

Sanctions Alert

A summary of sanctions news and events

In this Issue:

Upcoming Debevoise Event in London and Paris

Doing Business in Iran – Sanctions, Politics, Risks, and a Road Forward

On 31 January and 2 February, Debevoise is hosting breakfast seminars in London and Paris exploring the latest situation in Iran, a year after the loosening of US and EU sanctions. A lot has happened in the twelve months since, and so the session will explore the current state of play in Iran, and how wider world events might impact the country.

To register for the seminars, please contact us at the below:

London, 31 January, 8am to 10am –
RSVP to londonevents@debevoise.com

Paris, 2 February, 8am to 10am –
RSVP to events-paris@debevoise.com

EU News

- 04 Belarus: EU General Court dismisses Ipatau's application to annul listing
- 04 Congo: EU adds seven individuals responsible for violence
- 04 Estonia: Parliament passes "Magnitsky Act"
- 05 Iran: EU General Court upholds re-listings
- 05 Iraq: EU de-lists two entities
- 05 North Korea: EU implements UN sanctions
- 06 Russia: EU renews economic sanctions until July 2017
- 06 Russia: Judgment on listing, Case T-720/14 *Rotenberg v Council*
- 07 South Sudan: EU Council states readiness to impose new sanctions
- 07 Syria: EU Council adds humanitarian exceptions to sanctions
- 07 Tunisia: EU gives notice of intention to renew sanctions
- 08 Ukraine: Ukraine imposes new sanctions against Russia

Continued on page 2

EU News (contd.)

- 08 Terrorist Sanctions: EU dismisses Al-Ghabra's annulment application
 - 09 Terrorist Sanctions: EU Council adds 3 people to listing
-

US News

- 09 US expands cyber-sanctions to include activity aimed at influencing elections
- 10 US blocks property of two Russians accused of stealing financial information
- 10 US senators propose new sanctions targeting Russian energy sector, intelligence agencies, sovereign debt and privatisation
- 11 OFAC sanctions additional Russian construction and transportation companies linked to operations in Crimea
- 11 OFAC sanctions individuals linked to Bank Rossiya or Russian Defense Ministry; BIS updates entity list
- 12 US adds more subsidiaries of Russian entities to sectoral sanctions list
- 12 President Obama signs "Global Magnitsky" law; OFAC adds additional Russian individuals to existing Magnitsky list
- 13 US reviews Glencore-Rosneft Deal
- 13 OFAC issues guidance for US lawyers and compliance advisers
- 13 US suspends most Sudan sanctions
- 14 OFAC extends authorisations for Honduras and Panama entities designated under anti-narcotics sanctions
- 15 OFAC restricts bank accounts for North Korea's UN mission
- 15 OFAC adds North Korea's Air Koryo and other entities to SDN list
- 15 OFAC explains US restrictions on ships trading with Cuba
- 16 US authorises code shares for aircraft on temporary sojourn in Iran
- 16 OFAC expects to allow winding-down period if Iran sanctions are snapped back
- 17 OFAC expands authorisations for medical and agricultural exports to Iran
- 17 Turkish Justice Minister reportedly seeks release of Reza Zarrab, held in US on sanctions charges
- 18 NY banking regulator fines Intesa Sanpaolo \$235 million for AML violations having potential sanctions implications

Continued on page 3

US News (contd.)

- 18 US man charged with conspiracy to transfer money from Iranian-owned bank accounts in South Korea
 - 18 US Congress extends Iran Sanctions Act; Iran decides not to trigger JCPOA dispute mechanism
 - 19 EAR amended to reflect termination of Burma sanctions
 - 19 US blocks Syrian airline and others linked to Assad government
 - 20 OFAC targets Syrian officials for chemical weapons activity
 - 20 OFAC blocks additional DR Congo officials
 - 20 New Japanese Yakuza syndicate targeted
 - 21 BIS slaps export restrictions on 7 entities based in Pakistan
 - 21 US makes additional terrorism designations
-

UN News

- 22 North Korea: UN announce new sanctions, as do Japan and South Korea
 - 23 Terrorist Sanctions: UN and EU add Aselderov to sanctions list
-

UK News

- 23 Magnitsky Act: Parliament to vote on "Magnitsky Amendment"
- 23 Sanctions Guidance: OFSI adds new guidance on travel to UK
- 23 Terrorist Sanctions: OFSI renews three terrorist asset-freezes

EU News

Belarus: EU General Court dismisses Ipatau's application to annul listing

On 23 November 2016, the EU General Court [decided](#) to reject Vadzim Ipatau's 2nd application to annul his listing on the EU's Belarus sanctions list, holding that Ipatau was to remain on the list due to his position as Vice-President of the CEC, Belarus' highest

electoral authority. The listing measures target people responsible for violations of electoral standards in Belarus. Ipatau's previous application for annulment was dismissed by the Court in June 2015.

[Back to the top](#)

Congo: EU adds seven individuals responsible for violence

On 12 December 2016, the EU Council adopted [Regulation 2016/2230](#) (amending [Regulation 1183/2005](#)) and [Decision 2016/2231](#) (amending [Decision 2010/788/CFSP](#)), sanctioning 7 further individuals said to occupy positions of authority in the chain of command over Congolese security forces. The sanctions follow the Council's previous statement on 17 October 2016, condemning the violence taking

place in the Democratic Republic of the Congo (DRC) (please see [Sanctions Alert 50](#)). In its [press release](#), the Council stated that the measures were adopted in response to the political situation in the DRC, in which acts of violence causing the death of at least 50 people took place on 19 and 20 September.

[Back to the top](#)

Estonia: Parliament passes "Magnitsky Act"

On 8 December 2016, the Riigikogu (Estonian Parliament) [passed](#) a 'Magnitsky-style' (please see [Sanctions Alert Issue 33](#)) law allowing the prevention of foreigners deemed to be guilty of human rights abuses from entering the country. The Act amended the Obligation to Leave and Prohibition of Entry Act and was passed to conform to the "international security situation". It also prevents entry to foreigners

if their staying in Estonia may endanger Estonia, or another member of the EU, Schengen or NATO.

