Holland & Hart

Understanding the December 19, 2014 Enhanced U.S. Sanctions On Russian Interests And Their Potential Impact to Your Business

Understanding the December 19, 2014 Enhanced U.S. Sanctions On Russian Interests And Their Potential Impact to Your Business

Insight — December 29, 2014

On December 19, 2014, President Obama issued an Executive Order imposing comprehensive sanctions on the Crimea region of Ukraine ("Crimea"), stemming from the March 2014 Russian occupation of that region. This is the fourth such Ukraine-related Executive Order the President has issued. In addition to prohibiting trade and investment in Crimea, the Executive Order provides broad authority for the designation of certain persons in Crimea.

The Executive Order prohibits virtually all trade or financial transactions without a proper OFAC license, if those transactions involve U.S. origin goods or services. The breadth of these sanctions is significant and on par with other full embargo regimes. Prohibited transactions include those involving U.S. persons, items from the United States or the export of services from the United States, the latter impacting the clearance of wire or electronic banking transactions denominated in U.S. currency.

The four categories of prohibition are:

1. New investment in Crimea by U.S. Persons;
2. Importing into the United States any goods, services or technology from Crimea, either directly or indirectly;
3. Exporting, reexporting, selling, or supplying, either directly or indirectly, from the United States or by a U.S. Person any goods, services or technology to Crimea; and
4. Any approval, financing, facilitation, or guarantee by a U.S. Person of a transaction by a foreign person that would be prohibited if performed by a U.S. Person.

The Executive Order also includes expansive authority to block the property and interests in property of any person determined by the U.S. Government to:

1. Operate in Crimea;
2. Be a leader of an entity operating in Crimea;
3. Be owned or controlled by, or have acted on behalf of any person

who is blocked under the Executive Order; or

4. Have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person blocked under the Executive Order.

It will be important for U.S. companies to review business relationships, contracts, purchase orders, and upcoming business travel to ensure compliance with this Executive Order. Non-U.S. companies need to do the same, with attention to financial or payment arrangements to ensure no wire or other electronic payments are denominated in U.S. dollars. All companies outside the United States will need to ensure that foreign made products do not contain U.S.-origin technological or other inputs that might now be controlled to the point that a project destined for Crimea may have to be reconsidered.

The team at Holland & Hart is prepared to assist with any of these reviews and will continue to provide you updates regarding how to comply with this new, changing sanctions regime. If you have any questions concerning the material discussed in this Alert, please contact the following members of our International Trade Compliance practice group.
