

## **OFAC Announcement of Expanded Treasury Sanctions within the Russian Financial Services, Energy and Defense or Related Materiel Sectors**

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### ***Actions Target Largest Russian Bank, Deepens Existing Sanctions on Russian Financial Institutions, Expands Sanctions in Russia's Energy Sector, and Targets Additional Energy- and Defense-Related Russian Entities***

**WASHINGTON** – Due to continued Russian efforts to destabilize eastern Ukraine, Treasury Secretary Jacob J. Lew today determined that persons operating within Russia's defense and related materiel sector may now be subject to targeted sanctions under Executive Order 13662. In addition, the U.S. Department of the Treasury today extended targeted financial sanctions to Russia's largest bank, deepened existing sanctions on Russian financial institutions, expanded sanctions in Russia's energy sector, and increased the number of sanctioned Russian entities in the energy and defense sectors.

- Treasury Secretary Jacob J. Lew has made a determination that persons operating within Russia's defense and related materiel sector may now be subject to targeted sanctions under Executive Order 13662. Following Secretary Lew's determination, Treasury has imposed sanctions that prohibit transactions by U.S. persons or within the United States involving new debt of greater than 30 days maturity issued by Rostec, a major Russian conglomerate that operates in the defense and related materiel sector.
- Treasury has added Russia's largest bank, Sberbank of Russia, to the existing prohibitions on U.S. persons providing equity or certain long-term debt financing. In addition, we have tightened the debt financing restrictions by reducing from 90 days to 30 days the maturity period for new debt issued by the six Russian banks subject to this restriction. These banks are Bank of Moscow, Gazprombank OAO, Russian Agricultural Bank, Sberbank, VEB, and VTB Bank.
- Treasury has designated and blocked the assets of five Russian state-owned defense technology firms – OAO 'Dolgoprudny Research Production Enterprise,' Mytishchinski Mashinostroitelny Zavod OAO, Kalinin Machine Plant JSC, Almaz-Antey GSKB, and JSC NIIP – for operating in the arms or related materiel sector in Russia.
- Treasury has also imposed sanctions that prohibit the exportation of goods, services (not including financial services), or technology in support of exploration or production for Russian deepwater, Arctic offshore, or shale projects that have the potential to produce oil, to five Russian energy companies – Gazprom, Gazprom Neft, Lukoil, Surgutneftegas, and Rosneft – involved in these types of projects. This measure complements restrictions administered by the Commerce Department and is similar to new EU measures published today. U.S. persons have until September 26, 2014 to wind down applicable transactions with these entities pursuant to a general license that Treasury's Office of Foreign Assets Control issued today.
- Treasury has also imposed sanctions that prohibit transactions in, provision of financing for, or other dealings in new debt of greater than 90 days maturity issued by two additional Russian energy companies – Gazprom Neft and Transneft.

“Today’s actions demonstrate our determination to increase the costs on Russia as long as it continues to violate Ukraine’s territorial integrity and sovereignty,” said Under Secretary for Terrorism and Financial Intelligence David S. Cohen. “The United States, in close cooperation with the European Union, will impose ever-increasing sanctions that further Russia’s isolation from the global financial system unless Russia abandons its current path and genuinely works toward a negotiated diplomatic resolution to the crisis.”

Despite the severity of these actions, Treasury maintains significant scope to expand these sanctions, and impose additional sanctions, against individuals and entities under the authorities of Executive Orders (E.O.) 13660, 13661 and 13662 should the Russian Government not take steps to de-escalate the situation in Ukraine.

### **Imposition of Sanctions on Several Russian State-Owned Firms Pursuant to E.O. 13661 and E.O. 13662 for Operation in the Defense or Related Materiel Sector in Russia**

Treasury today has also imposed new sanctions and strengthened existing sanctions targeting firms operating in Russia’s defense sector.

Determination about Russia’s Defense and Related Materiel Sector and Imposition of Sanctions against Rostec. Treasury Secretary Jacob J. Lew today made a determination under E.O. 13662 that persons operating within Russia’s defense and related materiel sector may now be subject to targeted sanctions. Following Secretary Lew’s determination, Treasury issued a new directive that imposes sanctions on Rostec, a major Russian conglomerate that operates in the defense and related materiel sector. Directive 3 pursuant to E.O. 13662 prohibits transactions in, provision of financing for, and other dealings in new debt of greater than 30 days maturity issued by Rostec, and its 50 percent or more owned subsidiaries, effectively cutting it off from U.S. debt financing.

- Rostec is a Russia-based state-owned holding company for Russia’s defense industry. Rostec produces, develops, manufactures, and exports civil, military, and dual-purpose high-technology goods, and is involved in the manufacturing of weapons and military equipment. Rostec-held subsidiaries manufacture and export military products valued in the billions. Treasury designated Rostec’s Director General, Sergei Viktorovich Chemezov, on April 28, 2014, pursuant to E.O. 13661.

Designation of Additional Defense Technology Companies under E.O. 13661. Treasury has also designated and blocked the assets of five Russian defense firms under E.O. 13661 for operating in the arms and related materiel sector in the Russian Federation. The firms designated today under E.O. 13661 include OAO ‘Dolgoprudny Research Production Enterprise,’ Mytishchinski Mashinostroitelny Zavod OAO, Kalinin Machine Plant JSC, Almaz-Antey GSKB, and JSC NIIP. The designated firms are responsible for the production of a range of materiel, from small arms to mortar shells to tanks. As a result of today’s actions under E.O. 13661, any assets of these entities that are within U.S. jurisdiction must be frozen. Additionally, transactions by U.S. persons or within the United States involving these entities are generally prohibited.