The law comes as the US Senate passes a law extending the scope of its Magnitsky laws. A 'Magnitsky amendment' is tabled in the UK (see below).

[Back to the top](#)

Iran: EU General Court upholds re-listings

On 30 November 2016, the General Court upheld the re-listings of two Iran banks: the [Export Development Bank of Iran](#) and [Bank Refah Kargaran](#). The two banks had previously had their original listings annulled by the General Court in September 2013, but the EU Council had re-listed them relying on new criteria.

The Court upheld the re-listings on the grounds that, based on the new criteria, the Council had proven that the banks provided financial support of a sufficiently important kind to the Government of Iran.

[Back to the top](#)

Iraq: EU de-lists two entities

On 10 January 2017, the EU Council adopted [Commission Implementing Regulation \(EU\) 2017/44](#) (amending [Council Regulation \(EC\) 1210/2003](#)) which removed two entities from the EU's list of persons

subject to asset freezes. The two entities are the Medical City Establishment and the State Company for Drugs and Medical Appliances.

[Back to the top](#)

North Korea: EU implements UN sanctions

On 8 December 2016, the EU Council adopted [Commission Implementing Regulation 2016/2215](#) (amending [Council Regulation 329/2007](#)) and [Council Decision 2016/2217](#) (amending [Council Decision 2016/849](#)) which implemented the UN's most recent sanctions listings relating to the Democratic People's Republic of Korea (North Korea) (see below). The EU Council added 11 persons and 10 entities to its lists of persons subject to asset freezes and travel bans.

Further, on 12 December 2016, the Council [adopted](#) conclusions on North Korea, stating that it strongly condemned the recent nuclear and ballistic missile tests and welcoming the unanimous adoption by the UN Security Council of the November 2016 resolution (see below) which imposed further sanctions on North Korea. The Council stated that it "remains fully committed to the denuclearisation of the Korean Peninsula, including through the consideration of new restrictive measures".

[Back to the top](#)

Russia: EU renews economic sanctions until July 2017

On 19 December 2016, the EU Council adopted [Decision \(CFSP\) 2016/2315](#) (amending [Decision 2014/512/CFSP](#)). The decision renewed the EU's sectoral sanctions against Russia until 31 July 2017, based on an assessment of the implementation of the Minsk cease-fire agreement. The sanctions were

introduced on 31 July 2014 in response to Russian's actions in Ukraine, and target Russia's financial, oil and gas, and defence sectors (please see [Sanctions Alert Issue 24](#)).

[Back to the top](#)

Russia: Judgment on listing, Case T-720/14 Rotenberg v Council

On 30 November 2016, the EU General Court [decided](#) the first case challenging the legality of a Russian asset-freeze listing under [Council Regulation 269/2014](#), concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

Arkady Rotenberg was first listed in July 2014 on the basis that: a) he controlled or beneficially owned a company, Giprotransmost, which was tasked with conducting a feasibility study for the construction of a bridge connecting Russia with Crimea, and b) he benefitted through his close relationship with Putin as his companies were construction contracts, including in relation to the Olympic Games in Sochi. In March 2015, the reasons for his listing were amended to include two additional grounds: a) his ownership of Strogazmontazh, a company contracted to construct the bridge between Russia and Crimea, and b) due to his role as chairman of the publishing house Prosvescheniye, which ran a PR campaign persuading Crimean children that they were now Russian citizens.

In its judgment, the General Court held that the July 2014 listing was unlawful, but upheld the later amended listing of March 2015.

The Court's judgment clarifies a number of issues arising out of the criteria for EU asset-freeze listings under Regulation 269/2014.

In relation to the initial July 2014 listing, the Court noted that the EU Council could not simply rely on rumours relating to the ownership of companies (as was the case with Rotenberg's alleged connection to Giprotransmost). It also held that, while a person could be listed simply for benefitting from one of the "Russian decision-makers" responsible for actions undermining Ukraine's territorial integrity and sovereignty, such benefit must have been received at a time when those "Russian decision-makers ... at the very least have started to prepare the annexation of Crimea and the destabilisation of Eastern Ukraine".

In relation to the March 2015 listing, the Court noted that even though construction of the bridge was contemplated prior to the annexation of Crimea, the annexation was a "major change" which meant that the construction of the bridge had "entirely new implications" as it would consolidate the "integration of Crimea into Russia".

[Back to the top](#)

South Sudan: EU Council states readiness to impose new sanctions

On 12 December 2016, the EU Council [adopted](#) conclusions on South Sudan, calling on all parties to lay down arms and noting the disturbing developments in the country. The Council affirmed its position that there was no military solution to conflict, and stated that it remained “ready to impose further autonomous restrictive measures against any individual who obstructs the peace process and its implementing institutions, who impedes UNMISS in the performance of its mandate, who prevents actors from exercising their humanitarian duties, who incites ethnic hatred or who orders or commits atrocities against civilians”.

Currently, the EU has an arms embargo in force on South Sudan, and has imposed asset-freezes on certain persons involved in obstructing the political process in South Sudan or committing serious human rights violations (see [Council Regulation 2015/735](#) and [Council Regulation 1215/2011](#)).

[Back to the top](#)

Syria: EU Council adds humanitarian exceptions to sanctions

On 6 December 2016, the EU Council adopted [Council Regulation 2016/2137](#) (amending [Council Regulation 36/2012](#)), and [Council Decision 2016/2144](#) (amending [Council Decision 2013/255/CFSP](#)). These amendments allow for the purchase and transport of oil and petroleum products and the related provision of financing or financial assistance in Syria by clearly

defined categories of persons and entities for the sole purpose of providing humanitarian relief or assistance to the civilian population in Syria. The amendments also add associated exceptions to Syria-related asset freezes. These measures come in response to the growing humanitarian crisis in Syria.

