

Sanctions Alert

A monthly summary of sanctions news and events

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Upcoming Events

Debevoise to Host Iran Sanctions Seminars in New York and London on 1 and 3 March

Debevoise & Plimpton LLP will be sponsoring seminars in New York on 1 March and London on 3 March exploring the implications of recent developments concerning international economic sanctions against Iran. Topics to be explored include the practical extent of the changes to US and EU

sanctions against Iran, key areas of opportunity and risk for business with regard to Iran, and potential next steps in the sanctions process. Further details and registration information are available [on our website](#).

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Iran News

EU and US Announce JCPOA Implementation Day

On 16 January 2016, the International Atomic Energy Agency (the "IAEA") announced that it had verified Iran's implementation of specified nuclear-related measures. This verification has triggered "Implementation Day" under the terms of the [Joint Comprehensive Plan of Action](#) (the "JCPOA"), and the majority of EU sanctions and US secondary sanctions against Iran have now been suspended.

Pursuant to [Council Decision 2016/37](#) concerning the date of application of [Council Decision 2015/1863](#) amending [Council Decision 2010/413](#), the EU removed various financial, energy, shipping and precious metals related restrictions. In addition, the EU has replaced outright prohibitions on the sale, supply, transfer or export of nuclear-related goods and technology, metals, enterprise resource planning software; and the provision of technical assistance related to any of the above, with a requirement for prior authorisation. Many individuals on the UN listings and EU autonomous listings have been delisted, releasing them

from asset freezes and visa bans.

The EU arms embargo, missile technology sanctions and human rights and terrorism sanctions regimes remain unaffected by Implementation Day.

OFAC released an [Implementation Day Statement](#) announcing the US suspension of some sanctions on Iran, pursuant to the terms of the JCPOA. These terms lift the US's nuclear-related "secondary sanctions", targeted at non-US persons, but the vast majority of "primary sanctions", applicable to activities in the US or by US individuals and entities, remain in place, including the general embargo on trade between the US or US persons and Iran. The US has removed individuals and entities from its Specially Designated Nationals list ("SDN list"), as appropriate, although Iranian financial institutions and entities controlled by the Iranian government have been added back to a new list known as the "13599 List", to reflect that US financial institutions and others are still required to block their property.

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The IAEA continues to verify and monitor Iran's ongoing obligations under the JCPOA, as the EU and the US have reserved the right to reintroduce sanctions ("snapback"), in the event of Iran breaching its commitments. The next step under the JCPOA is Transition Day, which will come in July 2023 or, if earlier, on the conclusion by the IAEA that all nuclear

material in Iran remains for peaceful activities only. On that day, remaining EU and US secondary sanctions will be terminated or modified.

For further details on this development, please see the [Debevoise Client Update](#) of 19 January 2016.

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Switzerland, Japan, Norway, Australia and Canada Lift Sanctions on Iran

Following the US and EU relaxations on Implementation Day, Switzerland, Japan, Norway, Australia and Canada have also lifted sanctions on Iran.

[Switzerland](#) has lifted many of its restrictions on Iran, though some remain. The sanctions still in force correspond to UN and EU measures restricting the trade of arms, dual-use and nuclear goods, and include travel bans and asset freezes on certain individuals and entities.

The restrictions on Iran lifted by [Japan](#) include those prohibiting investment in the country's oil and gas industry.

[Norway](#), continuing its policy of aligning its restrictive measures against Iran with those of the EU, has also lifted many of its sanctions. The measures that remain therefore include human rights sanctions, arms

embargoes, and restrictions on the export of goods and technology in certain sensitive areas.

All nuclear-related economic and financial sanctions have been lifted by [Australia](#). Sanctions remaining in force include those restricting the transfer of proliferation sensitive goods, arms and ballistic missiles embargoes, and measures against certain designated individuals and entities.

[Canada](#) also has lifted some of its sanctions on Iran, though some restrictions remain in place, including export prohibitions and related restrictions concerning arms, nuclear activity and missile technology, as well as asset freezes against individuals and entities that were not delisted by the UN Security Council.

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Iran Unveils Post-Sanctions Framework for Oil and Gas Contracts

At a November [conference](#) in Tehran, Iran [presented](#) its new oil and gas contracts to oil executives from European and Asian companies. The previous "buyback" system has been replaced with a new framework intended to encourage investment from

foreign companies by offering increased flexibility and longer-term agreements.

The Integrated Petroleum Contract ("IPC") will, under some circumstances, allow reserves to be booked

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by foreign companies, though they would still not be allowed to own oil fields. Exclusive ownership rights over resources will still be held by the National Iranian Oil Company ("NIOC"). The new contracts could last for up to 25 years, and have no ceiling on capital expenditure.

Around 50 oil and gas projects are expected to be initiated; timelines for bids and negotiations remain unclear. A second conference will be held in London in February.

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US Adds 11 Entities and Individuals to Sanctions List for Iran Ballistic Missile Procurement

Close on the heels of the lifting of nuclear-related sanctions under the JCPOA, the US Treasury Department [announced](#) on 17 January 2016 that the United States was adding to its SDN list eleven Iranian individuals and entities involved in procurement for Iran's ballistic missile programme. According to the Treasury Department, the listing of these individuals and entities was meant to underscore that the United States was continuing to pursue vigorous enforcement of its remaining sanctions regimes against Iran, "including those related to Iran's support for terrorism, regional destabilization, human rights abuses, and ballistic missile program". All of these companies and individuals were listed under the sanctions regime against weapons of mass destruction proliferators, and non-US nationals who transact with them are

potentially subject to the imposition of secondary sanctions by the United States.

