

ALERTS

International Trade Law Alert - Yet Another Russia List? The Future Of U.S. Sanctions

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On Jan. 29, the U.S. Treasury Department issued to Congress a number of sanctions-related reports, primary among them a list of senior political figures and oligarchs in Russia (the Russian Senior Political Figures and Oligarchs List). The Treasury Department was required to compile this list under Section 241 of the Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA), a bipartisan law enacted last August. CAATSA also required a report to Congress on Russian parastatal entities, but that report is classified and the entities identified are unknown to the public.

Importantly, while the Russian Senior Political Figures and Oligarchs List was required by a U.S. sanctions law, it is not a sanctions list and imposes no new sanctions. Thus, the list, by itself, does not place any restrictions or limitations on dealings with the listed persons. However, certain senior political figures and oligarchs identified on the list are currently subject to pre-existing sanctions, which remain in effect.

So, if this is not a sanctions list, what does it mean and why is it important? The Russian Senior Political Figures and Oligarchs List provides insight into a potential escalation of U.S. sanctions on Russia, and underscores recent U.S. sanctions trends that make sanctions compliance more complex for U.S. companies engaged in global business. What this all means is that simply screening against the Consolidated Sanctions List is only one part of an effective sanctions compliance strategy.

Persons on the Russian Senior Political Figures and Oligarchs List May Soon Face Sanctions

Because U.S. sanctions laws are an extension of U.S. foreign policy, they are difficult to predict, and it is not often that the U.S. tips its hand concerning future sanctions targets. Here, however, should the U.S. escalate sanctions against Russia, the list would likely serve as a roadmap to the potential targets. U.S. and non-U.S. companies should be mindful of the list when pursuing business opportunities with Russian individuals and entities and should consider options to protect themselves in the event sanctions are imposed.

Moreover, under OFAC's [50 Percent Rule](#), any sanctions applied to Russian senior political figures and oligarchs in the future would also apply to entities owned 50 percent or more by the sanctioned persons.

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Consequently, due diligence regarding the ownership of Russian parties is prudent. It should be noted that the U.S. likely would not sanction every person on the list at once, but would rather target specific individuals if, and when, determined to meet the relevant sanctions criteria.

The New Russia List Demonstrates that Complex, Nuanced Sanctions are Here to Stay

Historically, the U.S. has tended to apply severe sanctions on a country as a whole (e.g., Iran) or on specific individuals and entities, and has generally prohibited all activities or transactions by U.S. persons (or persons subject to U.S. jurisdiction) involving those sanctions targets. However, the Sectoral Sanctions Identifications (SSI) List imposed against Russia in 2014 identifies certain entities for sanctions but prohibits only certain, limited transactions or activities (e.g., new debt and equity restrictions) involving those entities. While the SSI sanctions were unique at the time, the U.S. recently doubled-down on this type of sanctions program, imposing a similar set of restrictions with respect to Venezuela.

Importantly, this new type of targeted sanctions is often combined with a more traditional set of sanctions. In the case of Russia, this means that the SSI List is bolstered by a traditional embargo (affecting the Crimea Region); a traditional set of “blocking” sanctions prohibiting all transactions with the sanctioned individuals and entities; and additional restrictions implemented through U.S. export controls laws. These laws were augmented by the CAATSA, which has additional sanctions implications for both U.S. and foreign persons, even if foreign persons are operating completely outside of U.S. jurisdiction. Thus, the Russian Political Figures and Oligarchs List adds another layer of complexity to the challenges faced by companies seeking to do business with Russia.

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