[Back to the top](#)

Tunisia: EU gives notice of intention to renew sanctions

On 13 December 2016, the EU Council [gave notice](#) that it intends to renew its sanctions on Tunisia. The measures it intends to renew are asset-freezes, currently imposed on people deemed to be responsible

for misappropriating Tunisian State funds and their associates. The sanctions were originally brought in on 31 January 2011 and have been renewed annually.

[Back to the top](#)

Ukraine: Ukraine imposes new sanctions against Russia

On 29 December 2016, the National Security and Defence Council of Ukraine [imposed](#) further sanctions on Russia and extended its existing sanctions for a year. The sanctions included measures against “individuals and entities of aggressor-state [Russia]”. These included those “illegally elected” to the State Duma, members of the “so called ‘election commissions’” in Crimea, Ukrainian companies that were “illegally re-registered according to Russian legislation” and Russian law enforcement officials, said to be involved in the “illegal detention of Ukrainian citizens in Russia”.

Further, sanctions were applied to former leaders of the Ukraine, said to have been involved in the “financing of terrorist activities and hybrid aggression of Russia against Ukraine”. Sanctions were also applied to Russian controlled legal entities, “involved in the hybrid war against Ukraine in the sphere of information and cyberspace”.

[Back to the top](#)

Terrorist Sanctions: EU dismisses Al-Ghabra’s annulment application

On 13 December 2016, the EU General Court [dismissed](#) Mohammed Al-Ghabra’s application to annul his 2007 listing and subsequent 2013 re-listings. In December 2006, Al-Ghabra was added, at the request of the United Kingdom, by the UN to its Sanctions Committee list as a person associated with the Al-Qaida organisation. In January 2007, the EU Council added Al-Ghabra to its sanctions list, which imposed counterterrorist asset freezes and travel bans on persons and entities associated with Osama Bin Laden, Al-Qaida and the Taliban. In March 2013, after review, Al-Ghabra was retained on the listing.

The Court found that Al-Ghabra’s application to annul his 2007 listing was out of time, and the only decision capable of challenge was the 2013 review. The court held that there had been a breach of the

“reasonable time principle” due to the review process starting in 2009 and finishing four years later in 2013. However, this was not enough to justify an annulment, as it did not infringe on Al-Ghabra’s rights of defence.

The Court further rejected Al-Ghabra’s arguments that the Commission had infringed its obligation to meaningfully evaluate for itself whether he satisfied the relevant listing criteria, or that the evidence obtained was insufficient to justify Al-Ghabra’s inclusion on the list.

[Back to the top](#)

Terrorist Sanctions: EU Council adds 3 people to listing

On 22 December 2016, the EU Council adopted [Implementing Regulation \(EU\) 2016/2373](#) (implementing [Regulation 2580/2001](#) and amending [Regulation 2016/1127](#)), which added three people said

to be involved in terrorist acts to its terrorist-related asset-freeze listing.

[Back to the top](#)

US News

US expands cyber-sanctions to include activity aimed at influencing elections

Following reports that Russia had stolen and disseminated emails from the Democratic Party to influence the recent US election, President Obama authorised sanctions for individuals and entities involved in election-related hacking.

The new [Executive Order No. 13757](#), issued on 29 December 2016, amends existing Executive Order No. 13694, which governs the cyber-related sanctions program administered by the US Treasury Department's Office of Foreign Assets Control (OFAC). Under that program, the Secretary of the Treasury may block property of individuals and entities involved in "malicious cyber-enabled activities" that threaten the national security, foreign policy, economic health or financial stability of the United States. The existing executive order had only covered activities having the purpose or effect of compromising a critical infrastructure sector, disrupting network or computer availability, or misappropriating funds or financial

information. The new executive order expands the existing order to authorise sanctions on individuals or entities "tampering with, altering, or causing a misappropriation of information with the purpose or effect of interfering with or undermining election processes or institutions."

A [report](#) by the US Office of the Director of National Intelligence, released to the public on 6 January 2017, concluded that the Russian intelligence agency GRU was involved in obtaining and disclosing the emails. [Disagreements have emerged](#) among Republican Party members in the US Congress over the appropriate response to Russia's alleged involvement, while President-elect Donald Trump has [continued to voice support](#) for improved relations with Russia.

[Back to the top](#)

US blocks property of two Russians accused of stealing financial information

Two Russian individuals, [Evgeniy Mikhailovich Bogachev](#) and [Aleksey Alekseyevich Belan](#), have been added to OFAC's Specially Designated Nationals list for "cyber-enabled" activities threatening the US economy. Although these designations were announced at the same time as President Obama's executive order authorising sanctions for election tampering, the two men were not linked to election-related activity. Rather, they are accused of using malware and stealing financial information for personal gain.

These listings, announced on 29 December 2016, are the first under OFAC's cyber-related sanctions program. According to a [US Treasury Department press release](#), Bogachev was involved in developing and distributing ransomware and other malware and, with his associates, was "responsible for the theft of over \$100 million from US financial institutions and government agencies." Belan is said to have "compromised the computer networks of at least three major United States-based e-commerce companies" to obtain customer data, which he sold for financial gain.

[Back to the top](#)

US senators propose new sanctions targeting Russian energy sector, intelligence agencies, sovereign debt and privatisation

On 10 January 2017 a bipartisan group of US senators introduced a bill that would impose additional sanctions on Russia in connection with Russia's actions in Ukraine and Syria as well as Russia's reported intrusion into the US Democratic Party's electronic systems. The [proposed legislation](#) would mandate menu-based secondary sanctions against companies engaging in significant transactions with Russia's main intelligence agencies, large investments in Russia's energy sector, investments in Russian sovereign debt,

or facilitation of the privatisation of Russian state-owned assets. It also would call for the imposition of visa bans and asset freezes on individuals involved in cyber-intrusions. To become law, the bill would have to pass both houses of Congress and be signed by the President.

