

Sanctions Alert

A bi-monthly summary of sanctions news and developments

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Debevoise Events

Forthcoming Russia Sanctions Events Hosted by Debevoise in New York, Moscow and London

Debevoise & Plimpton LLP is hosting three breakfast seminars for clients and friends, each entitled “US and EU Sanctions Against Russia: Analysis and Business Implications”. The programmes will be held on:

- Friday, 12 September, in New York;
- Tuesday, 16 September, in Moscow; and
- Wednesday, 17 September, in London.

In these programmes, we will examine the US and EU economic and trade sanctions against Russia, as well as Russian countermeasures. We will assess the implications of the various restrictions for

internationally active firms, including financial institutions and other companies. In addition, we will review how the various measures apply to existing and planned cross-border agreements, investments and subsidiaries.

If you or a colleague are interested in attending either event, please email londonevents@debevoise.com.

We look forward to your participation.

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Russia News

US Issues New Guidance on Sectoral Sanctions

On 27 August, the US Treasury Department’s Office of Financial Assets Control (“OFAC”) issued new Frequently Asked Questions regarding restrictions imposed on US persons in their dealings with Russian entities included on the Sectoral Sanctions Identifications (“SSI”) List.

The sectoral sanctions, which were issued in July of this year, prohibit US persons from transacting or otherwise dealing in new long-term debt or equity of companies designated under Directive 1, and just new

long-term debt of companies listed under Directive 2. Currently, all the listed companies are Russian financial-services and energy companies. Debt or equity is considered “new” if it was issued after the entity was designated for sectoral sanctions. “Long-term debt” is defined to mean debt with a maturity over 90 days.

Among other things, the newly issued FAQs make explicit that the sectoral sanctions apply only to newly issued debt or equity of the listed entities, and do not restrict dealings involving debt or equity in which the

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SSI-listed entity was not the borrower or issuer. For example, the FAQs make clear that:

- A US person may purchase from, or sell to, an SSI entity the debt or equity of a non-sanctioned person.
- A US person may deal in loans on which the SSI entity was the lender to a non-sanctioned person.
- A US person may deal in debt or equity securities of a non-sanctioned person for which the SSI entity was the underwriter.
- A US person may accept payment from a non-sanctioned person in the form of a letter of credit issued, advised or confirmed by an SSI entity.
- A US person may engage in transactions necessary to exit or replace its participation in existing long-term loan facilities to an SSI entity.
- A US person may extend credit to a third party for the purchase of goods from an SSI entity, even if the term exceeds 90 days.

- A US person may extend a series of short-term loans to an SSI entity that exceed a cumulative period of 90 days so long as (i) each individual loan has a maturity of less than 90 days and is paid back in full before the next disbursement, and (ii) the US lender is not contractually obligated to roll over the balance for a cumulative period of longer than 90 days at the SSI entity's request.
- A US person may not extend payment terms in excess of 90 days to an SSI entity under a purchase agreement, even if no interest charge is included.

However, in each of these cases, the transaction must not involve the extension of new credit over 90 days to the SSI entity as part of the transaction. In addition, the FAQs clarify that a US person may not agree to extended payment terms in excess of 90 days on a sale to an SSI entity, even if no interest is added.

[New FAQs on SSI List](#)

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Norway Announces Further Russian Sanctions

On 15 August, Norway adopted new restrictive measures against Russia in response to the ongoing crisis in Eastern Ukraine. Norway's Minister of Foreign Affairs Børge Brende stated, "The situation in Eastern Ukraine is getting worse every day. It is vital that the international community stands united in its response to Russia's action."

The new measures, enacted with immediate effect under Forskrift 2014-08-15-1076, mirror the sector-wide sanctions introduced by the EU on 31 July. In addition, Norway's list of individuals and entities subject to asset-freeze measures and travel restrictions was expanded

to include a further eight individuals and 12 entities, bringing it in line with the EU's sanctions list.

For further information on the EU's sector-wide restrictive measures, please see our Client Update of 31 July.

[Ministry of Foreign Affairs Press Release](#)

[Forskrift 2014-08-15-1076 \(Norwegian\)](#)

[Client Update - 31 July](#)

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EU Urges International Community to Refrain from “Exploiting New Trading Opportunities”

On 15 August, the Foreign Affairs Council of the EU met in Brussels to discuss the ongoing crisis in Eastern Ukraine. In its conclusions on Ukraine, the EU noted that the “grounds for the imposition of restrictive measures against the Russian Federation remain valid”, and proceeded to make the following statements:

The EU urged Russian forces to withdraw from the Ukrainian border, cease the cross-border flow of arms and facilitate the provision of humanitarian aid to civilians in certain conflict zones.