The designated individuals and entities are Hossein Pournaghshband, an Iranian national, and his company Mabrooka Trading, based in the UAE; Chen Mingfu, of Anhui, China, and his company Anhui Land Group, based in Hong Kong; Candid General Trading, based in the UAE, and its managing director, Rahim Reza Farghadani, an Iranian national; and Sayyed Javad Musavi, Seyed Mirahmad Nooshin, Sayyed Medhi Farahi, Seyed Mohammad Hashemi and Mehrdada Akhlaghi Ketabachi, all Iranian nationals linked to one or more of Iran's Aerospace Industry Organization, Shahid Hemmat Industrial Group or Ministry of Defence for Armed Forces Logistics.

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Bank of England Licences Three Iranian Banks to Reopen in the UK

According to the [Financial Times](#), on 1 February 2016, the Bank of England reactivated the licences of Melli Bank, Persia International Bank and Bank Sepah International, Iranian banks that had been subject to EU and US sanctions. This follows the announcement of Implementation Day under the JCPOA. These

three banks must come into compliance with several rules that were introduced when they were subject to sanctions, but once they do the Bank of England will allow them to resume operations in the UK.

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CJEU Upholds NIOC Subsidiaries' Listings and Rejects Challenges to Press TV Listings

Two annulment actions brought by subsidiaries of NIOC were rejected by the CJEU in December 2015.

In [Case T-371/14 Naftiran Intertrade Co. \(NICO\) Sàrl v Council](#), it was held that there had been an adequate statement of reasons for the listing of Naftiran Intertrade Co. (NICO) Sàrl by the Council, and that being part of the NICO group of companies (owned by NIOC) was sufficient justification for designation. The court also found no error of assessment due to changes in the structure of the applicant's parent company: being a NIOC subsidiary was sufficient grounds for designation.

In [Joined Cases T-159/13 and T-372/14 HK Intertrade Co Ltd v Council](#), the court held that one of the reasons given for the listing of HK Intertrade Co Ltd by the Council, that it was "a front company controlled by EU-designated [NIOC]", was sufficient justification. Additionally, the Council's errors in stating the name of the applicant and in not providing access to documents did not infringe the applicant's rights of defence and were insufficient to annul its listing.

EU Re-Lists OPIC

The EU has re-listed Iran's Oil Industry Pension Fund Investment Company ("OPIC") as part of its sanctions against Iran. The new listing is introduced by [Council Implementing Regulation \(EU\) 2015/2204](#) implementing [Council Regulation \(EU\) 267/2012](#), and [Council Decision \(CFSP\) 2015/2216](#) amending [Council Decision 2010/413/CFSP](#). The reasons for the new listing include the support OPIC provides to the Government of Iran through financing government-linked oil and gas projects (including

Also in December 2015, the CJEU rejected two applications to annul listings that had been imposed on the grounds of Iranian human rights violations.

Mohammad Sarafraz and Hamid Reza Emadi were [originally listed](#) for, among other things, their links to Press TV in Iran. Press TV, under the directorship of Sarafraz and Emadi, was said to have "worked with the Iranian security services and prosecutors to broadcast forced confessions of detainees, including that of the Iranian-Canadian journalist and film-maker Maziar Bahari". Sarafraz and Emadi were said to be associated with violating Bahari's right to due process and a fair trial.

In [Case T-273/13 Sarafraz v Council](#) and [Case T-274/13 Emadi v Council](#) (not available in English), all of the applicants' grounds for annulment were rejected. The CJEU found that the required standard of proof to establish that Sarafraz and Emadi were directors at the relevant time had been met, and rejected arguments based on freedom of expression.

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those involving NIOC companies), and OPIC's association with Iran's nuclear activities through its managing director Naser Maleki, who is UN-designated for his involvement in this area.

OPIC had previously had its listing annulled in a CJEU decision which found that there was no evidence to show that OPIC had provided financial support to the Iranian government (see [Issue 43 of the Sanctions Alert](#)).

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EU De-Lists Bank Sepah

The EU has implemented the UN de-listing of Bank Sepah and Bank Sepah International Plc, its UK subsidiary. This de-listing is separate from the JCPOA de-listings and means that the entities are no longer subject to EU sanctions against Iran.

This follows the bank's request for de-listing, which was [accepted](#) by the UN Security Council on 17 January 2016. The UN originally listed Bank Sepah for its involvement in Iran's ballistic missile programme by

providing support to Aerospace Industries Group and its subsidiaries.

The changes are made by [Council Implementing Regulation \(EU\) 2016/74](#) implementing [Council Regulation \(EU\) 267/2012](#) and [Council Implementing Decision \(CFSP\) 2016/78](#) implementing [Council Decision 2010/413/CFSP](#).