[Back to the top](#)

OFAC sanctions additional Russian construction and transportation companies linked to operations in Crimea

On 20 December 2016, the US Treasury Department issued a [press release](#) announcing the [addition](#) of eight companies and two vessels to the Specially Designated Nationals (SDN) list under its sanctions relating to Russia's annexation of Crimea.

Two of the companies, Institut Stroiproekt AO and Karst OOO, are Russian companies involved in construction work for the Kerch Bridge. The bridge, which would connect Crimea with Krasnodar Krai, Russia, is planned as part of Russia's efforts to integrate Crimea into the Russian economy.

OFAC also has listed Crimean Railway and Crimean Ports, the state-sponsored entities operating the railways and ports in Crimea.

In addition, OFAC has blocked four Russian companies for providing material support to OJSC Sovfracht, which previously was designated for

allegedly being owned or controlled by an entity operating in Crimea. The newly listed companies are vessel operators Transpetrochart Co. Ltd. and Trans-Flot JSC and fuel suppliers Solid Ltd. and LLC RusChemTrade. OFAC also has identified the vessels "Marshal Zhukov" and "Stalingrad" as being owned by Trans-Flot.

At the same time, OFAC has issued a new [General License No. 11](#) authorising transactions with FAU Glavgosekspertiza Rossii's non-Crimean offices in relation to projects located outside Crimea. That entity is a Russian federal institution that conducts official examinations of project documentation for construction works. It was added to the SDN list in September 2016 because it opened a branch in Sevastopol and examined project documentation for the Kerch Bridge.

[Back to the top](#)

OFAC sanctions individuals linked to Bank Rossiya or Russian Defense Ministry; BIS updates entity list

Concurrent with the expansion of its Crimea-related sanctions, OFAC [announced](#) on 20 December 2016 the [addition](#) to the SDN list of six individuals linked to Bank Rossiya. Bank Rossiya has been on the SDN list since 2014. Each of the individuals is alleged to hold an executive position with the bank or with its affiliates ABR Management or Sobinbank. The designated individuals are Kirill Kovalchuk, Dmitri Lebedev, Dmitri Mansurov, Mikhail Klishin, Oleg Minaev, and Mikhail Dedov.

At the same time, Yevgeniy Prigozhin was added to the SDN list for what the US Treasury Department has described as "extensive business dealings with the Russian Federation Ministry of Defense", including ties to a company holding a contract to build a military base near the Russian border with Ukraine.

On 27 December 2016, the Commerce Department's Bureau of Industry and Security (BIS) also [added](#) twenty-three entities to its Entity List linked to Russia's activities in Crimea or eastern Ukraine. This listing

[Continued on page 12](#)

renders the identified companies ineligible for most exports from the United States or of US-origin goods or technology. BIS explained that the listings were designed to “ensure the efficacy of existing sanctions

on the Russian Federation for violating international law and fuelling the conflict in eastern Ukraine.”

[Back to the top](#)

US adds more subsidiaries of Russian entities to sectoral sanctions list

OFAC has continued its project of identifying subsidiaries of entities subject to the sectoral sanctions imposed on Russia in response to its activities in Ukraine. On 20 December 2016, OFAC [identified](#) numerous additional entities that are owned by Russian Agricultural Bank, which is subject to Sectoral Sanctions Directive 1, or Novatek, which is subject to Sectoral Sanctions Directive 2.

Property of these entities is not blocked. Rather, Directive 1 prohibits dealing in new debt of more than

30 days’ maturity or new equity in the sanctioned entities. Directive 2 prohibits dealing in new debt of more than 90 days’ maturity in the sanctioned entities.

Under the “50% Rule,” entities that are 50% or more controlled by a sanctioned entity or entities are automatically subject to the same restrictions. OFAC has [explained](#) that the addition of subsidiaries to the list is intended to “help the public more effectively comply with the sanctions” on previously listed entities.

[Back to the top](#)

President Obama signs “Global Magnitsky” law; OFAC adds additional Russian individuals to existing Magnitsky list

The Global Magnitsky Human Rights Accountability Act became law on 23 December 2016 as part of the [annual defence authorisation bill](#) for 2017. The Act, sponsored by Senator Ben Cardin, authorises visa bans and a block on the US assets of non-US persons, including foreign government officials, found to be violating internationally recognised human rights or committing or assisting significant corruption. The law is named for Russian tax lawyer Sergei Magnitsky, who died in police custody in Russia.

It is modelled after the original [Sergei Magnitsky Rule of Law Accountability Act of 2012](#), which targets Russian officials that the US has linked to “the detention, abuse or death of Sergei Magnitsky” or other human rights violations. Unlike the 2012 Magnitsky Act, however, the new “Global” Magnitsky Act is not limited to Russia but can be applied to officials of any government.

Separately, on 9 January 2017, OFAC added five additional Russian [government officials](#) to the

Continued on page 13

SDN list under the 2012 Magnitsky Act targeting Russia. The designated individuals include Alexander Bastrykin, who is the head of the Russian Investigative Committee, and Andrei Lugovoy, a member of the

Russian State Duma, as well as Gennady Plaksin, Stanislav Gordiyevsky and Dmitry Kovtun.

[Back to the top](#)

US reviews Glencore-Rosneft Deal

Amos Hochstein, US special envoy for international energy affairs, [told Bloomberg TV](#) on 8 December 2016 that the recent investment by Glencore in Rosneft PJSC was “not what we were hoping for” when the US and EU imposed sanctions on Russia. Rosneft is subject to Sectoral Sanctions Directive 2, which limits investment in long-term debt but not equity. Hochstein said the US government was looking at whether the financing

for the deal violated sanctions and would be discussing the deal with its counterparts in the EU. The deal, under which Glencore and Qatar’s sovereign wealth fund agreed to buy a 10.2-billion euro stake in Rosneft, is reportedly the largest foreign investment in Russia since sanctions were imposed.

