

May 12, 2022

Andrea Gacki, Director
Office of Foreign Assets Control
US Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220
Submitted electronically to:
andrea.gacki@treasury.gov

Re: Request to Extend the Deadlines in General License No. 9C to August 25, 2022

Dear Director Gacki:

The Investment Company Institute (ICI)¹ requests that the Office of Foreign Assets Control (OFAC) amend General License No. 9C (GL 9C) to the Russian Harmful Foreign Activities Sanctions Regulations, 31 CFR part 587 (RuHSR) to extend the upcoming deadline of May 25, 2022, by three months. GL 9C permits transactions prohibited by the RuHSR that are ordinarily incident and necessary to dealings in debt or equity of certain entities issued prior to February 24, 2022, provided that any divestment or transfer of, or facilitation of divestment or transfer of, such debt or equity must be to a non-US person. It also permits receipt of interest, dividend, or maturity payments in connection with Russian Federation debt or equity issued before March 1, 2022.

This extension is necessary as US persons that have wanted to divest of any sanctioned securities to non-US persons during the authorized period have been practically unable to do so due to a combination of market illiquidity in the aftermath of Russia's invasion of Ukraine, market participants' unwillingness to transact in Russian issuers, and measures taken by Russia to restrict the ability of non-

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing regulated investment funds. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. Its members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in Europe, Asia and other jurisdictions. Its members manage total assets of \$31.3 trillion in the United States, serving more than 100 million investors, and an additional \$10.0 trillion in assets outside the United States. ICI has offices in Washington, DC, Brussels, London, and Hong Kong and carries out its international work through [ICI Global](https://www.ici.org/global).

Russians to trade securities on Russian exchanges. In addition, the extension would permit US persons to continue to receive interest, dividend, or maturity payments in connection with Russian Federation debt or equity issued before March 1, 2022. For these reasons, we respectfully request an extension of all deadlines set forth in GL 9C to August 25, 2022, three months from the rapidly-approaching May 25, 2022, deadline.

I. Background

Section (a) of GL 9C authorizes US persons to engage in all transactions prohibited by the RuHSR that are ordinarily incident and necessary to dealings in debt or equity of five Russian financial institutions and their subsidiaries issued prior to February 24, 2022 (Sanctioned Russian Debt or Equity) through 12:01 a.m. eastern daylight time, May 25, 2022, provided that any divestment or transfer of, or facilitation of divestment or transfer of, Sanctioned Russian Debt or Equity must be to a non-US person. OFAC added additional Russian entities (Alrosa and Alfa Bank) with publicly-traded securities to the List of Specially Designated Nationals in April 2022 and amended GL 9C to authorize US persons to engage in certain activities involving securities of Alfa Bank and Alrosa until June 30 and July 1, 2022, respectively.

Section (c) of GL 9C authorizes all transactions prohibited by Directive 4 under E.O. 14024 that are ordinarily incident and necessary to the receipt of interest, dividend, or maturity payments in connection with debt or equity of the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation issued before March 1, 2022, are authorized through 12:01 a.m. eastern daylight time, May 25, 2022.

II. Effect of Relevant US and Russian Restrictions

Since OFAC began imposing sanctions against Russia in late February 2022, US persons generally have been unable to divest their Russian securities. Global stock exchanges generally have restricted all trading in all securities involving Russian issuers (including Sanctioned Russian Debt or Equity) since late February 2022. US and other global investors therefore have been unable to trade virtually any Russian-related securities listed on global stock exchanges. For example, US persons who hold Sberbank global depository receipts (GDRs) traded on the London Stock Exchange and wish to divest these holdings have been unable to do so.

Moreover, on March 1, 2022, Russia issued Decree No. 81, “On Additional Temporary Economic Measures to Ensure the Financial Stability of the Russian Federation” (the Decree). Among other actions, the Decree prohibits Russian persons from engaging in any actions related to the transfer of

title to securities in Russia on behalf of persons from the United States and other “unfriendly states.” As a result, US persons have been unable to trade any securities on Russian exchanges – including any Sanctioned Russian Debt or Equity traded on Russian exchanges – since March 1.

One means by which US investors (including US funds registered under the Investment Company Act of 1940, which are widely held by US persons) maintain economic exposure to Russian equities is through investments in depositary receipts (DRs)² that are backed by Russian equities. DRs trade on non-Russian exchanges (e.g., in the US or London) and provide an alternative to holding Russian stocks directly with a local Russian custodian and trading those shares in Russia. On April 16, 2022, Russia adopted Federal Law No. 114-FZ, “On Amendments to the Federal Law ‘On Joint Stock Companies’ and Certain Legislative Acts of the Russian Federation” (the Russian DR Law). The Russian DR law prohibits Russian issuers from having shares traded outside Russia via DRs. Russian issuers with existing DRs are required to take measures to delist/terminate their DR programs, unless they receive an exemption.

As part of the delisting/termination process, DR holders are entitled to obtain the local Russian shares underlying their DRs. These shares, however, will need to be transferred to and custodied in local Russian accounts. In particular, certain of the Sanctioned Russian Debt or Equity (e.g., Sberbank GDRs) are affected by the Russian DR Law. We understand from discussions with our members that for certain, if not most, of their DR holdings, all of the steps necessary among the relevant financial institutions to complete these DR conversions will not be completed by May 25, 2022. Because the entire conversion may not be completed by May 25, 2022, there is significant uncertainty among the market participants involved in these transactions regarding the ability of US persons to participate in or effectuate these conversions once the deadline has expired. As noted above, due to the general illiquidity of Russian securities (including on non-Russian exchanges where DRs are traded), US persons who hold DRs related to Sanctioned Russian Debt or Equity have been unable to divest these DRs and now are faced with being unable to convert their DRs under the current terms of GL 9C.

Further, due to the Decree, US persons who hold the newly converted local shares will be unable to trade in the securities once converted unless and until there is a change in the Russian law. Providing this extension will allow the holders of the affected DRs to be in the same position that they were with respect to their DR exposure to the Russian security, and will allow them the option of divesting of this security to a non-US person if the Russian law and market conditions make this possible.

² DRs include American Depositary Receipts (ADRs) and GDRs.

Finally, US persons currently are not restricted from secondary market trading of Russian sovereign bonds issued prior to March 1, 2022. Under GL 9C and restrictions set forth in Directive 4 to E.O. 14042, however, US persons are only permitted to receive interest, dividend, or maturity payments related to such previously-issued Russian sovereign bonds until May 25, 2022. Russia has indicated a willingness to make future coupon payments in dollars out of unsanctioned assets. To the extent that these payments are permitted, we believe that US investors would benefit by being able to receive payments due to them on their holdings and that the making of such payments could have a detrimental impact on Russia's financial situation. We therefore respectfully request that OFAC extend the deadline in sec. (c) of GL 9C for an additional three months (until August 25, 2022) to permit US persons to receive payments related to sovereign bonds until that time.

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We sincerely appreciate your attention to this matter. If you have any questions, please do not hesitate to contact the undersigned at 202-326-5813 or solson@ici.org, or Eva Mykolenko, Associate Chief Counsel – Securities Regulation, at 202-657-7926 or emykolenko@ici.org.

Respectfully submitted,

/s/ Susan Olson

Susan Olson
General Counsel