

Bates Nos. 2018-08-116:
007858-007957
Pending Consultation
Responses

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Bates Nos. 2018-08-116:
007958 - 007963
Submitter Notice Process
Initiated

RE: Joint Stock Company Concern Radio-Electronic Technologies

From: (b)(6)
To: (b)(6)
Date: Tue, 12 Apr 2016 17:27:55 -0400
Attachments: jl25.pdf (135.28 kB)

Hi (b)(6),

Hope you are well and apologies for the delayed response.

I don't know if this helps, but Joint Stock Company Concern Radio-Electronic Technologies was designated on July 16, 2014 pursuant to EO 13661 for operating in the arms or related materiel sector in the Russian Federation. I've attached the related press release for verification.

I will be starting a new detail at DEA's Special Operations Division this week - or thereabouts - so please include (b)(6) (b)(6) or (b)(6) in any emails to ensure that you receive a response.

Thanks, (b)(6)

From: (b)(6)
Sent: Monday, April 11, 2016 3:39 PM
To: (b)(6)
Subject: Joint Stock Company Concern Radio-Electronic Technologies

Hi (b)(6)

I hope you had a good weekend!

Quick question...I looked online and on the Oasis tab. I'm trying to determine when Joint Stock Company Concern Radio-Electronic Technologies was designated. We have a case where the applicant indicates the final invoice was issued before the designation but payment wasn't received until after. (b)(5)

(b)(5)

Thanks!

(b)(6)

(b)(6)
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Office of Foreign Assets Control (OFAC)
U.S. Department of Treasury
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Washington, DC 20220
(b)(6)

U.S. DEPARTMENT OF THE TREASURY

Press Center



Announcement of Treasury Sanctions on Entities Within the Financial Services and Energy Sectors of Russia, Against Arms or Related Materiel Entities, and those Undermining Ukraine's Sovereignty

7/16/2014

*Actions Implement Executive Order 13662 against
Two Russian Financial Institutions and Two Energy Firms.*

*Actions also Target Eight Defense Technology Entities, Three Separatists, One Entity Complicit in the
Misappropriation of Ukrainian State Assets, and Four Russian Government Officials*

WASHINGTON – In response to Russia's continued attempts to destabilize eastern Ukraine and its ongoing occupation of Crimea, the U.S. Department of the Treasury today imposed a broad-based package of sanctions on entities in the financial services, energy, and arms or related materiel sectors of Russia, and on those undermining Ukraine's sovereignty or misappropriating Ukrainian property. More specifically:

- Treasury imposed sanctions that prohibit U.S. persons from providing new financing to two major Russian financial institutions (Gazprombank OAO and VEB) and two Russian energy firms (OAO Novatek and Rosneft), limiting their access to U.S. capital markets;
- Treasury designated eight Russian arms firms, which are responsible for the production of a range of materiel that includes small arms, mortar shells, and tanks;
- Treasury designated the "Luhansk People's Republic" and the "Donetsk People's Republic," which have asserted governmental authority over parts of Ukraine without the authorization of the Government of Ukraine; and Aleksandr Borodai, the self-declared "prime minister" of the Donetsk People's Republic, for threatening the peace, security, stability, sovereignty, and territorial integrity of Ukraine;
- Treasury designated Feodosiya Enterprises, a key shipping facility in the Crimean peninsula, because it is complicit in the misappropriation of state assets of Ukraine; and
- Treasury designated four Russian government officials, including Sergey Beseda, a senior Russian Federal Security Service official.

These actions do more than build upon previous steps to impose costs on separatists and the Russian government. By imposing sanctions on entities within the financial services and energy sectors, Treasury has increased the cost of economic isolation for key Russian firms that value their access to medium- and long-term U.S. sources of financing. By designating firms in the arms or related materiel sector, Treasury has cut these firms off from the U.S. financial system and the U.S. economy.

"Russia has continued to destabilize Ukraine and provide support for the separatists, despite its statements to the contrary," said Under Secretary for Terrorism and Financial Intelligence David S. Cohen. "Because Russia has failed to meet the basic standards of international conduct, we are acting today to open Russia's financial services and energy sectors to sanctions and limit the access of two key Russian banks and two key energy firms to U.S. sources of financing, and to impose blocking sanctions against eight arms firms and a set of senior Russian officials."

Identification of the Financial Services Sector of Russia and the Prohibition of Certain Types of Activities with Two Russian Banks Pursuant to E.O. 13662

Today, Treasury Secretary Jacob J. Lew determined that persons operating within Russia's financial services sector may now be subject to targeted sanctions. Following Secretary Lew's determination, Treasury imposed measures prohibiting U.S. persons and persons within the United States from transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity or new equity for Gazprombank OAO and VEB, their property, or their interests in property. As a practical matter, this step will close the medium- and long-term U.S. dollar lending window to these banks, and will impose additional significant costs on the Russian Government for its continued activities in Ukraine.