[Back to the top](#)

OFAC issues guidance for US lawyers and compliance advisers

OFAC has issued new guidance explaining its position that US persons may provide advice to foreign companies on compliance with US sanctions laws, even if the underlying transactions would be forbidden to a US person. OFAC has said that this guidance does not represent a change in position but merely explains OFAC’s existing position.

The guidance document, issued on 12 January 2017, makes clear that US lawyers, compliance personnel or consultants may provide advice to non-sanctioned

companies on the requirements of US law, may opine on the legality of specific transactions and may gather information needed to do so. The guidance document cautions, however, that US persons may not otherwise approve or facilitate transactions that would be prohibited to US persons, nor may they provide services to sanctioned persons if prohibited by OFAC’s regulations.

[Back to the top](#)

US suspends most Sudan sanctions

Implementing a new [Executive Order](#) signed by President Obama, OFAC has [amended](#) its Sudanese Sanctions Regulations to authorise all transactions that had been prohibited by the regulations. As a result, trade between the US and Sudan will be allowed, and US persons will be allowed to participate in trade

between Sudan and third countries. The amendment also has the effect of releasing all property of the Sudanese government and of designated individuals and entities that had been blocked under the Sudanese Sanctions Regulations.

[Continued on page 14](#)

The changes will take effect when published in the Federal Register, which is expected to occur on Tuesday, 17 January 2017. The US [has said](#) that these steps are “an outcome of ongoing engagement between the United States and the Government of Sudan” and reflect “positive steps taken by the Government of Sudan over the past several months”.

Because of statutory restrictions, however, any exports of agricultural commodities, medicine or medical devices to Sudan must still be shipped within 12 months of the signing of the export contract. Additionally, because the changes are in the form of a general license rather than revocation of the regulations, transactions with Sudan by US persons remain subject to a 5-year recordkeeping requirement.

Sudan remains subject to a US arms embargo as well as significant restrictions on exportation and reexportation of controlled items under the Export Administration Regulations.

The changes do not affect OFAC’s Darfur Sanctions Regulations or South Sudan Sanctions Regulations, which are separate from the Sudanese Sanctions Regulations. Property of individuals and entities listed under those other sanctions regimes remains blocked.

OFAC has published a [Fact Sheet](#) and has updated its [Frequently Asked Questions](#) to explain the amended regulations.

[Back to the top](#)

OFAC extends authorisations for Honduras and Panama entities designated under anti-narcotics sanctions

OFAC has recently extended the duration of the general licenses authorising transactions with certain entities in Panama and Honduras that are blocked under the Foreign Narcotics Trafficking Kingpin Designation Act (Kingpin Act).

With regard to Honduras, OFAC extended through 14 June 2017 the authorisation for transactions related to the liquidation of Banco Continental S.A. The new [General License 1C](#), [issued](#) on 9 December 2016, replaces General License 1B, which was to expire on 12 December 2016. Under the terms of the license, US persons may engage in transactions and activities relating to bids to acquire the bank’s assets from its liquidator. The bank was placed in liquidation by the

Honduran authorities after the US sanctioned the bank and its owners under the Kingpin Act.

For Panama, OFAC has issued [General License Nos. 3B](#) and [4E](#), which extend the terms of general licenses 3A and 4D but otherwise make no substantive changes. General License No. 3B authorises 13 July 2017 certain transactions related to the winding down of operations of the Panamanian newspapers *La Estrella* and *El Siglo*. General License No. 4E authorises through 10 March 2017 certain transactions with merchants at Soho Mall Panama. The updated general licenses were [published](#) on 5 January 2017.

[Back to the top](#)

OFAC restricts bank accounts for North Korea's UN mission

OFAC has [rescinded its authorisation](#) for US banks to open and operate accounts for the North Korean diplomatic mission to the United Nations, its employees and their family members. As a result, any such accounts will now need to be specifically licensed by OFAC. The US does not maintain diplomatic relations with North Korea, so the UN mission is North Korea's only diplomatic representation within

US territory. The change was implemented by OFAC's North Korea [General License No. 1-A](#), issued on 20 December 2016 to replace General License No. 1. According to a [Reuters report](#), the change may have been motivated by concerns that North Korea is using its diplomatic missions to repatriate the proceeds of illicit commercial activity.

[Back to the top](#)

OFAC adds North Korea's Air Koryo and other entities to SDN list

On 2 December 2016, the Treasury Department [announced](#) that it had blocked the property of [seven individuals and sixteen entities](#) for ties to the North Korean Government or its nuclear and weapons proliferation efforts. The designated entities include North Korea's national airline Air Koryo, several financial institutions (North East Asia Bank, Koryo Credit Development Bank, Rason International Commercial Bank, Kumgang Bank, Koryo Bank, and Korean National Insurance Corporation), companies in the coal and energy sector (Daewon Industries and the Kangbong Trading Corporation) and companies involved in the exportation of workers (Mansudae

Overseas Project Group of Companies, Korea General Corporation for External Construction, Namgang Construction and Korea Rungrado General Trading Corporation). In addition, sixteen aircraft were listed as property of a blocked entity.

Additionally, on 11 January 2017, OFAC blocked the property of [seven additional individuals](#) as well as North Korea's Ministry of Labour and State Planning Commission. According to a US Treasury Department [press release](#), the individuals are all officials of the DPRK government or Workers' Party responsible for censorship or serious human rights abuses.

[Back to the top](#)

OFAC explains US restrictions on ships trading with Cuba

On 6 January 2017, OFAC updated its [Frequently Asked Questions](#) related to Cuba to clarify the application of the "180-day" rule and "goods/passengers-on-board" rule for ships that have traded with Cuba. The 180-day rule is a statutory provision prohibiting any vessel from entering a US port without

OFAC's authorisation if, within the past 180 days, the ship has entered a Cuban port for the purpose of trading goods or services. The goods/passengers-on-board rule is a separate statutory prohibition that forbids any vessel that has carried goods or passengers to or from Cuba, or goods in which a Cuban national

[Continued on page 16](#)

has an interest, from entering a US port with those goods or passengers on board, unless authorised or exempt.

