



*****ALERT*****

**ATF Announces Suspension of Import Permits
for Nine Named Russian Entities**

On August 13, 2014, the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) announced immediate action to suspend import permits authorizing the importation of firearms, ammunition, and other defense articles involving Kalashnikov Concern and eight additional defense-related entities. ATF initiated this action pursuant to guidance from the Department of State under the Arms Export Control Act, 22 U.S.C. 2778 (AECA), which directed ATF to implement the sanctions previously imposed by the Treasury Department's Office of Foreign Assets Control (OFAC).

Background

On July 16, 2014, the Treasury Department's Office of Foreign Assets Control (OFAC) designated Kalashnikov Concern as a Specially Designated National (SDN) as part of the Obama Administration's sanctions on persons and entities in Russia determined to be contributing to the situation in Ukraine. The designation for Kalashnikov Concern listed the different trade names currently or formerly used by this entity, as follows:

KALASHNIKOV CONCERN (a.k.a. CONCERN KALASHNIKOV; a.k.a. IZHEVSKIY MASHINOSTROITEL'NYI ZAVOD OAO; f.k.a. IZHMASH R&D CENTER; f.k.a. JSC NPO IZHMASH; f.k.a. NPO IZHMASH OAO; a.k.a. OJSC CONCERN KALASHNIKOV; f.k.a. OJSC IZHMASH; f.k.a. SCIENTIFIC PRODUCTION ASSOCIATION IZHMASH JOINT STOCK COMPANY), 3, Derjabin Pr., Izhevsk, Udmurt Republic 426006, Russia; Registration ID 1111832003018 [UKRAINE2].

The July 16, 2014, OFAC announcement identified seven other entities involved in the arms or defense industries in Russia. These entities were also designated as SDNs by OFAC, and were listed as follows:

FEDERAL STATE UNITARY ENTERPRISE STATE RESEARCH AND PRODUCTION ENTERPRISE BAZALT (a.k.a. FEDERAL STATE UNITARY ENTERPRISE, STATE RESEARCH AND PRODUCTION ENTERPRISE BAZALT; a.k.a. FSUE SRPE BAZALT; a.k.a. STATE RESEARCH AND PRODUCTION ENTERPRISE BAZALT), 32 Velyaminovskaya, Moscow 105318, Russia; Website www.bazalt.ru; Email Address moscow@bazalt.ru [UKRAINE2].

JOINT STOCK COMPANY CONCERN RADIO-ELECTRONIC TECHNOLOGIES (a.k.a. CONCERN RADIO-ELECTRONIC TECHNOLOGIES; a.k.a. "KRET"), 20/1

Korp. 1 ul. Goncharnaya, Moscow 109240, Russia; Website <http://www.kret.com>;
Registration ID 1097746084666 [UKRAINE2].

JOINT STOCK COMPANY CONCERN SOZVEZDIE (a.k.a. JSC CONCERN SOZVEZDIE), 14 Plekhanovskaya Street, Voronezh, Russia; 14 ul. Plekhanovskaya, Voronezh, Voronezhskaya obl. 394018, Russia; Registration ID 1053600445337 [UKRAINE2].

JOINT STOCK COMPANY MILITARY-INDUSTRIAL CORPORATION NPO MASHINOSTROYENIA (a.k.a. JOINT STOCK COMPANY MILITARY INDUSTRIAL CONSORTIUM NPO MASHINOSTROYENIA; a.k.a. JSC MIC NPO MASHINOSTROYENIA; a.k.a. MIC NPO MASHINOSTROYENIA JSC; a.k.a. MIC NPO MASHINOSTROYENIYA JSC; a.k.a. MILITARY INDUSTRIAL CORPORATION NPO MASHINOSTROENIA OAO; a.k.a. OPEN JOINT STOCK COMPANY MILITARY INDUSTRIAL CORPORATION SCIENTIFIC AND PRODUCTION MACHINE BUILDING ASSOCIATION; a.k.a. VOENNO-PROMYSHLENNAYA KORPORATSIYA NAUCHNO-PROIZVODSTVENNOE OBEDINENIE MASHINOSTROENIYA OAO; a.k.a. VPK NPO MASHINOSTROENIYA), 33, Gagarina St., Reutov-town, Moscow Region 143966, Russia; 33 Gagarin Street, Reutov, Moscow Region 143966, Russia; 33 Gagarina ul., Reutov, Moskovskaya obl 143966, Russia; Website www.npomash.ru; Email Address export@npomash.ru; alt. Email Address vpk@npomash.ru; Registration ID 1075012001492 (Russia); Tax ID No. 5012039795 (Russia); Government Gazette Number 07501739 (Russia) [UKRAINE2].

