO 13662 (3/20/2014)
2. EO 13685 (12/19/2014)

What I need to know:

1. “Sectoral” sanctions of EO 13662 are complicated and only affect certain transactions with Sectoral Sanctions Identifications (SSIs) targets;
2. EO 13685 blocks persons **AND** prohibits trade/investment in Crimea;

Major Challenges:

1. Capturing entities that fall under the 50% ownership by an SDN/SSI rule;
2. Segregating different types of transactions with SSIs;
3. Are some exports for Russian arctic exploration projects allowed?
4. What happens at maturity?
5. Distinguishing between transactions with Crimea and those with Ukraine;
6. Planning for the future.

Russia/Ukraine Related Sanctions Sectoral Sanctions Identifications (SSIs)

Name of Entity	Directive 1	Directive 2	Directive 3	Directive 4
GAZPROM NEFT OAO		X		X
GAZPROM OAO				X
LUKOIL				X
ROSNEFT		X		X
SURGUTNEFTEGAS				X
ROSTEC			X	
TRANSNEFT OAO		X		
NOVATEK		X		
VTB BANK	X			
RUSSIAN AGRICULTURAL BANK	X			
VNESHECONOMBANK (VEB)	X			
GAZPROMBANK	X			
SBERBANK	X			
BANK OF MOSCOW	X			

Russia/Ukraine Related Sanctions

The Directives

The Directives:

Directive 1 prohibits all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity or new equity;

Directive 2 prohibits: all transactions in, provision of financing for, and other dealings in new debt of longer than 90 days maturity;

Directive 3 prohibits all transactions in, provision of financing for, and other dealings in new debt of longer than 30 days maturity_of persons determined to be subject to this Directive, their property, or their interests in property; and

Directive 4 prohibits the provision, exportation, or re-exportation of goods, services (except for financial services), or technology in support of exploration or production for deep-water, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory.

Major Challenges:

1. Capturing entities subject to each directive;
2. What to do with subsidiaries owned by multiple SSIs subject to different directives?
3. What happens after the maturity date?
4. What happens if Russian law prohibits us from implementing foreign sanctions?
5. Should I expect new sectoral sanctions? and
6. Should I expect tightening of existing sectoral sanctions?

Russia/Ukraine Related Sanctions Implementation Advice

- ❑ **Speak to your industry peers:** Many have already developed extensive lists of subsidiaries of SDNs and SSIs subject to sanctions pursuant to the 50% rule.
- ❑ **Make sure your compliance filtering software is up-to-date:** Changes happen all the time. OFAC sends updates regularly, and reputable vendors keep their lists updated. You will be hard-pressed to explain why your list was out-of-date.
- ❑ **Determine your risk appetite with respect to permissible transactions with SSIs:** Sectoral sanctions affect only certain categories of transactions with SSIs. Decide if you can manage parsing complicated transactions with SSIs and their subsidiaries.
- ❑ **Determine your overall risk threshold:** Document that threshold, and communicate it to your compliance staff.
- ❑ **Read the EOs!** Their criteria often reveal future targets.

Russia/Ukraine Related Sanctions Implementation Advice (continued)

- ❑ **Monitor political developments (U.S., EU, Russia, and Ukraine):** Russia/Ukraine sanctions have developed in tandem on both sides of the pond.
- ❑ **Sanctions may be tightened:** You'll have very little time to react, including late on a Friday. Usually, there are some warning signs that the U.S. and EU are going to take action soon.
- ❑ **Document your research:** When making a determination regarding the 50% rule, try to obtain at least 2 sources of corroborating information and maintain such records.
- ❑ **If information is conflicting, contact OFAC:** (202) 622-2490/(800) 540-6322) or e-mail at ofac_feedback@do.treas.gov.
- ❑ **Be prepared:** Do your homework before contacting OFAC. Arm yourself with supporting documentation for OFAC to consider.
- ❑ **Meticulously document OFAC's answers.**

United States Sanctions Against Cuba

An Overview

Summary of Cuba Sanctions:

- ❑ All property and interests in property of the Cuban government, Cuban nationals, and of SDNs are blocked.
- ❑ No goods of Cuban origin may be transported into the U.S. except information or informational materials.
- ❑ Limited travel exceptions existed for family, journalistic, educational, and religious purposes and required specific licensing.
- ❑ Personal remittances to Cuban Nationals were limited.

Announced Changes:

- ❑ On December 17, 2014: President Barack Obama announced an easing of Cuban Sanctions.
- ❑ January 15, 2015: OFAC amended the Cuban Assets Control Regulations to implement policy changes announced by the President to further engage and empower the Cuban people.

United States Sanctions Against Cuba

What Has Changed?

- 12 categories of travel to Cuba are now GENERALLY-LICENSED: tourism IS NOT one of them;
- U.S. financial institutions may open correspondent banking relationships with Cuban financial institutions for authorized transactions;
- Remittance limits increased;
- Export of certain technologies to Cuba to enable Cuban people to communicate authorized;
- Import by U.S. persons of up to \$400 of Cuban goods (including up to \$100 in alcohol or tobacco, FOR PERSONAL USE ONLY) is permitted;
- Investments in certain small businesses is permitted;
- Generally-licensing travel services to Cuba for authorized travel;
- Attending conferences in third countries with Cuban nationals provided conference is not about Cuban tourism.

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