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# *U.S. Targets Russian Insiders – President Obama Imposes Additional Sanctions in Response to Ukraine Crisis*

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On March 17, 2014, President Obama signed a new [Executive Order](#) (the "March 17 Order") broadening the sanctions the United States imposed less than two weeks earlier under Executive Order ("E.O.") [13660](#), relating to the activities currently taking place in Ukraine. We [previously](#) described E.O. 13660. The March 17 Order authorizes the Treasury's Office of Foreign Assets Control ("OFAC") to target individuals and entities in the Russian Federation, including any Russian Federation officials. The move marks the most comprehensive sanctions the U.S. has imposed on Russia since the Cold War and carries the potential to change dramatically the tone of U.S.-Russian relations. While these sanctions may have more symbolic value than immediate practical impact on the targeted individuals, the March 17 Order signals the need for U.S. persons doing business in Russia and Ukraine to review their relationships and to be prepared for additional risks.

## **President Obama's New Russian Sanctions Order**

The March 17 Order authorizes the Treasury Department to freeze the assets of individuals or entities determined:

- to be an official of the Government of the Russian Federation (defined to include the Central Bank of the Government of the Russian Federation);
- to operate in the arms or related material sector in the Russian Federation;
- to be owned or controlled by either a senior official of the Government of the Russian Federation, or by other persons whose property is blocked pursuant to the Order; or
- to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of: (1) a senior official of the Government of the Russian Federation, or (2) a person whose property and interests are blocked pursuant to the Order.

The Order also imposes visa restrictions on the individuals targeted by the Order and prohibits U.S. persons from donating items such as food, clothing, and medicine to those individuals.

This broad Order opens the door to further sanctions against Russian government officials and related parties without an obvious nexus to the situation in Ukraine. Importantly for U.S. persons doing business with Russian counterparts, the Obama Administration has indicated that it expects retaliation from Russia in response to the March 17 Order and related designations.

## Additions to the Specially Designated Nationals List

Simultaneously with the March 17 Order, OFAC used the new authority and E.O. 13360 to add 11 individuals to the Specially Designated Nationals and Blocked Persons List ("SDN List"). Individuals designated under E.O. 13360 are generally subject to sanctions for threatening the peace, security, stability, sovereignty, or territorial integrity of Ukraine, and for undermining Ukraine's democratic institutions and processes. Those individuals have specific links to the self-declared independent government of Crimea and the recent referendum to secede from Ukraine and join Russia. They include:

- **Sergey Valeryevich Aksyonov**, the recently declared prime minister of Crimea. He was elected after armed men entered the Parliament building, sealed the doors, and only permitted certain lawmakers to enter the building. (Some lawmakers who were listed as present for the election have stated they were not present that day.)
- **Vladimir Andreyevich Konstantinov**, the speaker of the Parliament of Crimea.
- **Viktor Medvedchuk**, the head of Ukrainian Choice, a pro-Russian interest group. In addition to being sanctioned for threatening the peace, security, stability, sovereignty, or territorial integrity of Ukraine and for undermining Ukraine's democratic institutions and processes, he is being sanctioned for leading an entity which has engaged (or whose members engage) in such activities. He is also subject to sanctions because he has materially assisted, sponsored, or provided financial, material, or technological support to former Ukrainian president Viktor Yanukovych.
- **Viktor Fedorovych Yanukovych**, the pro-Russia Ukrainian president who fled Kiev in February, and whom the Ukrainian Parliament voted to remove from office. After fleeing to Russia, he called on President Putin to send Russian troops into Ukraine.

Those designated under the March 17 Order are Russian government officials—including notable advisors to Russian President Vladimir Putin—but not President Putin himself:

- **Sergey Glazyev**, a Russian economist who advises President Putin on issues including the Ukraine. He is being sanctioned for his status as an advisor to Mr. Putin.
- **Andrei Klishas**, who is being sanctioned for his status as a member of the Federation Council (the upper house of the Russian Parliament), where he serves as the Chairman of the Federation Council Committee of Constitutional Law, Judicial, and Legal Affairs, and the Development of Civil Society. He recently drafted a bill to seize the assets of Westerners in response to any sanctions imposed on Russia.
- **Valentina Ivanovna Matviyenko**, who is being sanctioned for her status as Chairman of the Russian Federation Council.

- **Yelena Mizulina**, who is being sanctioned for her status as a member of the State Duma, the lower house of the Russian Parliament. She serves as Chairman of the Duma Committee on Family, Women and Children Affairs and has been involved in taking controversial actions concerning abortion, LGBT rights, adoption, and other family-related issues.
- **Dmitry Olegovich Rogozin**, the Deputy Prime Minister of the Russian Federation, who is being sanctioned because of his status as an official of the Russian Federation. He is in charge of the Russian Foundation for Advanced Research Projects, a military research agency.
- **Leonid Slutsky**, who is being sanctioned for his status as a member of the State Duma. He serves as Chairman of the Duma Committee on Commonwealth of Independent States Affairs, Eurasian Integration, and Relations with Compatriots. He is also the Chairman of the Russian World Fund Administration.
- **Vladislav Yurievich Surkov**, who is being sanctioned for his status as one of President Putin's most influential advisors. He is also known as the Kremlin's "gray cardinal," for the high level of behind-the-scenes influence he has wielded in developing Russia's political system.

All property and interests in property belonging to these individuals are blocked, but the practical ramifications the U.S. sanctions will have on these individuals remain unclear.

We note that the U.S. Government's approach to these sanctions -- a focus on the symbolism of cutting high-ranking Russian officials from the U.S. economy-- is different than approaches we have seen in the past.

## Implications for U.S. Persons Doing Business in Russia

While the prior order, E.O. 13660, imposed sanctions with respect to activities in Ukraine itself, the March 17 Order appears to set the stage for OFAC to name other officials of the Russian Federation, companies they own or control, or persons who assist them, to the SDN List – with no express requirement that they were involved in the situation in Ukraine. Indeed, several of the persons named to the SDN List under the March 17 Order have positions in the Duma but are not stated to have any specific involvement in events related to Ukraine.

The immediate economic impact of the sanctions and SDN listings is likely to be small, perhaps intentionally so – there is no indication that the named individuals have substantial business interests in the U.S. or with U.S. persons, nor that they were seeking to travel to the U.S. Long term impacts on U.S. businesses will depend in part on Russia's response to the new sanctions and its future dealings with the U.S. and the European Union. The Russian response to date has been defiant, with President Putin announcing the Russian Government's intent to annex Ukraine. His government has also made noises about imposing reciprocal sanctions on U.S. officials.

The March 17 Order, likely EU parallel sanctions, and the Russian response to the sanctions will potentially disrupt the activities of any U.S. persons doing business with the Russian Federation officials or companies they own. Looking forward, future sanctions could target not only Russian Federation officials but also Russian state-owned enterprises.

# STAY CURRENT

U.S. persons involved in a present or planned investment in Russia, or a transaction with counterparties that are officials in the Russian government or entities owned by those officials, should evaluate the impact that current or future U.S. sanctions, and the likely Russian response to the sanctions, could have on their business. Specifically, U.S. persons should:

- Assess their risks based on lines of business and any potential relationships with Russian officials;
- Consider alternatives to dealing with parties that may be subject to future sanctions;
- Evaluate legal obligations and exit strategies should sanctions be extended to cover the activity; and
- Ensure visibility into the operations and ownership of any investment target or source of funding that might be connected to potential sanctions targets.



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