



GUIDANCE • EDUCATION • COMPLIANCE

Member Alert: Frequently Asked Questions about the Russia Sanctions

Further to the additional sanctions placed on Alrosa on April 7, JVC has received additional guidance from our government partners that helps further clarify the current legalities of diamond importation and selling in the U.S. Here, we'll answer additional questions that have come up to guide you in your decision-making going forward.

Q: I had a marketing agreement with Alrosa which did not involve the purchase and sale of diamonds. Can I continue?

A: No. The new sanctions placed Alrosa on the OFAC Specially-Designated Nationals list, meaning that no U.S. business, citizen, or person transiting the U.S. can do any business at all with Alrosa, even if it is not directly related to the purchase and sale of diamonds.

Q: I was in the middle of a transaction with Alrosa. Am I allowed to finish?

A: There is a general license (General License 24) that allows a wind-down of transactions through May 7.

Q: Is it legal to import diamonds that were mined by Alrosa but were cut and polished by another company in another country than the Russian Federation?

A: Yes, but it's risky. Under the current sanctions, the concept of "substantial transformation" still applies, so Alrosa diamonds which are cut and polished in another country are still legal to import into the U.S. However, companies which are Alrosa Alliance members (shareholders) are at risk for being added to the OFAC SDN list under secondary sanctions for contributing funds to a blocked entity. JVC still recommends that the safest course of action is not to purchase anything of Russian origin, even if it is cut and polished elsewhere.

Q: My business partner has rough diamonds from Alrosa in their safe in a country that does not have sanctions. They purchased them before February 24. Can I import them into the U.S.?

A: No. The ban on the importation of rough/polished diamonds of Russian origin would apply.

Q: What about melee? I buy it in packets with mixed origin.

A: Because it is still legal to import Russia-origin diamonds that have been cut and polished elsewhere, mixed origin melee is still allowed. However, the same risk factors outlined above will apply.

Q: My business is owned by a parent company in another country that buys directly from Alrosa. Are we at risk?

A: Yes. That parent company is at risk of being added to the SDN list for secondary sanctions, and when a business is added to the SDN list, any business they own or control 50% or more of will be also be blocked. If this is your situation, JVC strongly suggests you engage outside counsel to fully understand your risks.

Q: My customer is asking me to assure them I am not selling Russia-origin diamonds at all, even if they are cut and polished in another country. But you're saying Russia-origin diamonds that are cut and polished in another country are legal to import and sell. Why is that?

A: Commercial sentiment in the U.S. has shifted, and many businesses do not want to purchase or sell Russian-origin diamonds, even if they were cut and polished in another country. JVC strongly encourages businesses abroad to start segregating their goods to ensure they can comply with U.S. customer requests.

Q: I have more questions about my specific situation. What do I do?

A: Call the OFAC hotline at 1-800-540-6322. The hotline is staffed by experienced Treasury staff who can help you understand the situation and provide guidance regarding general/specific licenses (to continue or wind down business) and a path forward. JVC will continue to work with our government contacts to get answers to outstanding questions.