JOINT-STOCK COMPANY CONCERN ALMAZ-ANTEY (a.k.a. ALMAZ-ANTEY CORP; a.k.a. ALMAZ-ANTEY DEFENSE CORPORATION; a.k.a. ALMAZ-ANTEY JSC; f.k.a. OTKRYTOE AKTSIONERNOE OBSHCHESTVO KONTSEERN PVO ALMAZ ANTEI), 41 ul.Vereiskaya, Moscow 121471, Russia; Website almaz-antey.ru; Email Address antey@almaz-antey.ru [UKRAINE2].

KONSTRUKTORSKOE BYURO PRIBOROSTROENIYA OTKRYTOE AKTSIONERNOE OBSHCHESTVO (a.k.a. INSTRUMENT DESIGN BUREAU; a.k.a. JSC KBP INSTRUMENT DESIGN BUREAU; a.k.a. KBP INSTRUMENT DESIGN BUREAU; a.k.a. KBP INSTRUMENT DESIGN BUREAU JOINT STOCK COMPANY; a.k.a. "KBP OAO"), 59 Shcheglovskaya Zaseka ul., Tula 300001, Russia; Website www.kbptula.ru; Email Address kbkedr@tula.net; Registration ID 1117154036911 (Russia); Government Gazette Number 07515747 (Russia) [UKRAINE2].

URALVAGONZAVOD (a.k.a. NAUCHNO-PROIZVODSTVENNAYA KORPORATSIYA URALVAGONZAVOD OAO; a.k.a. NPK URALVAGONZAVOD; a.k.a. NPK URALVAGONZAVOD OAO; a.k.a. OJSC RESEARCH AND PRODUCTION CORPORATION URALVAGONZAVOD; a.k.a. RESEARCH AND PRODUCTION CORPORATION URALVAGONZAVOD; a.k.a. RESEARCH AND PRODUCTION CORPORATION URALVAGONZAVOD OAO; a.k.a.

URALVAGONZAVOD CORPORATION; a.k.a. "UVZ"), 28, Vostochnoye shosse, Nizhni Tagil, Sverdlovsk region 622007, Russia; 28 Vostochnoe shosse, Nizhni Tagil, Sverdlovskaya oblast 622007, Russia; 40, Bolshaya Yakimanka Street, Moscow 119049, Russia; Vostochnoye Shosse, 28, Nizhny Tagil 622007, Russia; Website <http://www.uvz.ru/>; alt. Website <http://uralvagonzavod.com/>; Email Address web@uvz.ru [UKRAINE2].

A link to the full text of the July 16, 2014, OFAC announcement and the list is here: <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20140716.aspx>

OFAC updated the Ukraine Sanctions on July 29, 2014, by designating an additional defense-related entity as a SDN as follows:

UNITED SHIPBUILDING CORPORATION (a.k.a. OBEDINENNAYA SUDOSTROITELNAYA KORPORATSIYA OAO; a.k.a. OJSC UNITED SHIPBUILDING CORPORATION; a.k.a. UNITED SHIPBUILDING CORPORATION JOINT STOCK COMPANY; a.k.a. "OSK OAO"), 90, Marata ul., St. Petersburg 191119, Russia; 11, Sadovaya-Kudrinskaya str., Moscow 123242, Russia; Website <http://www.oaosk.ru/>; Email Address info@oaosk.ru [UKRAINE2].

A link to the full text of the July 29, 2014 announcement is here: <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20140729.aspx>

July 23, 2014 Client Alert

On July 23, 2014, we advised you in a separate Client Alert of the OFAC sanctions imposed on Kalashnikov Concern. On the date of this alert the sanctions were limited to those imposed by OFAC pursuant to their authority under the International Emergency Economic Powers Act (IEEPA). OFAC's designation of an entity as a SDN results in blocking all property and interests of the entity that comes under U.S. jurisdiction. Blocking immediately imposes an across-the-board prohibition against transfers or transactions of any kind involving the property. Guidance issued by OFAC in relation to the Kalashnikov Concern sanctions indicated that transactions with this entity would be blocked only if Kalashnikov Concern retained a financial or other ownership interest in the property.

