



Ukraine-Related Sanctions Regulations: An Update

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The regulations also provide in Section 589.202 that any transfer of property that is in violation of the regulations or executive orders is generally null and void without a license or authorization, unless an individual receiving such property can show: (1) that the transfer was not a “willful violation” of the sanctions regime; (2) there was no “reasonable cause to know or suspect” that the transfer required a license or authorization, or if the individual had a purported license, there was no “reasonable cause to know or suspect” that the license was invalid; and (3) the recipient files a report to OFAC.

- *50 Percent Rule*: Section 589.406 of the regulations clarifies that an entity in which a designated party owns a 50 percent or greater interest is blocked even if OFAC has not specifically designated the entity as a Specially Designated National and Blocked Person (“SDN”). Accordingly, property and interests in property of such entities that are in the United States or within the possession of a U.S. person will be frozen, and U.S. persons will be restricted from dealing with such entities.
- *Holding of Funds and Liquidation of Physical Property*: Sections 589.203 of the regulations provide that persons holding blocked financial property will place them in blocked interest-bearing accounts. Section 589.204 allows OFAC to sell and liquidate physical blocked property and place the proceeds in a blocked interest-bearing account.
- *Licenses*: The regulations regarding general and specific licenses will be supplemented at a later date. Among license provisions included as of now, Section 589.504 allows financial institutions to transfer funds from one blocked account to another belonging to the same person, as long as the transfer occurs within the financial institutions’ branches or offices and no transfer occurs from an account within the United States

to an account outside the United States. Section 589.505 also allows U.S. financial institutions to debit blocked accounts for normal service charges that the blocked account owner owes the institution.

- *Legal Services:* Section 589.506 allows for the provision of certain legal services on behalf of persons whose property and interest are blocked. These authorized legal services include, among other services, provision of legal advice regarding compliance with U.S. law and representation of sanctioned persons before U.S. federal, state, or local courts regarding the imposition, administration, or enforcement of U.S. sanctions against them. Legal services not listed in 589.506(a) require a specific license by OFAC. Section 589.507 also allows for sanctioned parties to pay for legal services from funds *outside* the United States and outlines the requirements that attorneys must meet to receive such payments.
- *Power to Impose Additional Sanctions:* Under Section 589.802, the Secretary of Treasury provides the Director of OFAC authority to designate sanctioned persons, but does not provide the Director the power to impose sector-specific sanctions.

OFAC intends to further supplement the regulations later to include “additional interpretative and definitional guidance and additional general license and statements of licensing policy.” We will continue to monitor OFAC’s actions to identify additional regulations and sanctions related to Russia and Ukraine. To see the complete regulations, see [here](#).

Note: Akin Gump advises a number of Russian and international companies on sanctions matters and does not represent the United States government.

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