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Iranian Company Pleads Guilty and Is Fined for US Export Violation

According to a [press release](#) issued on 6 January 2016 by the US Attorney for the Middle District of Pennsylvania, the Iranian company FIMCO pleaded guilty in federal court in Harrisburg, Pennsylvania, to conspiracy to evade US sanctions on Iran and was sentenced to pay a \$100,000 criminal fine. This is in addition to a civil penalty of \$837,500 levied by the Commerce Department's Bureau of Industry and Security (BIS), of which \$250,000 has been suspended

and will be waived if FIMCO complies with its plea agreement. FIMCO had been charged with attempting to smuggle from the US to Iran a bar peeling machine used in the production of high-grade steel. FIMCO's US supplier Hetran Inc. and its chairman Helmut Oertmann had previously pleaded guilty to charges arising from the attempted export (see [Issue 33](#) of the Sanctions Alert).

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Chinese National Extradited from UK to US Pleads Guilty to Illegal Export to Iran

On 18 December 2015, the US Attorney's Office for the District of Massachusetts [announced](#) that Sihai Cheng, also known as Chun Hai Cheng or Alex Cheng, had pleaded guilty in federal court in Boston to illegal exports from the US to Iran. The exported goods were pressure transducers, which the US Attorney's

Office described as having nuclear applications. Cheng pleaded guilty to four counts of violating IEEPA and one count of conspiracy to violate IEEPA. He had been extradited from the UK to US in December 2014 and has been in custody since that time.

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US Suspends Export Privileges of UK and Gambian Companies and Individuals for Alleged Sale of US Aircraft to Blocked Iranian Airline

On 21 January 2016, the US Commerce Department's Bureau of Industry and Security (BIS) [announced](#) a 180-day temporary denial order against five parties who are allegedly attempting to sell two Gambian-registered US-origin aircraft to Caspian Airlines. Caspian is an Iranian airline that was placed on OFAC's SDN list in 2014 for support of terrorism, and it remains on the SDN list even after the partial listing of sanctions under the JCPOA. The order temporarily suspends the US export privileges of Ribway Airlines Company

Limited, of Kanifing Municipality, Gambia; Af-Aviation Limited and Andy Farmer of Wolverhampton, England; and John Edward Meadows and Jeffrey John James Ashfield of Bexhill-on-Sea, England. According to BIS, Ribway was the owner of the aircraft, and Meadows and Ashfield were involved in brokering the sale. BIS did not describe the alleged involvement of Af-Aviation and Farmer.

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Russia and Ukraine News

EU Extends Russia Sanctions to 31 July 2016

On 21 December 2015, EU sectoral sanctions against Russia were extended until 31 July 2016. The restrictions had been imposed in view of Russia's actions destabilising the situation in Ukraine and were due to expire at the end of January 2016. The extension takes effect through [Council Decision \(CFSP\) 2015/2431](#), amending [Council Decision 2014/512/CFSP](#).

These sectoral sanctions include capital market and financial restrictions on designated Russian banks, oil companies and arms companies, restrictions on the supply of certain oil industry-related equipment and services to Russia, an arms embargo, and restrictions on

the supply of dual-use civilian goods to the country.

The extension was implemented because the Council did not think that the Minsk ceasefire agreements would be implemented by 31 December 2015, and it required more time to assess the implementation of this agreement.

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Russia's Ukraine Sanctions and Turkey Sanctions Extension Take Effect

With effect from 1 January 2016, the [suspension](#) of Russia's free-trade agreement with Ukraine was signed [into law](#) by President Putin. The restrictions were imposed in response to Ukraine and the EU entering into a trade deal. The Ukrainian government introduced its own counter-sanctions on Russia in [response](#).

On 28 December 2015, President Putin signed into law an order to extend the Russian [sanctions regime](#) against Turkey. With effect from 1 January 2016, Russian companies must not hire Turkish

citizens, and any entities under Turkish ownership are prohibited from providing services to the Russian state or being involved in the construction, tourism and lumber industries.

The sanctions were originally introduced in response to the shooting down of a Russian warplane close to the Syrian-Turkish border (see [Issue 45 of the Sanctions Alert](#)), and initially targeted imports of Turkish goods (including fruit and vegetables) and suspended visa-free travel and charter flights between the two countries.

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UK Sanctions Individuals Named in Report on Death of Litvinenko

Following the publication of a [report](#) into the death of Alexander Litvinenko in London in 2006, HM Treasury has [designated](#) Andrey Lugovoy and Dmitri Kovtun under the Anti-terrorism, Crime and Security Act 2001. Lugovoy and Kovtun are subject to asset freezes with effect from 22 January 2016.

Lugovoy and Kovtun are named as the killers of

Litvinenko in the report, which concludes that there is a "strong probability" that Litvinenko was poisoned "under the direction of the FSB" (the Russian security services) and that the operation was "probably approved by Mr Patrushev [at the time Director of the FSB] and also by President Putin".

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US Adds Five Russian Nationals to Magnitsky Sanctions List

On 1 February 2016, the US added the [names of five Russian government officials](#) to the Magnitsky Act sanctions list. According to a [State Department briefing](#), four of the five "are directly implicated in the persecution and death of Sergei Magnitsky", a Russian

accountant who died while in custody on tax evasion charges in 2009, and the fifth was the head of a Russian prison in Chechnya who is said to be responsible for the mistreatment of a Chechen activist. The newly designated individuals are Aleksey Vasilyevich

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Anichin, Yevgeni Yuvenalievich Antonov, Boris Borisovich Kibis, Pavel Vladimirovich Lapshov and Oleg Vyacheslavovich Urzhumtsev. These designations were issued concurrently with the State Department's [announcement](#) of its third annual report to Congress

on the Magnitsky sanctions. Including these new additions, there are now 39 names on the Magnitsky sanctions list.