OFAC's new FAQs (Nos. 86 through 90) summarise the general license that excludes certain trade with Cuba from the 180-day rule or the goods/passengers-on-board rule, warn that the general license does

not authorise shipments to and from Cuba, and provide examples of activities that will or will not trigger application of the rules. The FAQs also clarify that code-sharing arrangements do not affect the application of the general license.

[Back to the top](#)

US authorises code shares for aircraft on temporary sojourn in Iran

On 15 December 2016, OFAC [expanded](#) its authorisation for temporary sojourn of aircraft in Iran to allow code-sharing arrangements with Iranian air carriers under certain conditions. The new [General License J-1](#), which replaces General License J, deletes the requirement that an eligible aircraft not carry a flight number issued to an Iranian air carrier.

In general, US law prohibits the exportation to Iran of US-origin items and items having 10% or more controlled US-origin content. General License J-1

creates an exception to this prohibition, by authorising non-US air carriers to fly fixed-wing civil aircraft to Iran if the aircraft does not remain in Iran for more than 72 hours. The general license is subject to several limitations, including that the aircraft must not be registered in the United States, Iran or certain other countries and that the aircraft must not be transferred to the operational control of an Iranian airline.

[Back to the top](#)

OFAC expects to allow winding-down period if Iran sanctions are snapped back

OFAC provided guidance on 15 December 2016 that, in the event of a "snapback" of Iran sanctions, OFAC is likely to authorise a 180-day period for non-US subsidiaries of US companies to wind down existing authorised business. The guidance comes in an update to OFAC's [Frequently Asked Questions](#) (FAQs) dealing with the sanctions relief that was afforded to Iran under the Joint Comprehensive Plan of Action (JCPOA) limiting Iran's nuclear activities. The JCPOA provides that sanctions on Iran may be "snapped back" to their former state if Iran does not abide by its

commitments under the JCPOA.

The new FAQs also provide assurances that transactions legally conducted before the snapback will not become retroactively illegal. The FAQs caution, however, that a post-snapback wind-down period is not automatic and that OFAC cannot commit to giving advance notice of a snapback. The new FAQs, numbered M.4 and M.5, were [published](#) on 15 December 2016.

[Back to the top](#)

OFAC expands authorisations for medical and agricultural exports to Iran

With effect from 23 December 2016, OFAC has [expanded](#) the scope of the existing general license for exports of medical and agricultural exports to Iran.

The amendment to the general license, which appears in [31 C.F.R. § 560.530](#), now allows the export to Iran of all medical devices, other than those specifically excluded, without a specific license. It also adds shrimp and shrimp eggs to the agricultural commodities that can be exported without a specific license.

The amendment also authorises transactions related to training in the safe and effective use of agricultural commodities, medicines and medical devices. In addition, it authorises exports of a limited

number of replacement parts, software and services for the repair or maintenance of legally exported medical devices, as well as the return to the United States of medicines, medical devices or agricultural equipment that are subject to safety recalls or are non-operational or broken.

The new authorisations are subject to some exceptions and limitations, for which the full text of the regulation should be consulted. OFAC also has issued [three new FAQs](#) to explain the changes and updated its [existing FAQs](#) relating to agricultural and medical exports.

[Back to the top](#)

Turkish Justice Minister reportedly seeks release of Reza Zarrab, held in US on sanctions charges

The [Wall Street Journal](#) has reported that Turkish Justice Minister Bekir Bozdag met with US attorney general Loretta Lynch in early November to request that Reza Zarrab be released and allowed to return to Turkey. Zarrab, the central figure in an alleged bribery scandal that roiled the government of then-Prime Minister (now President) Tayyip Erdoğan of Turkey in 2013, remains in US custody awaiting trial on charges that he assisted Iranian entities in circumventing US sanctions.

As we reported in [Issue 47](#), Zarrab was arrested in Miami on 19 March 2016. Judge Richard Berman, who is presiding over Zarrab's case in US District Court for the Southern District of New York, has denied Zarrab's request for release on bail pending trial. Zarrab's trial is currently due to commence in New York on 21 August 2017.

[Back to the top](#)

NY banking regulator fines Intesa Sanpaolo \$235 million for AML violations having potential sanctions implications

On 15 December 2016, the New York State Department of Financial Services (DFS) announced that the Italian bank Intesa Sanpaolo S.p.A. and its New York branch had agreed to pay \$235 million in fines for anti-money laundering violations. Additionally, Intesa Sanpaolo agreed to extend the engagement of an independent consultant to monitor its compliance practices.

According to DFS's [press release](#), the bank's "compliance staff utterly mismanaged its transaction monitoring system and repeatedly failed to properly

identify suspicious transactions until they were discovered by a DFS-appointed independent consultant". DFS also charged that the bank used "opaque methods and practices to conduct more than 2,700 US dollar clearing transactions, amounting to more than \$11 billion, on behalf of Iranian clients and other entities possibly subject to US economic sanctions."

[Back to the top](#)

US man charged with conspiracy to transfer money from Iranian-owned bank accounts in South Korea

On 15 December 2016, the Department of Justice announced the indictment of Kenneth Zong of Anchorage, Alaska, for violation of the Iran sanctions. According to the US Justice Department [press release](#), Zong used his businesses in South Korea to conduct fictitious transactions designed to assist Iranian nationals in removing funds "equivalent to

approximately \$1 billion United States dollars" from restricted bank accounts in South Korea. The Justice Department alleges that the transactions were designed to defraud South Korean regulators into believing the transfers were legitimate.