It is important to note, however, that ATF's actions prohibiting imports of defense articles from the targeted entities is under its authority of the AECA and is therefore broader than the OFAC economic sanctions. As mentioned earlier, the State Department has directed ATF to implement the economic sanctions pursuant to its authority under the AECA. The AECA authorizes the President, in furtherance of world peace and the security and foreign policy of the United States, to control the import of defense articles. Consequently, the Administration's authority under the AECA extends beyond economic sanctions and gives ATF the authority to prohibit the importation of defense articles

involving any of the sanctioned entities, regardless of whether the targeted entities retain a financial interest in the defense articles. If the defense articles are manufactured by or otherwise involve one of these entities, they are prohibited from importation into the United States.

ATF's Questions and Answers on the Import Suspension

On August 13, 2014, ATF posted information on its website about the sanctions on Russian entities which can be viewed here:

<http://www.atf.gov/content/Firearms/firearms-industry/U.S.-Government-Sanctions-on-Russian-Entities-Q%26As>

The information below summarizes and expands upon the information provided by ATF.

Notification to Importers

Beginning August 8, 2014, importers holding approved import permits for products manufactured by or involved with any of the nine named entities will be notified via e-mail and certified mail of the suspension of the permits. Pursuant to regulations in 27 C.F.R. 447.44, importers must return suspended permits to ATF. Regulations provide that importers will have an opportunity to present written information to ATF regarding the suspension and proposed revocation. Information must be submitted within 30 days of receipt of the ATF suspension notification.

Defense Articles Stored in a Customs Bonded Warehouse or Foreign Trade Zone

ATF advises that defense articles stored in a Customs Bonded Warehouse or Foreign Trade Zone that were manufactured by or are involved with one of the named entities may not be removed for entry into the commerce of the United States. Such articles will be prohibited from entry into the United States during the pendency of the sanctions.

Pending Import Permit Applications

ATF advised that Form 6 import applications in process as of August 8, 2014, seeking approval for importation of defense articles manufactured by or involved with one of the named entities will be denied.

New Import Permit Applications

ATF will deny new applications seeking approval for importation of defense articles manufactured by or involved with any of the nine named entities. All other applications seeking the importation of defense articles from Russia will be approved. ATF advises, however, that the Administration is aware of the inter-connected web of ownership of arms manufacturers in Russia. Accordingly, importers are expected to conduct appropriate due diligence to determine whether any of the named entities has an ownership interest in the manufacturer of the products sought for import to the U.S. If

ATF learns at a later date that a particular permit was issued for products in which a sanctioned entity has an interest or in which a sanctioned entity is involved, ATF could suspend and/or revoke the permit.

OFAC has provided guidance on the requisite property interest qualifying for sanctions. Generally, a blocked party is considered to have an interest in all property and interests in all property of an entity in which it owns, directly or indirectly, a 50 percent or greater interest. The property and interests of such a related company are blocked whether the related company is specifically listed by OFAC as a SDN. Even when the blocked person owns less than 50 percent of the related company, OFAC urges U.S. persons to act "with caution" when considering a transaction with the related company. OFAC notes that such entities may be the subject of future blocked party designations. A link to the full text of the OFAC guidance on this topic is here:

http://www.treasury.gov/resource-center/sanctions/Documents/licensing_guidance.pdf

Because the ATF import suspension is imposed under the AECA, it is unclear whether the OFAC guidance above applies to the import actions taken by ATF. We provide it for your information, as it is the only guidance the United States has provided on property interests subject to sanctions.

ATF advises that importers concerned about a property interest of a sanctioned entity in a nonsanctioned entity may request guidance from OFAC. Alternatively, importers may submit to ATF a Form 6 import application with an attachment outlining information concerning the property interest of concern. ATF will provide the information to OFAC for guidance.

Importers concerned about potential property interests in nonsanctioned Russian entities should consider obtaining guidance from ATF, OFAC, or counsel before entering into binding contracts.

Products In Transit

ATF has provided Customs and Border Protection (CBP) with copies of the letters sent to importers holding permits that have been suspended. CBP will not authorize release of defense articles sought for importation on suspended permits. Neither CBP nor ATF have provided guidance on the options available to importers who currently have sanctioned products in CBP custody. Clients in this situation should contact counsel for guidance.

For More Information

The above analysis is for informational purposes only and is not intended to be construed or used as legal advice. It does not anticipate all areas in which the proposed revisions

could affect a business. Questions about this information can be directed to:

Johanna Reeves: [202.715.9941](tel:202.715.9941) | jreeves@reevesdola.com

Teresa Ficaretta: [202.715.9183](tel:202.715.9183) | tficaretta@reevesdola.com

Receipt of this alert does not establish, in and of itself, an attorney-client relationship.