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US Expands Sectoral List to Identify Subsidiaries of VTB, Sberbank and Rostec, Also Blocks Crimean Banks and Businesses, Entities Linked to Russian SDNs, Ukrainian Separatists and Yanukovich Regime Officials

On 22 December 2015, the US Treasury Department's Office of Foreign Assets Control (OFAC) [announced](#) the addition of numerous additional Russian entities and individuals to its sanctions lists. Many of the additions to the sectoral sanctions list were meant to identify subsidiaries of the Russian banks VTB Bank and Sberbank and the Russian defence company Rostec. The newly designated entities were already automatically subject to sectoral sanctions, as they were 50% or more owned by companies on the sectoral sanctions lists; the new listing is designed to facilitate their identification. Entities subject to sectoral sanctions have not had their property blocked, but there are restrictions on providing financing to those companies or otherwise dealing in their debt or equity.

At the same time, OFAC added to its SDN list a number of entities that have allegedly been used for sanctions evasion by Russian businessmen Gennady Timchenko, Arkady Rotenberg and Boris Rotenberg and the Russian companies Kalashnikov Concern and Izhevsky Mekhanichesky Zavod JSC (also known as Baikal). If an individual or company is on the SDN List, the listed person's assets in the United States or in the hands of US persons must be blocked (frozen) and US persons are prohibited from doing business with them.

In addition, OFAC has added to the SDN list a number of banks operating in Crimea, including Genbank, Krasnodar Regional Investment Bank, Commercial Bank Verkhnevolzhsky, and Sevastopolsky Morskoy Bank. OFAC also has added to the SDN list a Crimean state-owned company that provides air transportation, a Russian engineering company operating in Crimea, and a distillery, four wineries, a health resort and a film production studio in Crimea. These measures were adopted in furtherance of the US embargo of Crimea, which is intended to advance its policy of opposing Russia's annexation of Crimea. Six of the 12 newly listed entities were already subject to EU asset freezes.

OFAC also has added to the SDN list a number of individuals linked to the pro-Russian separatist movements in the Donetsk and Luhansk regions of Ukraine as well as several individuals associated with the former Ukrainian government of Viktor Yanukovich.

A complete [list of the newly added entities and individuals](#) may be found on OFAC's website.

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EU News

Central African Republic: EU Adds Two Individuals to Sanctions List

On 23 December 2015, pursuant to [Council Implementing Regulation \(EU\) 2015/2454](#) and [Council Implementing Decision \(CFSP\) 2015/2459](#), which implemented [Council Regulation 224/2014](#) and [Council Decision 2013/798/CFSP](#), the EU added two individuals to its Central African Republic sanctions list. The two individuals are Haroun Gaye, a leader of an armed group in the PK5 neighbourhood in Bangui, and Eugene Barret Ngaikosset, another perpetrator of violence in Bangui "in an effort to destabilise the CAR Transitional Government". Both have been added to the list for "engaging in or providing support for acts that undermine the peace, stability or security of the CAR".

The EU also updated the identifying information concerning Oumar Younous Abdoulay, "a general of the former Seleka and diamond smuggler [who supported] an armed group through the illicit exploitation and trade of natural resources" in the CAR, with his date of birth.

This follows decisions of the UN Security Council Committee established pursuant to [Security Council Resolution 2127 \(2013\)](#) to make such amendments to its own sanctions list on 20 October 2015 and 17 December 2015.

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Syria: EU Delists One Individual and Two Entities

On 16 December 2015, pursuant to [Council Implementing Regulation 2015/2350](#) and [Council Implementing Decision \(CFSP\) 2015/2359](#), which implemented [Council Regulation 36/2012](#) and [Council Decision 2013/255/CFSP](#), the EU removed one individual, Samir Hamsho, and two designated companies, Syria Steel SA and Al Buroj Trading, from its Syria sanctions list.

Samir Hamsho, a prominent Syrian businessman, had been [listed](#) for "benefiting from and supporting the regime" and for his ownership of and affiliation with the aforementioned designated companies.

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Syria: CJEU Rejects Annulment Application of Assad's Uncle

In [Case T-443/13 Makhlouf v Council \[2016\]](#) (not available in English), the CJEU rejected the application of Mohammad Maklouf to annul his listing as part of the EU's sanctions on Syria. The CJEU found that, as the uncle of President Bashar Al-Assad, Makhlouf met the listing criterion of being a person associated with the Syrian regime.

Makhlouf has had a previous application to annul his listing rejected on similar grounds (see [Issue 34 of the Sanctions Alert](#)).

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Maldives: European Parliament Calls for Sanctions

On 17 December 2015, the European Parliament passed a [resolution](#) deploring the continuing decline in democracy and the deterioration of the human rights situation in the Maldives, calling for the EU to impose an asset freeze and travel ban on “certain members of the Maldivian Government and their leading supporters in the Maldivian business community”.

