

# **Sanctions Alert**

A bi-monthly summary of sanctions news and developments

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## Breaking Global News

### US, EU and Canada Adopt New Sanctions in Response to Situation in Ukraine

On 5 and 6 March 2014, the US, EU and Canada announced sanctions directed at officials of the former Ukrainian government and potentially at officials of the Russian government and other persons involved in the ongoing events in Crimea.

US President Barack Obama signed an Executive Order dated 6 March 2014 authorising sanctions against any individual or entity that the US Treasury Department determines:

- Undermines democratic processes or institutions in Ukraine;
- Threatens the peace, security, stability, sovereignty, or territorial integrity of Ukraine;
- Misappropriates assets of the Ukrainian state or any “economically significant” entity located in Ukraine;
- Asserts unauthorised governmental authority over any part of Ukraine; or
- Is a “leader” of, provides material assistance to, or is owned or controlled by, any individual or entity that meets the criteria described above.

Currently, no individuals or entities have been designated. The property of individuals and entities to be designated under the Executive Order will be blocked (that is, their assets will be frozen) and they will be denied entry to the US. Separately, on 19 February 2014, the US State Department announced it was expanding the list of Russian officials subject to

bans on visas to travel to the US, but it did not identify the officials by name. The US also has suspended joint military exercises with Russia and halted preparations for the planned G8 summit in Sochi.

The EU issued Council Regulation (EU) 208/2014 and Council Decision 2014/119/CFSP, both dated 5 March 2014 and published 6 March 2014, freezing the assets of 18 individuals associated with the former Ukrainian government. The targeted individuals include former Ukrainian president Viktor Yanukovich, former prime minister Mykola Azarov and other individuals suspected of misappropriating state funds or violating human rights. EU Member States have also agreed to suspend export licences on goods that could potentially be used for internal repression in Ukraine, and will reassess existing licences for goods on the EU Common Military List, including smooth-bore weapons, ammunition, explosives, chemical agents, military vehicles, naval vessels and military aircraft.

The EU has also reportedly halted talks with Russia on visa-free travel and has suspended preparations for the G8 summit. EU officials have stated that, in the absence of de-escalating steps by Russia, the EU would be considering additional asset freezes and visa restrictions.

On 5 March, the Government of Canada announced its own asset freeze against Yanukovich, Azarov and 16 others. According to a speech by Canadian

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Prime Minister Stephen Harper, Canada imposed the asset freeze at the request of the Prosecutor General of Ukraine.

[US Executive Order of March 6, 2014](#)

[Council Regulation \(EU\) 208/2014](#)

[Council Decision 2014/119/CFSP](#)

[EU Common Military List](#)

[Council Conclusions](#)

[Canada's Freezing Assets of Corrupt Foreign Officials \(Ukraine\) Regulations](#)

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## UK News

### FCO Consults on New Type of Sanctions

The UK Foreign & Commonwealth Office (the "FCO") has launched an informal consultation into the feasibility, benefits and risks of introducing and implementing a new type of sanction: "contract sanctions". Under these sanctions, contracts entered into by targeted regimes would be rendered unenforceable in the courts of participating states. The FCO is particularly interested in the identification of possible risks associated with contract sanctions. For example, could the imposition of such sanctions make lending to targeted regimes an attractive high risk/high reward opportunity? Responses to the consultation are requested by 14 March 2014.

Further to the Debevoise & Plimpton Symposium on the "Implementation of Economic Sanctions: Commercial and Public Policy Perspectives", which was co-hosted with the FCO and Chatham House, Debevoise & Plimpton will be collating responses to this consultation (which may then also be made anonymously, if you wish). If you would like your response to be included in our submission, please email: [sanctions@debevoise.com](mailto:sanctions@debevoise.com)

[Consultation Document](#)

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### Renewal of Designations under the Terrorist Asset-Freezing Act

HM Treasury has renewed the designations in respect of Imad Khalil Al-Alami, Usama Hamdan, Dr Musa Abu Marzouk and Khalid Mishaal under the Terrorist Asset-Freezing etc. Act 2010 (the "Act"), thereby continuing the financial sanctions imposed upon them by the Act for a period of one year. The Act implements the terrorist asset freezing requirements of UN Security Council Resolution 1373 (2001) and

Council Regulation (EU) 2580/2001 in the UK.

[HM Treasury General Notice](#)

[Terrorist Asset-Freezing etc. Act 2010](#)

[UN Security Council Resolution 1373 \(2001\)](#)

[Council Regulation \(EU\) 2580/2001](#)

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## EU News

### EU Suspends Zimbabwe Asset Freezes

Council Regulation (EC) 314/2004, which imposes financial sanctions against certain individuals and entities associated with the government of Zimbabwe, has been amended so that Happyton Bonyongwe, Augustine Chihuri, Constantine Chiwenga, Didymus Mutasa, Douglas Nyikayaramba, Perence Shiri, Jabulani Sibanda and Phillip Sibanda are no longer subject to an asset freeze. The suspension of the asset freeze against these individuals will remain in force until 20 February 2015. The individuals join the 81 individuals and

8 entities whose asset freeze was originally suspended under Council Regulation (EU) 298/2013.