- OAO ‘Dolgoprudny Research Production Enterprise’ is a Russia-based company, which is primarily engaged in the production of weapons and ammunition, including the Buk missile system, known in the West as “Gadfly” or SA-11 or SA-17.

- Mytishchinski Mashinostroitelny Zavod, OAO is a Moscow-based company that has produced weaponry and equipment focusing primarily on anti-aircraft missile systems and chassis for tracked military vehicles.
- Kalinin Machine Plant JSC is a Russia-based, state-run company involved in the production of special purpose products such as weapons, ammunition, and combat anti-air missile system facilities for the Ministry of Defense of the Russian Federation. Kalinin Machine Plant JSC produces artillery guns for infantry and anti-air defense and specializes in the production of launchers and anti-air missiles.
- Almaz-Antey GSKB is a Moscow-based subsidiary of the Almaz-Antey Concern, which was designated under E.O. 13661 on July 16, 2014. Almaz-Antey GSKB designs and manufactures air defense systems for the Russian Ministry of Defense.
- JSC NIIP is a Zhukovski-based Russian defense industrial firm owned by the Almaz-Antey Concern. JSC NIIP develops anti-aircraft defense systems, including on-board radar systems for MiG and Sukhoi fighters, and anti-aircraft missile systems for land forces, including the KUB and BUK systems.

**Expansion of Prohibition of Certain Types of Activities with Several Russian State-Owned Financial Institutions Pursuant to E.O. 13662**

Treasury today has imposed new sanctions and strengthened existing sanctions in Russia's financial sector.

Imposition of Sanctions against Sberbank of Russia and Lowering of Allowable Maturity for New Debt Issuance for Sanctioned Financial Institutions. Treasury has also modified Directive 1 pursuant to E.O. 13662 to lower the allowable maturity for new debt from 90 to 30 days, and has added Sberbank to the list of entities subject to the restrictions in Directive 1. Directive 1 pursuant to E.O. 13662 now prohibits transactions in, provision of financing for, or other dealings in new debt of greater than 30 days maturity and new equity of the banks listed under this Directive, by U.S. persons or within the United States. As a practical matter, this step will further remove access to U.S. dollar financing for these financial institutions, and impose additional significant costs on the Russian Government for its continued provocations.

- Sberbank of Russia is Russia's largest financial institution. Sberbank accounts for approximately one-quarter of Russian banking assets and one-third of its banking capital.

Prohibition of Certain Types of Activities with Several Russian State-Owned Energy Companies Pursuant to E.O. 13662

**Treasury today has imposed new sanctions and strengthened existing sanctions targeting firms operating in Russia's energy sector.**

Prohibition on Goods, Services, and Technology for Certain Energy Sector Activities. **New Directive 4** issued pursuant to E.O. 13662 prohibits the provision, exportation, or reexportation of goods, services (except for financial services), or technology by U.S. persons or from the United States in support of exploration or production for deepwater, 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, and that involve five listed Russian energy companies: Gazprom, Gazprom Neft, Lukoil, Surgutneftegas, and Rosneft. Treasury initially imposed sanctions against Rosneft, Russia's largest petroleum company and third-largest gas producer, pursuant to E.O. 13662 on July 17, 2014. Today's step, which complements Commerce Department restrictions and is similar to new EU measures published today, will impede Russia's ability to develop so-called frontier or unconventional oil resources, areas in which Russian firms are heavily dependent on U.S. and western technology. While these sanctions do not target or interfere with the current supply of energy from Russia or prevent Russian companies from selling oil and gas to any country, they make it difficult for Russia to develop long-term, technically challenging future projects.

- OAO Gazprom is a Russia-based, government-owned global energy company engaged in gas exploration, production, transportation, storage, processing, and sales. It is one of the largest joint stock companies in Russia.
- Gazprom Neft is an integrated Russian oil company engaged in the exploration, development, production, transportation, and sale of crude oil and gas, and is also involved in oil refining, marketing of petroleum products, oil field services, and construction and development of exploration wells. Gazprom Neft is majority owned by Gazprom.
- Lukoil OAO is a Russia-based integrated oil and gas company. Lukoil is engaged in the business of oil exploration, production, refining, marketing, and distribution. The company is an owner of refineries, gas processing, petrochemical plants, and gas station networks located in Russia and abroad.
- Surgutneftegas is a Russian oil company involved in oil and gas production and exploration, gas processing, power generation, output and marketing of petroleum products, petrochemicals and gas products.

**Imposition of Sanctions against Gazprom Neft and Transneft.** Treasury has added two Russian energy companies, Gazprom Neft and Transneft, to the prohibitions under Directive 2 pursuant to E.O. 13662. Transactions in, provision of financing for, and other dealings in new debt of greater than 90 days maturity for these two companies, and their 50 percent or more owned subsidiaries, by U.S. persons or within the United States are prohibited. This sanction will impair their ability to raise financing in U.S. dollars, which is critical for their exploration and development of new oil fields.

- Gazprom Neft (see above).
- AK Transneft OAO is Russia's government-owned pipeline company. The company provides services for oil and oil products transportation via trunk pipelines systems within the Russian Federation and abroad.