The European Parliament also repeated its demand, originally made in a [resolution](#) passed on 30 April 2015, for the immediate and unconditional release of political prisoners. The prisoners mentioned in the 17 December 2015 resolution include former president

Mohamed Nasheed, the former vice-president Ahmed Adeeb, former defence ministers Tholhath Ibrahim and Mohamed Nazim, Sheikh Imran Abdulla, and other political prisoners. On 2 October 2015, the [UN Working Group on Arbitrary Detention](#) made similar demands, after determining that Nasheed’s detention was unlawful.

While such resolutions are not legally binding, they may lead to the EU formally introducing sanctions in the future.

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EU Implements UN Amendments to Terrorist Designations

Following changes made by the UN Security Council’s Sanctions Committee in December (see [below](#)), the EU has amended the listings of 12 individuals and deleted its listing of Rafik Mohamad Yousef. The sanctions impose asset freezes in the EU.

The amendments were made by [Commission Implementing Regulation \(EU\) 2016/13](#) amending [Council Regulation \(EC\) 881/2002](#).

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Libya: EU Consolidates Sanctions Measures

To clarify its sanctions on Libya, the EU has consolidated all existing restrictive measures into a single regulation. The measures are now all contained in [Council Regulation \(EU\) 2016/44](#), repealing [Council](#)

[Regulation \(EU\) 204/2011](#), and [Council Decision \(CFSP\) 2015/1333](#), repealing [Council Decision 2011/137/CFSP](#).

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US News

Cuba: US Relaxes Requirements for Exports and Travel

On 26 January 2016, the US Treasury Department’s Office of Foreign Assets Control (OFAC) and the Commerce Department’s Bureau of Industry and Security (BIS) [announced](#) changes to the Cuba embargo regulations designed to facilitate trade with Cuba. The changes in part authorise new categories of exports, and in part remove obstacles to transactions related to certain types of activities that are already authorised. Key changes include:

- Elimination of restrictions on financing terms for authorised non-agricultural exports to Cuba. (Similar financing restrictions for agricultural exports are imposed by statute, and removing them could require an Act of Congress.)
- A general policy of approval of export licences to Cuba in a number of categories. These include exports of aircraft and parts for international commercial passenger aviation (including to Cuban state-owned enterprises), agricultural commodities not eligible for a licence exception and certain other items for agricultural use, items for news gathering, items to facilitate telecommunication by the Cuban people, and items being exported to human-rights and civil-society organizations.
- A policy of case-by-case review of certain exports to Cuba, including to Cuban state-owned enterprises, to determine if they meet the needs of the Cuban people. These include items used for agricultural

production, artistic endeavours, education, food processing, disaster preparedness and response, public health and sanitation, residential construction and renovation, public transportation, and certain infrastructure projects such as water-treatment systems and energy-supply systems for the general public.

- Authorisation to conduct market research in Cuba in connection with authorised exports.
- Expanded authorisations for travel to Cuba to facilitate certain activities in Cuba. This includes travel in connection with the creation and dissemination of media productions (including film and television), music recordings and artwork; professional meetings; public performances, exhibitions, workshops and athletic competitions; disaster preparedness, relief and response; and the temporary sojourn of aircraft or vessels in Cuba if authorised by BIS.

These changes were implemented through an [amendment](#) to OFAC’s Cuban Assets Control Regulations and an [amendment](#) to BIS’s Export Administration Regulations. The amendments took effect on 27 January 2016. OFAC also has issued updated [Travel Guidance](#) and updated [Frequently Asked Questions](#).

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Cuba: OFAC Answers Insurance-Related Questions

On 21 December 2015, OFAC updated its [frequently asked questions related to Cuba](#) to add new guidance about the general licence that authorises certain life, health and travel insurance services in connection with Cuba. The update, which now appears in questions 59 through 63 (after a subsequent amendment on 26 January 2016), explains that authorised US travellers may obtain insurance from both US and

non-US insurers, including Cuba-specific policies, but US insurers and their subsidiaries may cover non-US travellers only under global insurance policies that are not specific to Cuba. The FAQs also explain that these rules apply to both group and individual insurance policies.

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Cuba: Architecture Firm Settles with OFAC for Work on Cuban Hotel Project from UK Office

On 20 January 2016, OFAC [announced](#) that the architectural firm WATG agreed to pay \$140,400 to settle potential liability for civil penalties for performing architectural and design work in connection with a hotel project in Cuba. The work was primarily done by the firm's UK affiliate, Wimberly Allison Tong and Goo (UK) Limited. Because the UK entity is a subsidiary of a US entity, WATG Holdings,

Inc., it is considered subject to US jurisdiction for the purposes of the Cuban Assets Control Regulations. Both the US and UK entities were parties to the settlement agreement. OFAC determined that the apparent violations were non-egregious and were not voluntarily self-disclosed, and it calculated the base penalty amount at \$260,000.

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Burma: Most Import and Export Sanctions Suspended for Six Months

On 7 December 2015, OFAC issued a new Burma [General Licence No. 20](#) authorising for a six-month period most trade-related transactions otherwise prohibited by the Burmese Sanctions Regulations. The new general licence allows transactions that are ordinarily incident to the export of goods, technology, or non-financial services to or from Burma. Exports to, from or on behalf of persons on the SDN list remain prohibited, but trade-related transactions involving

SDNs of Burma in some other capacity, including trade finance transactions and payment of port fees and shipping charges, are now authorised. In addition, US financial institutions are now authorised to unblock and return transactions blocked on or after 1 April 2015 that would have qualified as authorised had they been engaged in pursuant to the authorisation in the general licence.