Robert Mugabe, Grace Mugabe and Zimbabwe Defence Industries remain subject to the asset freeze imposed by Council Regulation (EC) 314/2004.

[Council Regulation \(EC\) 314/2004](#)

[Council Regulation \(EU\) 298/2013](#)

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### EU Lifts Sanctions on 11 Individuals in respect of Iran Sanctions

As a result of the judgment in Nabipour and others v Council (Case T-58/12), 11 individuals are no longer subject to the asset freeze imposed by Council Regulation (EU) 267/2012 in connection with efforts against nuclear proliferation in Iran.

[Judgment in Nabipour and others v Council \(Case T-58/12\)](#)

[Council Regulation \(EU\) 267/2012](#)

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[HM Treasury Financial Sanctions Notice](#)

## US News

### Ubiquiti Networks Settles with OFAC for Alleged Violations of Iran Sanctions

On 6 March 2014, Ubiquiti Networks, Inc., a US company, agreed to pay \$504,225 to the US Treasury Department's Office of Foreign Assets Control ("OFAC") to settle apparent violations of the Iranian Transactions

and Sanctions Regulations. The apparent violations involved the re-export of Ubiquiti's goods for broadband wireless connectivity to Iran, worth at least \$588,938, by distributors based in the United Arab Emirates and

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Greece. Ubiquiti had entered into an agreement granting the UAE distributor exclusive rights to distribute Ubiquiti's goods in Iran, and OFAC alleged that Ubiquiti had knowledge or reason to know that the goods sold to the Greek distributor were intended specifically for re-export to Iran.

In determining the settlement amount, OFAC found that Ubiquiti did not voluntarily disclose the apparent violations but that this constituted a non-egregious case. Aggravating factors considered by OFAC included that Ubiquiti demonstrated reckless disregard of US sanctions requirements, Ubiquiti had no OFAC

compliance programme at the time of the apparent violations, members of Ubiquiti's senior management knew or had reason to know that Ubiquiti products were being re-exported to Iran, and the apparent violations occurred over a period of five years. The mitigating factors considered by OFAC included that Ubiquiti had no prior sanctions history, cooperated with OFAC during its investigation, and has since taken remedial action in response to the apparent violations.

[OFAC Enforcement Announcement](#)

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## US Updates Narcotics Trafficking Designations

On 27 February 2014, OFAC designated Hugo Cuellar Hurtado, a dual Colombian-Mexican national, under the Foreign Narcotics Kingpin Designation Act (the "Kingpin Act"). According to the US, Cuellar Hurtado provides material support, primarily in the form of supplying and shipping cocaine, to the Sinaloa Cartel and one of its leaders, Juan Jose Esparragoza Morena, both of which have previously been designated under the Kingpin Act. In addition to Cuellar Hurtado, OFAC designated five of his relatives and his asset manager in Colombia, as well as 10 companies, four of which are located in Mexico and six in Colombia.

In a separate action, on 19 February 2014, OFAC designated Colombian national Fernain Rodriguez Vasquez as a significant narcotics trafficker under the Kingpin Act. According to the US, Rodriguez Vasquez is the leader of international drug trafficking and money laundering operations that have exported nearly 100 tons of cocaine a year from their base in Colombia, and he is known to collaborate with the Revolutionary Armed Forces of Colombia (commonly known as FARC) and Mexico's Los Zetas and Sinaloa Cartels, all three of which are designated drug trafficking

entities. The US asserts that Rodriguez Vasquez has connections to multiple individuals already designated under the Kingpin Act, including Jorge Fadlallah Cheaitelly, a Lebanese-Colombian national, and seven individuals indicted in the Eastern District of Texas on February 14 2013, on drug trafficking offences. OFAC also designated seven other individuals and five entities in Colombia that the US believes provide support to Rodriguez Vasquez's drug trafficking activities.

At the same time, OFAC deleted from its list of Specially Designated Nationals ("SDN") seven individuals and entities located in Colombia who had previously been designated either under the Kingpin Act or the Narcotics Trafficking Sanctions Regulations.

[Treasury Department Press Release on Hugo Cuellar Hurtado designation](#)

[Treasury Department Press Release on Fernain Rodriguez Vasquez designation](#)

[Complete list of 19 February 2014 changes to SDN list including deletions](#)

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## US Lifts Iran Sanctions Act Designation of Associated Shipbroking

The US State Department's Bureau of Economic and Business Affairs has lifted the sanctions it had imposed under the Iran Sanctions Act ("ISA") against Associated Shipbroking, also known as SAM, a company based in Monaco. In 2011, the State Department had imposed sanctions, including an asset freeze, against Associated Shipbroking under the ISA. At the time, the State Department found that Associated Shipbroking had knowingly acted on behalf of a front company for Islamic Republic of Iran Shipping Lines ("IRISL") in connection with IRISL's acquisition of an oil tanker.

