

Summary by McCarthy Tétrault regarding  
new U.S. sanctions affecting, *inter alia*, Rusal, under the  
Countering America's Adversaries Through Sanctions Act (CAATSA)

June 1, 2018

**Key Facts for Canadian companies**

- 20180406 US Treasury OFAC announces **expanded sanctions** targeting
  - 26 individuals, Russian "oligarchs" and certain non-Russians, in energy, banking and other sectors,
  - 15 companies which those oligarchs control, and
  - 17 senior government officials in Russia.
- These targets now appear on OFAC's List of Specially Designated Nationals and Blocked Persons ("SDN List").
- These sanctions
  - block property and interests in property belonging to the targets,
  - **prohibit virtually all transactions with the targets**, and
  - apply also to any entity 50+% owned (cumulatively) by the targets or by other sanctioned parties.
- They have **both** a direct effect and a secondary effect on Canadian and other companies and persons:
  - **Direct effect** on any "U.S. Person", defined to include:
    - U.S. entity and its non-U.S. offices and branches;
      - (this appears to exclude subsidiaries, which are covered by the U.S.'s Cuba and Iran sanctions)
    - individual U.S. citizens and **lawful permanent residents** (including "green-card" holders), no matter where located or by whom employed; and
    - **non-U.S. persons when present in or operating from the United States.**
  - **Secondary sanctions will also affect Canadian and other companies** doing business with the targets.
- This is so whether the company is in a country which has similar sanctions to the U.S. sanctions or not.
  - The OFAC FAQ guidance states that the U.S. government "remains committed to coordination with our allies and partners in order to mitigate adverse and unintended consequences of these designations."
  - Canada has not itself sanctioned the targets.
- 20180406 OFAC also issued two **general licenses**.
  - One authorizes U.S. persons doing business with certain of the newly sanctioned entities to wind down their activities, until June 5, 2018, or (in the case of the target Rusal, October 23, 2018).
  - The other authorizes U.S. persons to divest or transfer debt, equity, or other holdings in three of the blocked entities to non-U.S. persons (other than sanctioned parties) until May 7, 2018.
- The sanctions have no expiry date but can be withdrawn at any time by the Department of the Treasury.
- OFAC also issued guidance in the form of responses to Frequently Asked Questions ("FAQs"), and offers other information at <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/ukraine.aspx>.