We have not blocked the property or interests in property of these banks, nor have we prohibited transactions with them beyond these specific restrictions. However, the scope of the prohibited transaction types and the number of financial institutions may be expanded under E.O. 13662 if we decide to do so.

Gazprombank OAO is a Russian financial institution, which was originally established to provide financial services to companies in Russia's energy industry, but has expanded to provide services to more than 45,000 companies and 3 million private individuals. Gazprombank OAO has more than 40 branches across Russia, and a number of international subsidiaries. Gazprombank OAO specializes in the private banking and corporate financing services.

VEB is a Russian state-owned financial institution that acts as a development bank and payment agent for the Russian government. It was formed June 8, 2007, pursuant to Russian federal law and is the

legal successor to Vnesheconombank of the USSR, which was a specialized Russian state bank. VEB's supervisory board is chaired by the Russian prime minister, and the chairman of the bank is appointed by the Russian president. VEB acts as an agent for the Russian Government for the purposes of accounting, servicing, and repaying the sovereign debts of the former USSR and Russia; accounting, servicing, and repaying government loans issued by the former USSR and Russia to foreign borrowers; collecting debts from legal entities of Russia and municipal governments; providing and executing state guarantees of Russia and monitoring projects implemented by Russia with involvement of international financial institutions.

Identification of the Energy Sector of Russia and the Prohibition of Certain Types of Activities with Two Russian Energy Firms Pursuant to E.O. 13662

Today, Secretary Lew determined that persons operating within Russia's energy sector may now be subject to targeted sanctions. Following Secretary Lew's determination, Treasury imposed measures that prohibit U.S. persons and persons within the United States from transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days maturity for Russian energy firms OAO Novatek and Rosneft, their property, or their interests in property. As with the financial institutions, we have not blocked the property or interests in property of these companies, nor prohibited transactions with them beyond these specific restrictions. However, the scope of the prohibited transaction types and the number of energy companies may be expanded under the authorities of E.O. 13662, if the Russian government does not take steps to de-escalate the situation in Ukraine.

OAO Novatek is Russia's largest independent natural gas producer.

Rosneft is Russia's largest petroleum company and third largest gas producer. Treasury designated Rosneft's President and Chairman of the Board, Igor Sechin, on April 28, 2014, pursuant to E.O. 13661.

Imposition of Sanctions on Eight Firms Pursuant to E.O. 13661 for Operating in the Arms or Related Materiel Sector in the Russian Federation

Treasury today has also designated and blocked the assets of Almaz-Antey, Federal State Unitary Enterprise State Research and Production Enterprise Bazalt, JSC Concern Sozvezdie, JSC MIC NPO Mashinostroyeniya, Kalashnikov Concern, KBP Instrument Design Bureau, Radio-Electronic Technologies, and Uralvagonzavod pursuant to E.O. 13661 for operating in the arms or related materiel sector in the Russian Federation. 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 action under E.O. 13661, any assets of the entities designated that are within U.S. jurisdiction must be frozen. In addition, transactions by U.S. persons or within the United States involving the entities designated today under E.O. 13661 are generally prohibited.

Almaz-Antey manufactures surface-to-air missile systems currently used by the Russian military.

Federal State Unitary Enterprise State Research and Production Enterprise Bazalt ("Bazalt") is involved in the design and construction of air launched ordnance, rocket propelled grenades, and armored fighting vehicle ammunition. Bazalt's manufacturing interests include aerial bombs, mortar shells, grenades, anti-tank and anti-saboteur grenade launchers, and projectiles of all types and calibers.

JSC Concern Sozvezdie develops and produces high-tech control and communication systems, radio electronic warfare and special equipment for military forces. JSC Concern Sozvezdie focuses on three primary lines of production: military-oriented production, dual-purpose products, and dual-purpose products and professional communication and control systems. JSC Concern Sozvezdie's main activities include producing and developing materiel including automated control systems and communication systems for the tactical sector, automated control systems and communication systems for anti-missile defense and air defense systems, and automated communication systems and electronic warfare tools. The company produces systems and devices related to electronic warfare, such as small manpack and portable jammers. The products are designed to disrupt enemy army operations, to reduce staff and equipment loss, and to improve the operation of armed forces by radio jamming of enemy weapon control systems based on radio frequencies.

JSC MIC NPO Mashinostroyeniya is a leading Russian rocketry company responsible for defense programs involving cruise missile complexes capable of surface, underwater, and ground platform-based launches. JSC MIC NPO Mashinostroyeniya's involvement in Russia's strategic nuclear forces includes the manufacture of intercontinental ballistic rockets and the development of space systems, spacecraft, and automatic and manned orbital stations in support of Russia's Ministry of Defense.

