

Sanctions Update: Continuing Implementation of US Embargo of Crimea Region

New US rules define scope of prohibitions and authorized activities, as Crimea region remains subject to broad US embargo and EU trade and investment restrictions.

On January 29 and 30, 2015, the US Department of Commerce's Bureau of Industry and Security (BIS) and the Department of the Treasury's Office of Foreign Assets Control (OFAC) issued regulations that further define the scope of the US embargo against the Crimea region, which the President imposed through [Executive Order 13685](#) (the Order) on December 19, 2014. The US embargo goes beyond Crimea sanctions that the European Union imposed in July 2014.

Crimea Embargo Update

In the Order, the President created a unique region-specific embargo under US law for the Crimea region of Ukraine, defined as "the land territory in that region as well as any maritime area over which sovereignty, sovereign rights, or jurisdiction is claimed based on purported sovereignty over that land territory."

The Order prohibits:

- New investment in the Crimea region by a US person (US citizen, US permanent resident, or entity organized under US law and foreign branches), wherever located
- The importation into the United States, directly or indirectly, of any goods, services or technology from the Crimea region
- The exportation, reexportation, sale or supply, directly or indirectly, from the United States, or by a US person, wherever located, of any goods, services or technology to the Crimea region
- The approval, financing, facilitation or guarantee by a US person, wherever located, of a transaction by a foreign person regarding the Crimea region that would be prohibited as to a US person

The Order also gives the Treasury Department additional authority to add certain parties in the Crimea region to the list of Specially Designated Nationals.

Changes to Commerce Department Regulations

By publication in the Federal Register on January 29, 2015, BIS imposed a license requirement for any export or reexport to Crimea, and any transfer within Crimea, of items subject to the Export Administration Regulations (EAR), other than food and medicine classified as EAR99. This license requirement applies

to US-origin goods or items manufactured outside the United States with more than 25 percent US content by value. License applications for exports, reexports or transfers of EAR-regulated items will be subject to a presumption of denial, unless the item is included in OFAC's [General License No. 4](#), which covers medical supplies and related replacement parts.

BIS also amended the EAR to restrict the availability of License Exceptions for exports and reexports to the Crimea region. The only available License Exceptions are "TMP" for items for use by the news media, "GOV" for items for personal or official use by the US Government or certain international organizations, "GFT" for gift parcels and humanitarian donations, "TSU" for certain operation technology and software, "BAG" for personally accompanied baggage, and "AVS" for civil aircraft and vessels.

New OFAC General Licenses

On January 30, 2015, OFAC published three new general licenses authorizing certain otherwise prohibited activities with respect to the Crimea region. These licenses are in addition to the previously issued [General License No. 5](#), which authorized US persons to wind down certain activities relating to the Crimea region until February 1, 2015. US persons who took action under General License No. 5 are required to submit within 10 business days a report to OFAC detailing their wind-down activities.

The new general licenses are:

- [General License No. 6](#): This authorizes US persons to send and receive non-commercial, personal remittances to or from Crimea, or to do so on behalf of an individual ordinarily resident in Crimea, including by hand-carrying funds. The authorization also applies to US depository institutions, US-registered broker-dealers, and US-registered money transmitters acting on behalf of such individuals.
- [General License No. 7](#): US financial institutions are authorized to operate accounts for individuals ordinarily resident in Crimea (other than OFAC-blocked persons), if the accounts are personal in nature and not used for business purposes.
- [General License No. 8](#): Similar to the authorizations available in certain other OFAC sanctions programs, this authorizes all transactions with respect to the receipt and transmission of telecommunications involving Crimea, as long as no parties blocked under the Russia sanctions program are involved. The license does not authorize the provision, sale or lease of (a) telecommunications equipment or technology, or (b) capacity on telecommunications transmission facilities, such as satellite or terrestrial network capacity. Common carriers are also authorized to engage in transactions incident to the receipt or transmission of mail and packages between the United States and Crimea, provided such transactions are authorized under the Russia sanctions.

EU Sanctions Update

The European Union has maintained sanctions specifically targeting Crimea and Sevastopol since June 24, 2014, when [Council Regulation \(EU\) No 692/2014](#) entered into force. This Regulation on July 30, 2014 was amended by [Council Regulation \(EU\) No 825/2014](#) to introduce export and investment restrictions, and was further amended on December 18, 2014, when the EU adopted [Council Regulation \(EU\) No 1351/2014](#), which significantly enhanced the EU sanctions directed specifically at Crimea and Sevastopol.

As a result of these measures, although the EU has not imposed a comprehensive embargo on Crimea and Sevastopol, trade with and investment in Crimea and Sevastopol is severely curtailed. EU persons

and businesses need to ensure that any dealings with Crimea/Sevastopol comply with applicable EU sanctions.

In summary, the EU sanctions targeting Crimea and Sevastopol currently in force prohibit, with certain limited exceptions:

- The import into the EU of goods originating in Crimea or Sevastopol, along with the provision of financing, financial assistance, insurance or reinsurance related to the import of such goods
- The sale, supply, transfer or export, from the EU or by an EU person, to any person, entity or body in Crimea or Sevastopol or for use in Crimea or Sevastopol of an extensive list of goods listed in Annex II to [Council Regulation \(EU\) No 1351/2014](#)
- The provision of certain associated services, including technical assistance, brokering services, financing or financial assistance, related to goods listed in Annex II to [Council Regulation \(EU\) No 1351/2014](#)
- The investment in real estate and the acquisition of or participation in an “entity in Crimea or Sevastopol” (as defined), through ownership or control, financing, or by entering into a joint venture, along with the provision of investment services directly related to any such investment activities
- The provision of technical assistance, or brokering, construction or engineering services directly relating to infrastructure in Crimea or Sevastopol in the transport, telecommunications or energy sectors or related to the prospection, exploration or production of oil, gas or mineral resources
- The provision of services directly related to tourism activities, particularly with respect to cruise ships

Although short of a trade embargo, these measures are extremely broad, and the compliance burden on EU persons doing business with Crimea is substantial. EU businesses also need to be aware of the strict prohibitions on circumvention contained in EU sanctions and the possibility that these measures may be enhanced at any point in the future.

Conclusion

The measures described above confirm that the US and the EU remain committed to the use of trade and investment sanctions in response to events in Ukraine. We are continuing to advise clients on the legal and practical impact of these measures and to monitor the risk of future sanctions as events unfold in the region.

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