The EU announced that it “regrets” the embargo imposed by Russia on imports of certain agricultural produce originating in the EU. An extraordinary meeting of the EU’s Agriculture and Fisheries Council has been convened for early September to assess the impact of Russia’s actions.

The EU also announced that it expects the international community to refrain from exploiting trade opportunities with Russia. In particular, EU-candidate countries are expected to “refrain from measures which are aimed at exploiting new trading opportunities”. Serbia’s Prime Minister Aleksandar Vucic reportedly received an aide-memoire from an EU official based in Belgrade, urging Serbia not to increase

its exports to Russia. In response, Vucic announced that whilst Serbia would not impose sanctions on Russia or halt exports, it would not actively subsidise exports.

Serbia has also put measures in place to ensure that its market will not be used as a trading hub for agricultural exports from the EU into Russia in an attempt to circumvent Russia’s sanctions. Serbia’s Minister of Trade, Tourism and Telecommunications, Rasim Ljajic, stated that “our customs services will increase their activity and the producers or exporters who try to cheat their way to profit will be severely punished.”

For more information, and for an analysis of contractual and non-contractual legal issues that may arise as a result of Russia’s counter-sanctions, please see our Client Update of 8 August.

[Reuters Article](#)

[Council Conclusions on Ukraine](#)

[Council Press Release](#)

[Tanjug Article](#)

[Client Update - 8 August](#)

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US and Japan “Completely Unified” over Russia

On 20 August, a senior US Treasury official announced that the foreign policies of US and Japanese governments are “completely unified” over the need to impose sanctions on Russia in relation to the ongoing Ukrainian crisis.

Reuters reported that the same official stated further, “[T]he U.S. government has no concern that Japanese banks and companies would try to take advantage of loopholes in sanctions to provide Russian companies with funding.”

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On 28 July, Japan pledged to: freeze assets in Japan of persons considered to be directly involved in the destabilisation of Eastern Ukraine; align itself with the European Bank of Reconstruction and Development's decision to suspend any new investments in Russia; and introduce restrictive measures with regards to imports from Eastern Ukraine.

[Reuters Article](#)

[Statement by Japanese Minister for Foreign Affairs](#)

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EU News

EU Mirrors UN Amendments to Al-Qaida Sanctions List

On 21 August, the EU introduced Commission Implementing Regulation (EU) No. 914/2014, adding six individuals to, and amending two entries of, the EU's list of persons associated with the Al-Qaida network. The restrictive measures imposed on such persons include an international travel ban, asset freeze and arms embargo. The Al-Qaida list was established under Regulation (EC) No 881/2002.

The newly-designated individuals are:

(1) Abdelrahman Mouhamad Zafir al Dabidi al Jahani; (2) Hajjaj Bin Fahd Al Ajmi; (3) Abou Mohamed al Adnani; (4) Said Arif; (5) Abdul Mohsen Abdallah Ibrahim al Charekh; and (6) Hamid Hamad Hamid al-Ali. They are affiliated to the Islamic State of Iraq and the Levant ("ISIL") or Al Nusrah Front ("ANF"), splinter groups of Al-Qaida, operating in Iraq and Syria respectively.

The individuals whose entries have been amended are: (1) Khalid Abd Al-Rahman Hamd Al-Fawaz, alleged conduit between various Al-Qaida splinter groups; and (2) Mostafa Kamel Mostafa Ibrahim, allegedly active with the Al-Qaida in Yemen.

The EU amended its Al-Qaida list to reflect the restrictive measures imposed on the same individuals by the UN on 4 and 15 August, pursuant to Security Council Resolutions 2161 (2014) and 2170 (2014). Resolution 2170 also condemns any engagement in direct or indirect trade with ISIS or ANF, and reiterates that any such engagement could constitute financial support for entities designated by the UN under its Al-Qaida sanctions regime.

