

U.S. DEPARTMENT OF THE TREASURY FAQ

Questions Related to Sectoral Sanctions under Executive Order 13662

370. What is this prohibition under Executive Order (E.O.) 13662? Is it a blocking action?

The sanctions imposed today on specified persons operating in sectors of the Russian economy identified by the Secretary of Treasury were done under Executive Order 13662 through directives issued by OFAC pursuant to its delegated authorities. Directive 1 of E.O. 13662 prohibits transacting in, providing financing for, or otherwise dealing in debt with a maturity of longer than 90 days or equity if that debt or equity is issued after on or after July 16, 2014 (the applicable sanctions effective date) (“new debt” or “new equity”) by, on behalf of, or for the benefit of the persons operating in Russia’s financial sector named under Directive 1, their property, or their interests in property.

Directive 2 of E.O. 13662 separately prohibits transacting in, providing financing for, or otherwise dealing in new debt—issued on or after July 16, 2014—of greater than 90 days maturity by, on behalf of, or for the benefit of the persons operating in Russia’s energy sector named under the Directive 2, their property, or their interests in property.

These actions pursuant to Directives 1 and 2 prohibit transactions by U.S. persons as defined in E.O. 13662, wherever they are located, and transactions within the United States. This is not a blocking action, nor will persons identified in Directives 1 and 2 be added to the Specially Designated Nationals (SDN) list, and the action does not require U.S. persons to block the property or interests in property of the entities identified in today’s directives. U.S. persons should reject transactions or dealings that are prohibited by today’s directives, and to the extent required by Section 501.604 of the Reporting, Procedures and Penalties Regulations (31 C.F.R. part 501), U.S. persons must report to OFAC any rejected transactions within 10 business days. [7-16-2014]

371. What does OFAC interpret to be debt and equity? Are there other prohibited activities under these directives? Can U.S. financial institutions continue to maintain correspondent accounts and process U.S. dollar-clearing transactions for the entities identified by this order?

The term *debt* includes bonds, loans, extensions of credit, loan guarantees, letters of credit, drafts, bankers acceptances, discount notes or bills, or commercial paper. The term *equity* includes stocks, share issuances, depositary receipts, or any other evidence of title or ownership. The prohibitions in Directive 1 of E.O. 13662 apply to all transactions involving new debt with a maturity of longer than 90 days or new equity; all financing in support of such new debt or new equity; and any dealing in, including provision of services in support of, such new debt or new equity. The prohibitions in Directive 2 of E.O. 13662 apply to all transactions involving new debt with a maturity of longer than 90 days; all financing in support of such new debt; and any dealing in, including provision of services in support of, such new debt. The prohibitions in both directives extend to rollover of existing debt, if such rollover results in the creation of new debt with a maturity of longer than 90 days.

Transacting in, providing financing for, or otherwise dealing in any debt or equity issued prior to the

sanctions' effective date by, on behalf of, or for the benefit of the entities operating in the financial and energy sectors that are identified in these directives is permissible. In addition, transacting in, providing financing for, or otherwise dealing in debt instruments with maturities of 90 days or less issued by or on behalf of the entities identified in the directives, even if they are issued after the sanctions' effective date, is permissible. Transacting in, providing financing for, or otherwise dealing in new equity instruments for entities operating in the Russian energy sector identified in Directive 2 of E.O. 13662 is permissible. U.S. financial institutions may continue to maintain correspondent accounts and process U.S. dollar-clearing transactions for the persons identified in the directives, so long as those activities do not involve transacting in, providing financing for, or otherwise dealing in prohibited transaction types identified by these directives.. [7-16-2014]

372. Does today's action prohibit U.S. persons from entering into derivatives contracts linked to debt or equity issued on or after July 16, 2014 by the entities identified today?

The action taken today under E.O. 13662 is solely a prohibition on transacting in, providing financing for, or otherwise dealing in debt with a maturity of longer than 90 days or equity if that debt or equity is issued on or after July 16, 2014 by, on behalf of, or for the benefit of the persons identified under Directive 1 and on transacting in, providing financing for, or otherwise dealing in debt with a maturity of longer than 90 days issued on or after July 16, 2014 by, on behalf of, or for the benefit of the persons identified under Directive 2. OFAC today issued [General License 1](#), which authorizes certain transactions involving derivative products. [7-16-2014]

373. Do the prohibitions under E.O. 13662 also extend to debt and equity issued by entities owned 50 percent or more by the entities identified by this order, as per guidance OFAC issued on February 14, 2008?

Yes, this prohibition applies to the named persons, their property, and their interests in property, which includes entities owned 50 percent or more by the persons identified under Directives 1 and 2 of E.O. 13662. As with the parent entities, the prohibition is limited to transacting in, providing financing for, or otherwise dealing in new debt with a maturity of longer than 90 days or new equity if that debt or equity is issued on or after July 16, 2014 by, on behalf of, or for the benefit of entities owned 50 percent or more by persons identified under Directive 1. Similarly, the prohibition is limited to transacting in, providing financing for, or otherwise dealing in new debt with maturity of longer than 90 days issued on or after July 16, 2014 by, on behalf of, or for the benefit of entities owned 50 percent or more by persons identified under Directive 2. [7-16-2014]

374. If I own a Kalashnikov product, is that product blocked by sanctions? Am I able to resell a Kalashnikov product at a gun show or other secondary market?

If a U.S. person is in possession of a Kalashnikov Concern product that was bought and fully paid for prior to the date of designation (i.e., no payment remains due to Kalashnikov Concern), then that product is not blocked and OFAC sanctions would not prohibit the U.S. person from keeping or

selling the product in the secondary market, so long as Kalashnikov Concern has no interest in the transaction. New transactions by U.S. persons with Kalashnikov Concern are prohibited, however, and any property in which Kalashnikov Concern has an interest is blocked pursuant to OFAC's designation of Kalashnikov Concern on July 16, 2014. If a U.S. person has an inventory of Kalashnikov Concern products in which Kalashnikov Concern has an interest (for example, the products are not fully paid for or are being sold on consignment), we advise that U.S. person to contact OFAC for further guidance on handling of the inventory. [7-16-2014]

375. If I have Kalashnikov products in my inventory, can I sell them?

If a U.S. person has an inventory of Kalashnikov Concern products in which Kalashnikov Concern has an interest (for example, the products are not fully paid for or are being sold on consignment), we advise that U.S. person to contact OFAC for further guidance on handling of the inventory. [7-16-2014]