[Back to the top](#)

US Congress extends Iran Sanctions Act; Iran decides not to trigger JCPOA dispute mechanism

On 15 December 2016, the [Iran Sanctions Extension Act](#), which extends through 2026 the Iran Sanctions Act of 1996, became law. The Iran Sanctions Act is the principal law that authorised "secondary sanctions" against non-US entities dealing with Iran.

The extension is largely symbolic, as the sanctions have been suspended as a result of the Joint Comprehensive Plan of Action (JCPOA) that implemented the Iran nuclear deal.

[Continued on page 19](#)

Iran initially complained that the ten-year extension prevented full implementation of the JCPOA, which calls for repeal of the sanctions eight years after implementation of the JCPOA.

But [as recently reported by Reuters](#), Iran has decided not to escalate the dispute to the JCPOA dispute resolution mechanism.

[Back to the top](#)

EAR amended to reflect termination of Burma sanctions

On 27 December 2016, the Bureau of Industry and Security adopted [amendments](#) to the Export Administration Regulations (EAR) to reflect the termination of US sanctions against Burma, also known as Myanmar. The amendments move Burma from Country Group D:1 to the less restrictive Country Group B, as well as deleting a provision requiring licenses for exports or reexports to

individuals or entities who were on the SDN list under OFAC's now-defunct Burma sanctions program. As discussed in Sanctions Alert [Issue 50](#), President Obama terminated the sanctions in October 2016 “[i]n recognition of Burma’s substantial advances to promote democracy.”

[Back to the top](#)

US blocks Syrian airline and others linked to Assad government

On 23 December 2016, OFAC added [eighteen individuals and five entities](#) to its SDN list for their links to the Assad government. The designated companies include Cham Wings Airlines, Syriss Logistics and Services, al-Hisn Firm for Security Protection and Guard Services, Al-Qasiun Security Services LLC, and the Lebanese company Technolab. According to the US Treasury Department’s [press release](#), each of those entities is either owned or controlled by the Syrian government or has provided material support to the Syrian government or to previously designated entities. OFAC also designated a number of senior Syrian government officials as well as officials of Tempbank, which had been previously designated.

The Treasury Department stated that the new designations were made in response to “the continued acts of violence committed by the Government of Syria, led by Bashar al-Assad, against its own citizens.” Adam J. Szubin, Acting Under Secretary of the Treasury for Terrorism and Financial Intelligence, was quoted as saying that the attacks on civilian centres by the Government of Syria were “reprehensible” and that “both the Government and its enablers must be isolated and held accountable for their barbarism.”

[Back to the top](#)

OFAC targets Syrian officials for chemical weapons activity

OFAC has added a number of [Syrian entities and officials](#) to the SDN list under its non-proliferation program. The [US Treasury Department](#) has explained that these actions were taken in response to a UN finding that the Syrian government used chemical weapons against its own people. The newly blocked

individuals include several senior Syrian military officers, officials of Syria's Scientific Studies and Research Centre, Syria's Organisation for Technological Industries, and its executive director.

[Back to the top](#)

OFAC blocks additional DR Congo officials

On 12 December 2016 OFAC added [two officials](#) of the Democratic Republic of the Congo (DRC) government, to its Specially Designated Nationals list. The individuals, [Evariste Boshab and Kalev Mutondo](#), are [alleged](#) to be “engaging in actions or policies that undermine democratic processes or institutions” in the DRC. According to OFAC, Boshab is a “key player” in the Congolese government as its Deputy Prime

Minister and Minister of Interior and Security and led President Kabila's strategy to remain in power after his constitutional term officially ends. Mutondo acts as the General Administrator of the National Intelligence Agency and allegedly ordered officials to ensure the electoral process favoured President Kabila's political coalition.

[Back to the top](#)

New Japanese Yakuza syndicate targeted

On 30 December 2016, OFAC designated as a transnational criminal organisation (TCO) the Kobe Yamaguchi-gumi syndicate,, which OFAC [describes](#) as a Yakuza syndicate that broke away from the main Yamaguchi-gumi syndicate in September 2015. OFAC also designated the Yamaken-gumi clan, said to be a subgroup of the Kobe Yamaguchi-gumi syndicate, as well as three individuals (Kunio Inoue, Osamu Teraoka and Takashi Ikeda) said to be leaders of the syndicate.

OFAC's [identifying information](#) for the new designations lists the names of the targeted individuals and entities in both Japanese and Latin characters, in a break from OFAC's past practice of using only transliterations into Latin characters in its sanctions lists. OFAC also issued a [chart](#) featuring pictures of the leaders of the Kobe Yamaguchi-gumi syndicate, including two previously designated individuals who reportedly joined the syndicate.

[Back to the top](#)

BIS slaps export restrictions on 7 entities based in Pakistan

On 15 December 2016, the Bureau of Industry and Security [updated](#) its Entity List by adding seven entities based in Pakistan. As a result, exports of items subject to the EAR to the designated entities require a specific license from BIS, and applications for such a license will be subject to a general policy of denial. BIS gave no reasons for the designations, other than that the entities have been determined to be acting contrary

to the national security or foreign policy interests of the United States. The newly listed entities are Ahad International, Air Weapons Complex, Engineering Solutions Pvt. Ltd., Maritime Technology Complex, National Engineering and Scientific Commission, New Auto Engineering and Universal Tools Services.

[Back to the top](#)

US makes additional terrorism designations

Al-Qa'ida in the Arabian Peninsula: On 7 December 2016, the US designated [two individuals](#), Al-Hasan Ali Abkar and Abdallah Faysal Sadiq al-Ahdal, and an entity called the Rahmah Charitable Organisation as Specially Designated Global Terrorists (SDGTs). The US Treasury Department [stated](#) that Abkar and Al-Ahdal were designated for “providing financial and material support to or in support [and] for or on behalf of” Al-Qa'ida in the Arabian Peninsula (AQAP). The Rahmah Charitable Organisation, run by al-Ahdal, was alleged to be acting as a front for AQAP.

