

Provision of Certain Professional Services to Russia Prohibited under U.S. Sanctions

Key Notes:

- Persons, including non-U.S. persons, providing accounting, trust and corporate formation, and management consulting services in Russia may be added to the SDN List.
- U.S. persons are prohibited from providing these same services to Russian persons unless the recipient of the services is the subsidiary of a U.S. person.

Designation of Accounting, Trust and Corporate Formation, and Management Consulting Sectors in Russia as Sanctionable

The Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued a [Determination under Section 1\(a\)\(i\)](#) under [Executive Order \(EO\) 14071](#) which states that persons operating in the accounting, trust and corporate formation services, and management consulting sectors of the Russian economy may be subject to sanctions, including blocking designations. See Thompson Hine SmarTrade Update of [April 7, 2022](#) for more information on EO 14071. This action follows previous determinations which allowed sanctions against Russian entities operating in the aerospace, marine, electronics, financial services, technology, and defense and related materiel sectors of the Russian economy.

U.S. Persons Prohibited from Providing Accounting, Trust and Corporate Formation, and Management Consulting Services to Russian Persons

OFAC also announced that, effective June 7, 2022, U.S. persons will be prohibited from providing accounting, trust and corporate formation, and management consulting services to any person in Russia. According to OFAC, "[t]hese services are key to Russian companies and elites building wealth, thereby generating revenue for Putin's war machine, and to trying to hide that wealth and evade sanctions." This announcement was made in a separate [Determination under Section 1\(a\)\(ii\) EO 14071](#). These restrictions do not apply to: (1) any service to an entity located in the Russian Federation that is owned or controlled, directly or indirectly, by a United States person; or (2) any service in connection with the wind down or divestiture of an entity located in the Russian Federation that is not owned or controlled, directly or indirectly, by a Russian person.

General Licenses and Wind-Down

Related to these determinations, OFAC has issued new General Licenses under its Russian Harmful Foreign Activities Sanctions authorizing certain transactions related to these services.

- [GL 34](#) authorizes the wind down of accounting, trust and corporate formation, and management consulting services through July 7, 2022, allowing transactions

that are “ordinarily incident and necessary to the wind down of the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of accounting, trust and corporate formation, or management consulting services to any person located in the Russian Federation.”

- [GL 35](#) authorizes transactions involving credit rating and auditing services through August 20, 2022, allowing transactions that are “ordinarily incident and necessary to the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of credit rating or auditing services to any person located in the Russian Federation.”

In a series of [FAQs](#), OFAC has provided guidance on the implementation of these directives and offers the following definitions:

- **“Accounting sector”** includes the measurement, processing, and transfer of financial data about economic entities.
- **“Trust and corporate formation services sector”** includes assisting persons in forming or structuring legal persons, such as trusts and corporations; acting or arranging for another person to act as directors, secretaries, administrative trustees, trust fiduciaries, registered agents, or nominee shareholders of legal persons; providing a registered office, business address, correspondence address, or administrative address for legal persons; and providing administrative services for trusts.
- **“Management consulting sector”** includes strategic advice; organizational and systems planning, evaluation, and selection; marketing objectives and policies; mergers, acquisitions, and organizational structure; staff augmentation and human resources policies and practices; and brand management.
- **“Credit rating services”** means services related to assessments of a borrower’s ability to meet financial commitments, including analysis of general creditworthiness or with respect to a specific debt or financial obligation.
- **“Auditing services”** means examination or inspection of business records by an auditor, including checking and verifying accounts, statements, or other representation of the financial position or regulatory compliance of the auditee.

Further, OFAC notes that it anticipates publishing regulations defining the term “Russian person” to mean an individual who is a citizen or national of the Russian Federation, or an entity organized under the laws of the Russian Federation.

FOR MORE INFORMATION

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