[Commission Implementing Regulation \(EU\) No. 914/2014](#)

[UN Press Release – 15 August](#)

[Security Council Resolution 2170 \(2014\)](#)

[UN Press Release – 4 August](#)

[Security Council Resolution 2161 \(2014\)](#)

[Updated List of UN Designated Persons](#)

[Council Regulation \(EC\) No 881/2002](#)

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US News

BB&T Settles Potential Liability for Approving Funds Transfer for Sudanese Individual

On 27 August, the Treasury Department's Office of Foreign Assets Control ("OFAC") announced that Branch Banking & Trust Co. ("BB&T"), a North Carolina banking organisation, had paid \$19,125 to settle potential liability for an apparent violation of the Sudanese Sanctions Regulations. OFAC states that BB&T had flagged a funds transfer of \$20,000 on behalf of customer to a third-country account in the name of person that appeared to match an entry on the Specially Designated Nationals ("SDN") List. Upon investigation, a BB&T compliance specialist determined that there was not a match with the SDN List and processed the transaction. Afterwards, BB&T's customer informed the bank that the individual referenced in the payment details is located in Omdurman, Sudan, and the payment to the third-country bank account was for merchandise being shipped to Sudan.

In determining the settlement amount, OFAC found that the apparent violation was not voluntarily disclosed but constituted a non-egregious case. OFAC considered that BB&T was aware of the conduct that gave rise to the apparent violation, that BB&T had an inadequate screening process, that BB&T is a large and sophisticated financial institution, and that BB&T failed to provide all responsive records to OFAC's administrative subpoena. Mitigating these considerations, OFAC also found that there was no actual harm to the sanctions programme because another financial institution rejected the transaction, that BB&T has not received a penalty notice from OFAC in the last 5 years and that BB&T took appropriate remedial action in response to the apparent violation.

[OFAC Enforcement Announcement](#)

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Standard Chartered Agrees to Pay \$300 Million Penalty to NY Bank Regulators for Deficient Implementation of Earlier Sanctions Settlement

On 19 August, Standard Chartered Plc, a UK-based banking organisation, entered into a consent order with the New York Department of Financial Services ("DFS") to resolve allegations that it had failed to implement adequate procedures to identify high-risk transactions as required by its 2012 settlement with DFS. The 2012 settlement had resolved allegations that

Standard Chartered violated US sanctions against Iran, Sudan and other countries.

According to DFS, these compliance failures in Standard Chartered's anti-money-laundering programme were discovered and reported by an outside compliance monitor hired under the terms of the 2012 settlement agreement. The new consent decree

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imposes on Standard Chartered a \$300 million penalty, a suspension of dollar-clearing for certain bank clients in Hong Kong and the United Arab Emirates, and a prohibition on opening new dollar-denominated demand accounts in New York for clients without DFS approval. It also requires Standard Chartered to comply

with additional enhanced compliance requirements and extends the independent monitor's mandate for two years.

[DFS Press Release](#)

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PwC Regulatory Advisory Services Agrees to Penalty and Suspension for Lack of Independence in Sanctions Report to NY Bank Regulators

On 18 August, New York's DFS announced a settlement with PricewaterhouseCoopers Regulatory Advisory Services ("PwC"), under which PwC will pay a \$25 million penalty and be suspended for 24 months from accepting new engagements with DFS-regulated financial institutions. PwC also agreed to implement reforms to its procedures to avoid conflicts of interest.

The settlement relates to a report to DFS that PwC had prepared in June 2008 regarding Bank of Tokyo Mitsubishi's alleged violations of US sanctions laws.

Although PwC's report was ostensibly acting as an independent consultant, DFS later learned that PwC had altered the report by removing potentially damaging sections from the report at the bank's request. PwC's report was the cornerstone for the DFS' June 2013 consent order with the bank regarding the bank's alleged violations of US sanctions.

[NYDFS Press Release](#)

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Chicago Resident Sentenced to Prison for Lobbying Against Sanctions for Zimbabwe Officials

On 21 August, Prince Asiel Ben Israel, a 73-year-old restaurateur, religious leader and political activist from Chicago's South Side, was sentenced in US District Court to seven months in prison followed by one year of supervised release for accepting payments from Zimbabwean officials to lobby US federal and state officials to lift sanctions on Zimbabwe. The US government had charged Ben Israel and his co-defendant C. Gregory Turner with several offences arising from this arrangement, including wilfully violating US sanctions laws by agreeing to accept

payments from Zimbabwean officials who are on the SDN list. Under a plea agreement, Ben Israel agreed to plead guilty to one count of wilfully failing to register as a foreign agent under the Foreign Agents Registration Act, and the US government agreed to dismiss the remaining counts including the sanctions violation. Turner has pleaded not guilty and is awaiting trial.