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Exports of financial services continue to be governed by the existing general licence in [Section 537.529](#) of the Burmese Sanctions Regulations. Imports of Burmese

jade and rubies to the United States continue to be prohibited by statute.

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North Korea: OFAC Blocks North Korean Ship Management Companies and Bank Representatives Linked to Nuclear Proliferation

On 8 December 2015, OFAC [announced](#) that it was adding six individuals and four entities to its SDN list that, according to OFAC, had ties to North Korea's nuclear weapons programme.

The six individuals were added to the SDN list as proliferators of weapons of mass destruction. Five of the six are representatives of Tanchon Commercial Bank in Vietnam and Syria, and the sixth is a representative of the Foreign Trade Bank of the DPRK in Russia. OFAC also blocked the Strategic Rocket Force of the Korean People's Army under its non-proliferation regime because of that entity's involvement in North Korea's ballistic missile development efforts.

OFAC also added to the SDN list, under its North Korea sanctions regime, three North Korean ship management companies identified as front companies for Ocean Maritime Management Company (OMM), which has been targeted for shipping arms and other illicit exports to North Korea. The newly listed companies are Haejin Ship Management Company Limited, Pyongjin Ship Management Company Limited, and Yongjin Ship Management Company Limited.

A complete [list of the individuals and entities added](#) is available on OFAC's website.

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North Korea: US House of Representatives Sends Secondary Sanctions Bill to Senate

On 13 January 2016, in reaction to recent nuclear testing by North Korea, the US House of Representatives passed [proposed legislation](#) to expand the North Korea sanctions regime. To become law, the bill also must pass the Senate and be signed by the President. The sanctions bill, if it becomes law, would require the US President to impose sanctions on individuals and entities engaging in transactions with

North Korea related to weapons of mass destruction, arms, luxury goods, money laundering, counterfeiting and human rights abuses. Anyone engaging in financial transactions that support North Korea's banned activities or the country's developing cyber threat industry could also be sanctioned under the bill.

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Zimbabwe: Two Banks Dropped from Sanctions List

On 3 February 2016, OFAC [removed](#) the Agricultural Development Bank of Zimbabwe and Infrastructure Development Bank of Zimbabwe from its SDN list. OFAC simultaneously revoked General Licence No. 1, which had authorised transactions with those banks, as unnecessary now that the banks have been removed from the SDN list. OFAC also removed from the list a Thai businesswoman who had been listed for

facilitating transactions for the wife of Zimbabwean president Robert Mugabe. OFAC did not explain the reasons for these de-listings. It also removed the entries for Zimbabwean politicians who are now reportedly deceased, as well as the wife of one of the deceased politicians and an entity that the politician apparently had controlled.

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Honduras: Banco Continental Windup Licence Extended

On 8 December 2015, OFAC amended Foreign Narcotics Kingpin Sanctions General Licence No. 1 by replacing it with [General Licence No. 1A](#). Like the previous general licence, General Licence No. 1A authorises certain transactions in connection with the liquidation of Banco Continental, S.A., under the supervision of the Honduran bank regulators, including bidding for the bank's assets. General Licence No. 1A extends the expiry date of the previous

authorisation through 12 June 2016. OFAC also has published a [Spanish translation](#) of the general licence.

In October 2015, US prosecutors charged Banco Continental's prior owners with laundering money for drug cartels and added the bank and its owners to the SDN list. Honduran bank regulators then seized control of the bank and placed it in liquidation.

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Mexico: Newspaper Executive and His Businesses Are Blocked Under Narcotics Trafficking Sanctions

On 16 December 2015, the US Treasury Department [announced](#) that Naim Libien Tella, a Mexican newspaper executive, had been designated under the Foreign Narcotics Kingpin Trafficking Act for his alleged links to the Los Cuinis drugs trafficking organisation. Also designated were the Mexico City newspaper *Uno Mas Uno*, the Mexican newspaper

Diario Amanacer, a Mexican air-taxi company known as Aerolineas Amanacer or Aeroamanacer, and a Mexican investment company known as Valgo Grupo de Inversion, which OFAC identified as controlled by Libien Tella or by members of Los Cuinis.

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Sudan: OFAC Issues Finding of Violation Against Johnson & Johnson Subsidiary for Facilitation of Affiliate's Sudan Exports

On 4 February 2016, OFAC [announced](#) that it had issued a finding of violation against Johnson and Johnson (Middle East) Inc., a US-incorporated subsidiary of Johnson & Johnson, for violations of the Sudanese Sanctions Regulations. The US subsidiary was found to have facilitated exports to Sudan of consumer hygiene products, valued at \$227,818, by a non-US subsidiary of Johnson & Johnson.

Although the exports may have been legal for the non-US entity, facilitation of those transactions by US persons, including US-incorporated companies, remains forbidden. A finding of violation is used when OFAC determines that a public enforcement action is warranted but the imposition of a civil penalty is unnecessary.