Kalashnikov Concern produces a number of military weapons, including multiple grades and versions of assault rifles, grenade launchers, sniper rifles, military shotguns, and aircraft cannons. Kalashnikov Concern is the largest firearms producer in Russia and is a subsidiary of Russia's State Corporation of Russian Technologies (Rostec).

KBP Instrument Design Bureau is a research and production center that creates precision-guided weapons. KBP Instrument Design Bureau develops antitank missile systems and assault armaments, weapon systems for main battle tanks and lightly armored vehicles, guided artillery projectiles and guided missile systems, short-range air defense systems, gun armament and associated ammunition, combat small arms, and hunting/sporting guns.

Radio-Electronic Technologies designs and produces electronic warfare equipment including weapons-control systems, friend-or-foe identification (IFF) systems, avionics, operational and tactical systems, electronic warfare and intelligence equipment, special measuring instrumentation, and plugs, electric connectors, and cable products.

Uralvagonzavod is a Russian government-owned company that builds a variety of military equipment, including tanks.

Imposition of Sanctions on Two Entities and One Individual Pursuant to E.O. 13660

The following two entities and one individual are being designated and blocked today pursuant to E.O. 13660 for threatening the peace, security, stability, sovereignty, or territorial integrity of Ukraine.

The Treasury Department has determined that the Luhansk People's Republic (LPR) has asserted governmental authority over a part or region of Ukraine without the authorization of the Government of Ukraine. The self-proclaimed LPR has asserted governmental authority through a number of actions, including issuing a declaration of martial law; banning the sale of corporate rights, production facilities, companies, and other assets; controlling the border guard checkpoints of Izvarino, Dolzhanskoye, and Krasnyi Partizansk on the Ukrainian-Russian border; and, shooting down a Ukrainian military transport jet as it attempted to land in Luhansk. The LPR also elected a leader and passed its own constitution on May 11, 2014.

The Treasury Department has also determined the Donetsk People's Republic to have asserted governmental authority over a part or region of Ukraine without the authorization of the Government of Ukraine. The militia in the self-proclaimed Donetsk People's Republic is defying the peaceful settlement regime, continues combat operations, and has seized and occupies regional government buildings, using them as its headquarters and firing positions. Igor Strelkov, the leader of the militia of the Donetsk People's Republic, rejected Ukrainian President Petro Poroshenko's peace plan.

Aleksandr Borodai is the self-declared "prime minister" of the "Donetsk People's Republic" in Ukraine and has vowed to expel Ukraine's army from his new domain and resist any bid to recapture the city. Borodai was in Crimea as an advisor to Sergei Aksyonov, the separatist prime minister who oversaw the territory's purported annexation by Russia. Treasury designated Aksyonov pursuant to E.O. 13660 on March 17, 2014.

Imposition of Sanctions on Crimean Entity Pursuant to E.O. 13660

The following Crimea-based entity is being designated pursuant to E.O. 13660 for being complicit in the misappropriation of state assets of Ukraine.

Feodosiya Enterprise operates a key shipping facility in the Crimean peninsula for oil imports and exports. Prior to Russia's purported annexation of Crimea, Feodosiya Enterprise had been controlled by the Ukrainian state-controlled gas company Naftogaz. On March 25, 2014, the separatist self-styled "Crimean Parliament" nationalized Feodosiya Enterprise and decreed that the self-styled "Crimean Ministry of Fuel and Energy" would be the governing body of Feodosiya Enterprise. The separatist "Minister of Fuel and Energy" asserting authority in occupied Crimea has confirmed that, as of April 15, 2014, separatist authorities in Crimea were provided with fuel by Russian oil companies using the storage facility operated by Feodosiya Enterprise.

Imposition of Sanctions on Four Individuals Pursuant to E.O. 13661

The following four individuals are being designated today pursuant to E.O. 13661 for their status as Russian government officials.

Sergey Beseda heads Russia's Federal Security Service (FSB)'s Fifth Service, also known as the Service for Operational Information and International Communications.

Oleg Savelyev is Russia's Minister for Crimean Affairs. In this capacity, Savelyev is responsible for the integration of occupied Crimea into the Russian Federation following Russia's purported annexation of Crimea from Ukraine.

Sergei Neverov is the Deputy Chairman of the State Duma of the Russian Federation. Neverov is responsible for initiating legislation to integrate the purportedly annexed Ukrainian region of Crimea into the Russian Federation.

Igor Shchegolev is an Aide to the President of the Russian Federation.

As a result of today's actions under E.O. 13660 and E.O. 13661, any assets of the entities or individuals designated that are within U.S. jurisdiction must be frozen. Additionally, transactions by U.S. persons or within the United States involving the entities or individuals designated today under E.O. 13660 or E.O. 13661 are generally prohibited.

For identifying information on the individuals and entities named in this release, please click [here](#).