[Chicago Tribune Article](#)

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US Implements UN Sanctions Against ISIL and Al Nusra Front

On 22 August, the US government designated Abdul Mohsen Abdullah Ibrahim al-Sharikh, based in Syria, and Hamid Hamad Hamid Al-Ali, based in Kuwait, as Specially Designated Global Terrorists (“SDGTs”). This action was taken in support of the United Nations Security Council Resolution 2170, adopted on 15 August 2014, which targets the ISIL and the Syria-based ANF. Al-Sharikh is described as a “top strategist” of ANF in Syria and, in this role, has used social media to demonstrate an aspiration to target Americans and US interests. Al-Ali is allegedly a

financial facilitator for ANF, raising tens of thousands of dollars to fund purchases of weapons and supplies, as well as facilitating travel to Syria of individuals wishing to fight for ANF. Previously, on 18 August, Abu Mohammed al-Adnani was designated as an SDGT in support of Resolution 2170. Al-Adnani is the official spokesman for and senior leader of ISIL.

[US Treasury Department Press Release – ANF](#)

[US State Department Press Release – ISIL](#)

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US Blocks Individuals and Money Exchangers Linked to Taliban and Lashkar-e-Tayyiba

On 21 August, the US Treasury Department targeted the Taliban through the designation of a Pakistan-based hawala (money services business) and its owner, as well as a Taliban commander based in Afghanistan. All three were designated SDGTs. According to the Treasury Department, the hawala, Haji Basir and Zarjmil Company, and its owner, Haji Abdul Basir, have distributed hundreds of thousands of dollars to Taliban members in Afghanistan and conducted transactions related to weapons and other operational expenses for the Taliban. The Treasury Department stated that Qari Rahmat, an alleged Taliban commander in Afghanistan, directs the activities of approximately 300 Taliban fighters, having directed them in several attacks on Afghan and Coalition forces. He also has allegedly distributed weapons, including rocket propelled grenades, and provided shelter and tactical guidance to numerous Taliban fighters in Afghanistan’s Achin District.

On 27 August, the US Treasury Department announced the designation of Muhammad Iqbal and his money services business Asma Money Exchangers as SDGTs pursuant to Executive Order 13224. According to the Treasury Department, Mr Iqbal is a founding member of a non-governmental organisation, Falah-i-Insaniat Foundation, that is affiliated with Lashkar e-Tayyiba, a Pakistan-based entity designated by the US State Department as a Foreign Terrorist Organization as well as a SDGT. Specifically, the Treasury Department asserts that Mr Iqbal, both individually and through Asma Money Exchangers, has provided financial assistance to Lashkar-e-Tayyiba and various fronting organisations.

[US Treasury Department Press Release – Lashkar-e-Tayyiba](#)

[US Treasury Department Press Release - Taliban](#)

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US Designates Gaza-Based Mujahidin Shura Council as Foreign Terrorist Organization

On 19 August, the Mujahidin Shura Council in the Environs of Jerusalem (“MSC”) was designated by the State Department as a Foreign Terrorist Organization pursuant to Executive Order 13224. The State Department describes MSC as “an umbrella group composed of several jihadist terrorist sub-groups based

in Gaza,” and notes that MSC has claimed responsibility for numerous attacks on Israel, including rocket attacks and an IED attack in Israel that killed one civilian.

[US State Department Press Release](#)

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US Designates Honduran Cocaine Traffickers

On 20 August, OFAC announced the designation of Miguel Arnulfo Valle Valle, a Honduran national, and the drug trafficking organisation he leads, known as Los Valles, as significant foreign narcotics traffickers pursuant to the Foreign Narcotics Kingpin Designation Act. Also designated were Mr Valle Valle’s brothers, Luis Alonso and Jose Reynerio Valle Valle, and four Honduran businesses tied to the Valle Valle brothers.

The designation was cited as a coordinated action with Honduran authorities, who had seized more than 40 properties allegedly belonging to the Los Valles organisation three days earlier, and other US authorities, including the Drug Enforcement Agency and the Federal Bureau of Investigation.

[US Treasury Department Press Release](#)

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