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Three Individuals Accused of Attempt to Export Controlled Semiconductors Stolen from US Military

On 10 December 2015, the US Attorney's Office for the District of Connecticut issued a [press release](#) announcing that three Chinese nationals were charged for their roles in a scheme to buy military-grade Xilinx semiconductors stolen from the US Navy, replace them with fake parts to prevent detection of the theft and export the real semiconductors to an undisclosed. One of the three had previously been under investigation for selling counterfeit Intel microprocessors and allegedly approached an undercover agent, with whom he had previously had contact, with the scheme to steal and export the Xilinx semiconductors. The three individuals, Daofu Zhang, Jiang Guanghou

“Ben” Yan, and Xianfeng Zuo, were charged with criminal violations of the International Emergency Economic Powers Act (IEEPA), under which the Export Administration Regulations were adopted, and with receiving stolen government property. In addition, Zhang and Yan were charged with trafficking in counterfeit goods and mail fraud, and Zhang and Zuo were charged with conspiracy. The three travelled to the US on 6 December 2015 and were arrested in Milford, Connecticut, when they allegedly attempted to accept delivery of the stolen semiconductors from an undercover agent.

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OFAC Makes Multiple Designations under Terrorism, Narcotics, Organised Crime, Burundi and Central African Republic Sanctions Regimes

OFAC has continued to actively update its sanctions lists, including by adding and deleting names.

Boko Haram: On 1 December 2015, the Treasury Department [announced](#) the designation of Mohammed Nur, a Nigerian national, and Mustapha Chad, a Chadian national, under its Specially Designated Global Terrorists regime. Both are identified as Boko Haram leaders.

Yakuza: On 9 December 2015, the Treasury Department [announced](#) the designation of Tadamasu Goto, linked with the Japanese Yakuza criminal network, to its Transnational Criminal Organisations regime.

Al-Qa'ida: Also on 9 December 2015, the State Department [announced](#) that Emrah Erdogan, a Turkish-born German national, was being added to the Specially Designated Global Terrorists List because of links to al-Qa'ida and al-Shabaab. This change implements his addition to the UN Security Council's al-Qa'ida sanctions list.

Libya: Also on 9 December 2015, for reasons that were not explained, the Libyan Islamic Fighting Group was [de-listed](#) as a Foreign Terrorist Organisation, though it remains listed as a Specially Designated Global Terrorist entity.

Burundi: On 18 December 2015, the Treasury Department [announced](#) that it was sanctioning under its Burundi sanctions programme two pro-government and two anti-government individuals for their involvement in the ongoing conflict in that country.

The four are Gervais Ndirakobuca, the Chief of Staff for Burundi's Ministry of Public Security, accused of involvement in efforts to suppress political opposition in Burundi; Leonard Ngendakumana, alleged to be involved in grenade attacks on behalf of Burundian opposition forces; Joseph Mathias Niyonzima, alleged to have provided support to a pro-government militia implicated in human rights abuses; and Alexis Sinduhije, described as a major military leader for the opposition forces.

Central African Republic: Also on 18 December 2015, the Treasury Department [announced](#) that it was designating two Central African Republic militia commanders for their role in the ongoing conflict in that country. Haroun Gaye was identified as a leader of the Popular Front for the Rebirth of the Central African Republic (formerly called Seleka), while Eugene Ngaikosset was identified as a leader of the Anti-Balaka militia group.

Colombian Narcotics Traffickers: On 10 December 2015, the Treasury Department [announced](#) that it was designating Los Chatas, said to be a subgroup of the Colombian criminal organisation La Oficina de Envigado, under the Narcotics Kingpin sanctions regime. The Treasury Department also designated three individuals alleged to be leaders of Los Chatas as well as a motorcycle-repair business owned by one of them.

Lebanon/Hizballah: On 7 January 2016, the Treasury Department [announced](#) that it had designated Ali Youssef Charara and his company Spectrum

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Investment Group Holding SAL, both of Lebanon, for assisting the designated terrorist group Hizballah in its financial and commercial activities. Separately, on 28 January 2016, the Treasury Department [announced](#) the designation of two Lebanese individuals, Mohamad Noureddine and Hamdi Zaher el Dine, and the Lebanese company Trade Point International S.A.R.L. owned by Nourredine, for laundering money on behalf of Hizballah. All of these designations were made under the Specially Designated Global Terrorists sanctions programme.

Narcotics Trafficker De-Listings: On [7 January 2016](#) and again on [3 February 2016](#), OFAC dropped a number of individuals and entities in Mexico, the UAE, and St. Kitts and Nevis from its narcotics trafficking kingpin and specially designated narcotics trafficker lists. According to a *Wall Street Journal* [report](#), these individuals involved in the February de-listings had petitioned OFAC to be removed from the sanctions lists and had persuaded OFAC that they had ceased trafficking in illegal drugs.

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OFAC Publishes Cyber-Related Sanctions Regulations

On 31 December 2015, OFAC published [regulations](#) to implement Executive Order 13694, which authorises the blocking of property of those engaged in certain "malicious cyber-enabled activities" by foreign nations and individuals against US citizens, companies, or government agencies. The new regulations include general licences, definitions, interpretations and blocking procedures that are standard to most of

OFAC's sanctions programmes. OFAC has said it intends to supplement the regulations with more comprehensive regulations at another date. To date, no one has been designated under the cyber-related sanctions regime, and it is unclear whether these new regulations mean that designations are expected soon.