In lifting the sanctions, the State Department found that Associated Shipbroking is no longer engaging in transactions that would subject it to sanctions under the ISA. The State Department's order is dated 7 January 2014 but was not published in the Federal Register until 13 February. OFAC updated its SDN list to reflect the change on 20 February.

[Federal Register Notice](#)

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## Electronics Manufacturer Settles Claim of Illegal Release of Technology to Russian National

The US Commerce Department's Bureau of Industry and Security ("BIS") announced on 24 February 2014 that it had reached a \$115,000 civil settlement with the US electronics manufacturer Intevac, Inc., for alleged violations of the Export Administration Regulations ("EAR"). According to BIS, Intevac had released drawings and blueprints that are controlled for

national-security reasons to a Russian national working for Intevac at its US facility. Under the EAR, the release of export-controlled technology to a foreign national in the US constitutes a "deemed exportation".

[Commerce Department Press Release](#)

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## **UN News**

### Mandate of Sudan Sanctions Monitors Extended

The UN Security Council has adopted Resolution 2138 (2014) extending the mandate of the Panel of Experts (the "Panel"), originally appointed to the Sudan Sanctions Committee (the "Committee") by

Resolution 1591 (2005). The role of the Panel is to assist the Committee in monitoring implementation of Resolution 1556 (2004), to make recommendations to the Committee and to coordinate with the

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African Union Mission in Sudan. Resolution 1556 provides that all states should take measures to prevent the sale or supply of arms, military vehicles and military equipment to all non-governmental entities and individuals operating in the states of North Darfur, South Darfur and West Darfur, and further that all states should take measures to prevent the provision of technical training or assistance related to the provision, manufacture, maintenance or use of such items.

The extension prolongs the mandate for a period of 13 months. The Panel has been asked to provide an interim report by 31 July 2014 and a final report no later than 17 January 2015. The final report is to include the findings of the Panel and its recommendations for further action. The Panel has also been asked to

give updates to the Committee every three months regarding violations of the sanctions and any obstacles encountered by the Panel. The resolution noted, in particular, that the Panel's Finance Expert had been denied entry into Sudan, and therefore called upon the government of Sudan to remove all restrictions imposed on the work of the Panel, including by issuing multiple-entry visas to all members of the Panel for the duration of its mandate.

[Security Council Resolution 2138 \(2014\)](#)

[Security Council Resolution 1591 \(2005\)](#)

[Security Council Resolution 1556 \(2004\)](#)

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## UN to Impose Sanctions on Yemen

The UN Security Council has adopted Resolution 2140 (2014) which resolves that all Member States shall freeze all funds, other financial assets and economic resources on their territories, which are owned or controlled, directly or indirectly, by certain Yemeni individuals or entities to be designated by a Committee of Experts, or by individuals or entities acting on their behalf or at their direction, or by entities owned or controlled by them. Further, Member States will ensure that such funds are prevented from being made available by their nationals,

or by any individuals or entities within their territories, to or for the benefit of those who are designated. The Resolution also provides for a travel ban on designated entities or individuals and provides for a Committee to be established to consider designation. The travel ban and asset freeze will last for an initial period of one year from the date of the adoption of the Resolution.

[Security Council Resolution 2140 \(2014\)](#)

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# Sanctions Alert

Sanctions Alert is a publication of  
**Debevoise & Plimpton LLP**

919 Third Avenue  
New York, New York 10022  
+1 212 909 6000  
www.debevoise.com

**Washington, D.C.**  
+1 202 383 8000

**London**  
+44 20 7786 9000

**Paris**  
+33 1 40 73 12 12

**Frankfurt**  
+49 69 2097 5000

**Moscow**  
+7 495 956 3858

**Hong Kong**  
+852 2160 9800

**Shanghai**  
+86 21 5047 1800

For further information in relation  
to any of the above, please email  
[sanctions@debevoise.com](mailto:sanctions@debevoise.com) or call:

**Satish Kini**  
Partner, Washington  
+1 202 383 8190  
smkini@debevoise.com

**Carl Micarelli**  
Counsel, New York  
+1 212 909 6813  
cmicarelli@debevoise.com

**Jessica Gladstone**  
International Counsel, London  
+44 20 7786 9166  
jgladstone@debevoise.com

**Matthew Getz**  
International Counsel, London  
+44 20 7786 5518  
mgetz@debevoise.com

**Jane Rahman**  
Associate, London  
+44 20 7786 5463  
jrahman@debevoise.com

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regarding topics covered in  
this publication to the editors.

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