

CLIENT ALERT: OFAC DESIGNATES VARIOUS ENTITIES IN THE RUSSIAN FINANCIAL SECTOR

February 22, 2022

On February 22, 2022, OFAC designated to the SDN list various entities in the Russian financial sector pursuant to Executive Order 14024 (“E.O. 14024”). According to the Press Release issued by OFAC, these designations follow a determination “that section 1(a)(i) of E.O. 14024 applies to the financial services sector of the Russian Federation economy, and that persons determined to operate or have operated in this identified sector can be subject to sanctions.”

The designations of today target Foreign Economic Affairs Vnesheconombank (“VEB”) and Promsvyazbank Public Joint Stock Company (“PSB”), which OFAC has identified as critical participants in the Russian financial and defense sectors. OFAC also issued General License 3, which sets forth a wind down period until March 24, 2022, for transactions involving VEB. No similar General License was issued for transactions involving PSB.

42 of VEB’s and PSB’s respective subsidiaries were also designated to the SDN list as follows:

VEB subsidiaries blocked pursuant to E.O. 14024

1. **Bank BELVEB OJSC** is a bank located in Belarus.
2. **VEB Leasing OJSC** is a leasing company located in Russia.
3. **Prominvestbank** is a bank located in Ukraine.
4. **VEB Capital** is a financial company located in Russia.
5. **VEB Engineering LLC** is an investment project implementation services company located in Russia.
6. **JSC Infraveb** is an investment project support company located in Russia.
7. **JSC VEB.DV** is an investment project support company located in Russia.
8. **VEB Asia Limited** is a financial company located in Hong Kong.
9. **LLC Infrastructure Molzhaninovo** is an electric energy company located in Russia.
10. **LLC Resort Zolotoe Koltso** is a real estate and construction company located in Russia.
11. **JSC Russian Export Center** is an export-related company located in Russia.
12. **LLC VEB Ventures** is a financial company located in Russia.
13. **LLC VEB Service** is a business and management advisory company located in Russia.
14. **LLC Special Organization for Project Finance Factory of Project Finance** is a financial company located in Russia.
15. **LLC SIBUGLEMET Group** is a coal mining company located in Russia.
16. **JSC ANGSTREM-T** is a technology company located in Russia.
17. **LLC NM-TEKH** is a technology company located in Russia.

18. **JSC SLAVA** is a real estate company located in Russia.
19. **JSC PFC CSKA** is a sporting activities company located in Russia.
20. **LLC Torgovy Kvartal-Novosibirsk** is a property leasing company located in Russia.
21. **LLC Baikal Center** is a construction company located in Russia.
22. **LLC Progorod** is an infrastructure company located in Russia.
23. **LLC VEB.RF Asset Management** is a financial company located in Russia.
24. **Eximbank of Russia JSC** is an export support institution located in Russia as well as a commercial bank regulated by the Central Bank of the Russian Federation.
25. **Russian Agency for Export Credit and Investment Insurance OJSC** is an insurance agency located in Russia.

PSB subsidiaries blocked pursuant to E.O. 14024

1. **Alkes Treid OOO** is a financial company located in Russia.
2. **Antares OOO** is a financial company located in Russia.
3. **Elitnye Doma OOO** is a real estate company located in Russia.
4. **PSB Innovations and Investments Limited Liability Company** is a technology company located in Russia.
5. **Era Fund Limited Liability Company** is a technology company located in Russia.
6. **PSB-Foreks OOO** is a financial company located in Russia.
7. **Kholtsvud OOO** is a financial company located in Russia.
8. **Kourf OOO** is a financial company located in Russia.
9. **Management Company Promsvyaz LLC** is an investment company located in Russia.
10. **Paskal OOO** is a company that provides management consulting services in Russia.
11. **PSB Biznes OOO** is a hospitality company located in Russia.
12. **Saint-Petersburg International Banking Conference LLC** is a financial company located in Russia.
13. **Sergievo-Posad Lend OOO** is a financial company located in Russia.
14. **PSB Avializing OOO** is a financial company located in Russia.
15. **Tekhnosoft OOO** is a technology company located in Russia.
16. **Trinitex OOO** is a real estate company located in Russia.
17. **PSB Lizing OOO** is a financial company located in Russia.