###

Sanctions inspire Kalashnikov move into fashion

From: (b)(6)
To: (b)(6) "Conklin, Todd" (b)(6)
(b)(6) "Albowicz, Nikole"
Date: Wed, 11 May 2016 08:36:48 -0400

Does this count as deterring behavior?

Russia's largest producer of small arms is branching out into fashion as a result of Western sanctions, it's reported.

The Kalashnikov Concern - maker of the widespread AK-47 assault rifle - will launch a "military style" casual clothing and accessories range as part of a diversification drive after it lost access to major markets, the **pro-Kremlin daily Izvestia reports**. It's planning to open 60 stores across Russia by the end of the year.

Kalashnikov's marketing director, Vladimir Dmitrивev, says that before sanctions were imposed, up to 70% of its hunting and sporting weapons were sold in Europe and the US. Now, he says, they're focusing more on what domestic consumers want.

Marketing consultant Nikolai Grigoryev thinks the fashion line could work by tapping into the "rapid growth of patriotism in Russia related to the theme of war". But he tells pro-Kremlin Life TV that it would still only constitute a small fraction of the company's total turnover.

Most web users commenting on the news are rather skeptical though, with one writing: "Let's shut down production of weapons as it's unprofitable to maintain highly qualified specialists, and switch to making lace underwear under a well-known brand!" Another user jokingly asks "what calibre" the clothes will be and "will they be fitted with an under-barrel grenade-launcher?"

The US and European Union **imposed sanctions** against Russia in 2014 in response to Moscow's annexation of Crimea, and has extended them repeatedly over Russian involvement in the ongoing conflict in eastern Ukraine.

http://www.bbc.com/news/blogs-news-from-elsewhere-36228350?utm_source=Sailthru&utm_medium=email&utm_campaign=New%20Campaign&utm_term=%2ASituation%20Report

RE: EU Russia Sanctions FAQ Gap Review

From: [REDACTED] (b)(6)
To: "Kane, Sean" [REDACTED] (b)(6)
Cc: [REDACTED] (b)(6)
Date: Tue, 24 May 2016 18:12:11 -0400
Attachments: FAQ Comparison Matrix.xlsx (15.96 kB)

Sean,

I drafted a color-coded matrix with the requested comparisons. Green indicates EU/OFAC alignment, yellow indicates an issue on which one or the other is silent or otherwise deficient, and red indicates conflict. I largely omitted issues that were unique to one side's regulatory regime. Among the discarded were FAQs solely focused on the EU's trade finance and emergency funding exemptions. I wasn't sure about whether to include these, but ultimately decided that if and how the EU exemptions cause the surrounding regulations to differ from their OFAC counterparts seemed to be outside the scope of this assignment. If this was the wrong call, let me know and I can revise.

Look forward to discussing after you have time to review.

From: Kane, Sean
Sent: Friday, May 20, 2016 12:53 PM
To: [REDACTED] (b)(6)
Subject: RE: EU Russia Sanctions FAQ Gap Review

Thanks for this. (b)(6) I realize I probably should have provided you a link to the main document I was thinking of. [REDACTED] (b)(5)
[REDACTED] (b)(5)

This is the primary guidance document the Commission put out a couple of years ago and occasionally amends – it would be great to compare this to ours (e.g., our Ukraine FAQ #xyz = EC FAQ #xyz) and then to get a very brief assessment of whether there's (or ours, for that matter) is lacking in any respect. Also to identify places where our guidance on the same issue diverges, or where they/we have provided guidance on an issue that the other is silent on.

https://europa.eu/newsroom/sites//newsroom/files/docs/body/1_act_part1_v2_en.pdf

From: [REDACTED] (b)(6)
Sent: Tuesday, May 17, 2016 5:57 PM
To: Kane, Sean
Cc: [REDACTED] (b)(6)
Subject: EU Russia Sanctions FAQ Gap Review

Sean,

As you know, the European External Action Service (EEAS) publishes an [FAQ factsheet](#) regarding EU sanctions on Russia and Ukraine. The factsheet follows a standard Q&A format, with supplemental hyperlinks leading to additional information sources. (See, e.g., [here](#), which leads [here](#).) The underlying legal authorities and their assorted amendments are neither mentioned nor linked in the FAQs. [REDACTED] (b)(5)

[REDACTED] (b)(5)

[REDACTED] (b)(5)

[REDACTED] (b)(5)

[REDACTED] (b)(5)

[REDACTED] (b)(5)

[REDACTED] (b)(5)

[REDACTED] (b)(5)

Let me know if I can offer anything more on this.

[REDACTED] (b)(6)

Bates No. 2018-08-116: 007970

Withheld in full pursuant to

Exemption (b)(5)

Bates Nos. 2018-08-116:
007971-007973
Pending Consultation
Responses