On 5 January 2017, the US designated [Ibrahim al-Banna](#) as an SDGT. According to a US State Department [press release](#), Al-Banna was the security chief of AQAP and provided military and security guidance.

Al-Qa'ida: Also on 5 January 2017, the US designated [Hamza bin Laden](#), the son of Usama bin Laden, as an SDGT. According to a US State Department [press release](#), bin Laden was [designated](#) as a result of activities on behalf of al-Qa'ida.

Al-Qa'ida in the Islamic Maghreb: On 21 December 2016, the US designated [Saleck Ould Cheikh Mohamedou](#) as an SDGT. According to a US State Department [press release](#), Mohamedou was designated because he is an operative of al-Qa'ida in the Islamic Maghreb. Mohamedou was convicted of attempting to assassinate the Mauritanian head-of-state Mohamed Ould Abdel Aziz and is currently incarcerated in Mauritania.

Islamic State in Iraq and the Levant (ISIL): On 13 December 2016, the US designated as SDGTs [Fawaz Muhammad Jubayr al-Rawi and his company Hanifa Currency Exchange](#). According to a US Treasury Department [press release](#), Al-Rawi used Hanifa Money Exchange Office and Selselat Al Thahab, two money service businesses, to support ISIL's financial operations and help the group move its money.

On 10 January 2016, the US designated as SDGTs [four individuals](#) alleged to be acting as operatives for ISIL in Australia and Indonesia. The individuals are Neil Christopher Prakash an Australian national [described](#)

[Continued on page 22](#)

[by the US Government](#) as ISIL's Australian recruiter; Khaled Sharrouf, an Australian national described as a fighter for ISIL in Iraq; and Bachrumsyah Mennor Usman and Oman Rochman, both Indonesian nationals said to be involved in recruiting and other activities for ISIL.

Also on 10 January 2016, the US designated as an SDGT [Alexanda Amon Kotey](#), a British national [alleged](#) to head an ISIL execution cell that was responsible for the beheading of approximately two dozen hostages.

Lashkar-e Tayyiba: On 28 December 2016 OFAC sanctioned [Muhammad Sarwar and Shahid Mahmood](#) as SDGTs. According to a US Treasury Department [press release](#), the two men are senior officials of Lashkar-e Tayyiba, a designated terrorist group based in Pakistan.

Hizballah: On 9 January 2016, the US designated [Ali Damush and Mustafa Mughniyeh](#) as SDGTs. According to a US State Department [press release](#), Damush is a senior official and Mughniyeh is a commander for Hizballah, a designated terrorist group based in Lebanon.

Jamaah Ansharut Daulah: On 10 January 2016, the US designated as an SDGT organisation the Indonesian group [Jamaah Ansharut Daulah](#) (JAD). According to the [US State Department](#), JAD is an Indonesian extremist group that has pledged allegiance to ISIL leader Abu Bakr al-Baghdadi and is responsible for a January 2016 terrorist attack in Jakarta.

[Back to the top](#)

UN News

North Korea: UN announce new sanctions, as do Japan and South Korea

On 30 November 2016, the UN Security Council [implemented](#) new sanctions against North Korea, in response to a nuclear test conducted by North Korea on 9 September 2016. The UN had previously expressed concern about North Korea's actions and had condemned them in a statement on 9 September 2016 (please see [Sanctions Alert 50](#)).

The new sanctions include cutting North Korea's exports of coal by around 60 percent with an annual sales cap of \$400.9 million, or 7.5 million metric tonnes, whichever is lower, banning North Korean copper, nickel, silver and zinc exports and the sale

of statues, imposing asset freezes and travel bans on various people and entities with alleged ties to North Korea's nuclear missile programmes, and limiting the number of bank accounts to one per North Korean diplomatic mission.

Further, Japan and South Korea both [announced](#) on 2 December 2016 that they would impose additional, unilateral sanctions against North Korea. These include blacklisting senior North Korean officials, asset-freezes, and a ban on all ships that have called at ports in North Korea.

[Back to the top](#)

Terrorist Sanctions: UN and EU add Aselderov to sanctions list

On 12 December 2016, the UN [added](#) Rustam Magomedovich Aselderov to its ISIL (Da'esh) and Al-Qaida counterterrorism asset-freeze list due to his association with the terrorist groups. The EU

followed suit on 16 December 2016, [implementing](#) the UN decision.

[Back to the top](#)

UK News

Magnitsky Act: Parliament to vote on “Magnitsky Amendment”

On 28 November 2016, a “Magnitsky Amendment” was [added](#) to the Criminal Finances bill, currently under review by Parliament. The amendment targets human rights violators, or those profiting from human rights violations, who under the provisions could have their UK assets frozen.

The new legislation is supported by 27 MPs across the political parties and comes as a series of “Magnitsky-style” legislation has been passed in the USA and Estonia (see above).

[Back to the top](#)

Sanctions Guidance: OFSI adds new guidance on travel to UK

On OFSI updated its [guide](#) to financial sanctions, including a section on “Travel to the UK”. This section states that all designated persons and all persons funded (in whole or in part) by a designated person visiting the UK should possess an appropriate license. Such a license must be applied for at least 4 weeks before travelling or applying for a visa, whichever is sooner.

Applications for a license must be made in writing using the OFSI license application form. Further guidance on the process for getting a license can be found in the OFSI Financial Sanctions guide linked above.

[Back to the top](#)

Terrorist Sanctions: OFSI renews three terrorist asset-freezes

On 7 December 2016, OFSI [renewed](#) two designations under the Terrorist Asset-Freezing etc. Act 2010. The two designated entities are the Popular Front for the Liberation of Palestine-General Command and the Popular Front for the Liberation of Palestine.

On 9 January 2017, OFSI [renewed](#) the designation of Sheikh Khalid Mohammed under the same Act.

[Back to the top](#)

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