Notably, in conjunction with the designation of PSB, OFAC also designated to the SDN list five vessels that are owned by **PSB Lizing OOO**, a designated subsidiary of PSB. These five vessels include:

1. **Baltic Leader** (IMO: 9220639), a Russian-flagged roll-on roll-off cargo vessel with a gross registered tonnage of 8831;
2. **Linda** (IMO: 9256858), a Russian-flagged crude oil tanker with a gross registered tonnage of 61991;
3. **Pegas** (IMO: 9256860), a Russian-flagged crude oil tanker with a gross registered tonnage of 61991;
4. **Fesco Magadan** (IMO: 9287699), a Russian-flagged container ship with a gross registered tonnage of 7519; and
5. **Fesco Moneron** (IMO: 9277412), a Russian-flagged container ship with a gross registered tonnage of 7519.

In addition to the SDN list designations of VEB, PSB, and their related entities, OFAC also issued further sanctions directed towards Russian elites and families close to Putin, as well as further restrictions involving Russian sovereign debt.

Impact on International Shipping Community

This most recent round of Russian sanctions has just been implemented and we are continuing to assess their impact on the international shipping community. That said, as noted above, the recent designations were enforced by OFAC following a determination that “section 1(a)(i) of E.O. 14024 applies to the financial services sector of the Russian Federation economy, and that persons determined to operate or have operated in this identified sector can be subject to sanctions.” While this pronouncement at first blush indicates broad sanctions against the Russian financial sector, OFAC has clarified its position to some extent with respect to the Russian financial sector through the issuance of FAQ # 964, which reads as follows:

964. Does the financial services sector determination made by the Secretary of the Treasury, in consultation with the Secretary of State, pursuant to Executive Order (E.O.) 14024 mean that all persons that operate or have operated in the financial services sector of the Russian Federation economy are sanctioned by OFAC?

No. The Secretary of the Treasury, in consultation with the Secretary of State, issued a determination pursuant to E.O. 14024 that authorizes sanctions against persons that operate or have operated in the financial services sector of the Russian Federation economy. The technology sector and defense and related materiel sector of the Russian Federation economy were identified in E.O. 14024 when it was issued on April 15, 2021.

A sector determination pursuant to E.O. 14024 exposes persons who operate or have operated in an identified sector to sanctions risk; however, a sector determination does not automatically impose sanctions on all persons who operate or have operated in the sector. Only persons determined, pursuant to E.O. 14024, by the Secretary of the Treasury in consultation with the Secretary of State, or by the Secretary of State, in consultation with the Secretary of the Treasury, to operate or have operated in the above-identified sectors are subject to sanctions.

Persons sanctioned pursuant to E.O. 14024 for operating or having operated in an identified sector are added to one or more OFAC sanctions lists based on the type of sanction, including the Specially Designated Nationals and Blocked Persons List (SDN List).

That said, there certainly exists the possibility that these sanctions may generate some reluctance to engage in transactions involving Russian financing or the Russian financial sector in general out of concerns regarding potential sanctions.

Additionally, E.O. 14024 also contains a “material assistance” provision by which non-US persons may be sanctioned if they are determined to have “materially assisted, sponsored, or provided financial, material, or technological support for” any entity designated to the SDN List pursuant to E.O. 14024. As such, any entity doing business with any entity sanctioned pursuant to E.O. 14024 runs the risk of being subject to sanctions pursuant to the “material assistance” prong of E.O. 14024.

Conclusion

We continue to monitor developments in this area given the evolving nature of the current situation in Ukraine and the potential for additional sanctions. We will provide further updates as the developments warrant.

If you have any questions about the contents of this alert or would like further information regarding U.S. sanctions, please feel free to contact the authors, Bill Pallas at pallas@freehill.com, or Mike Dehart at dehart@freehill.com.

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