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UN News

UNSC Imposes Sanctions on ISIL

On 17 December 2015, the Security Council adopted [Resolution 2253 \(2015\)](#) imposing an assets freeze, travel ban and arms embargo on ISIL (Da'esh) and its associated individuals, groups, undertakings and entities. This followed a summit of the Finance Ministers of the UNSC, [convened](#) on the same day in order to strengthen the global effort on counter-terrorism by combating ISIL financing.

The resolution expressed the Security Council's increasing concern about the lack of implementation of previous counter-terrorism related resolutions and encouraged the implementation of the [Financial Action Task Force Recommendations](#) on the international standards on combating money laundering and the financing of terrorism and proliferation. Responsibility for implementing the new sanctions was delegated to

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the Security Council [Committee](#) previously established under Resolutions [1267 \(1999\)](#) and [1989 \(2011\)](#) to administer the Al-Qaeda sanctions,

The Committee has subsequently made various amendments to its [sanctions list](#). On [30 November 2015](#), Emrah Erdogan was added to the sanctions list. On [25 November 2015](#), [10 December 2015](#) and [11 January 2016](#), respectively, Nazih Abdul Hamed

Nabih Al-Ruqai'I, Rafik Mohamad Yousef and Abd Al Wahab were deleted from the sanctions list. In addition, on [10 December 2015](#), [30 December 2015](#) and [15 January 2016](#), the ISIL and Al-Qaeda Sanctions Committee amended 16 entries on the list, in each case including more identifying information.

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UNSC Condemns North Korea Nuclear Test and Considers Additional Sanctions

On 6 January 2016, the Security Council issued a [press release](#) condemning the nuclear test announced by North Korea and confirming their previously expressed determination to take “further significant measures” in the event of another North Korean nuclear test through a new Security Council resolution.

The Security Council identified that the nuclear test, announced as a hydrogen bomb test, was a violation of the UN’s anti-proliferation regime and a violation of the sanctions contained in Security Council

Resolutions [1718 \(2006\)](#), [1874 \(2009\)](#), [2087 \(2013\)](#) and [2094 \(2013\)](#), which were imposed on North Korea in response to its nuclear programme.

In addition to the Security Council, [Secretary-General Ban Ki-moon](#) and the [head of the UN International Atomic Energy Agency](#) (“IAEA”) both deplored the incident, calling it “a grave contravention of the international norm against nuclear testing” and “deeply regrettable”.

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UK News

ECO Updates List of Strategic Military and Dual-Use Items Requiring Authorisation for Export

The Export Control Organisation (“ECO”) has [published](#) an updated version of its [consolidated list of strategic military and dual-use items that require export authorisation](#), in response to changes to controls on dual-use goods, software and technology by the European Commission.

The principal amendments are the removal of controls on certain encrypted information security products, and new controls on machine tools, spacecraft equipment, avionics technology and civil unmanned aerial vehicles.

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Several Open General Export Licences (“OGELs”) were [republished](#) to incorporate the changes to the consolidated list. The updated OGELs are [export after exhibition: dual-use items](#); [export after repair/replacement under warranty: dual-use items](#); [export](#)

[for repair/replacement under warranty: dual-use items](#); [dual-use items: Hong Kong Special Administrative Region](#); [technology for dual-use items](#); [Turkey](#); and [OGEL \(X\)](#).

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EU Scrutiny Committee Questions Success of Former Belarus Sanctions

In December 2015, the UK’s EU Scrutiny Parliamentary Committee published its [conclusions](#) on the EU’s sanctions on Belarus over the last decade. The Committee said that the success of the sanctions regime, and the system of imposing, suspending and re-imposing restrictions, was “debatable”.

The report follows the suspension of EU sanctions against Belarus in October 2015 (see [Issue 44 of the Sanctions Alert](#)).

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New Approach to Arms Control, Counter-Proliferation and Export Controls in 2016

The [National Security Strategy and Strategic Defence and Security Review 2015](#) was published in December 2015, setting out the government’s plans for a new approach to arms control, counter-proliferation and export controls.

In a bid to “remove duplication, consolidate national security expertise and make the most efficient use of it across government”, various policy-making and

delivery “joint units” are to be created. A National Cyber Centre, operating under the leadership of GCHQ, is also planned in response to cybersecurity issues. The review also underlines the UK’s continuing support for the JCPOA and strategic partnerships with countries like India and Japan.

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HM Treasury Publishes Sanctions Guidance for NGOs

HM Treasury has published [guidance](#) for NGOs on operating within sanctions and counter-terrorism legislation.

The note sets out the purpose of terrorist freezing regimes and other international sanctions regimes, explains export licences that can be obtained from

HM Treasury, and states that there is a low risk of prosecution for terrorist offences for humanitarian work. Best practices are set out in relation to working within asset freezes, dealing with ransom situations and dealing with designated persons.

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HM Treasury Renews Designation of Khalid Sheikh Mohammed

With effect from 13 January 2016 January 2016, HM Treasury has [renewed its designation](#) of Khalid Sheikh Mohammed. The asset freezes against Mohammed under the Terrorist Asset-Freezing etc Act 2010 will therefore remain in place until 12 January 2017.

Mohammed is currently being detained at Guantanamo Bay for his involvement in planning the 9/11 terrorist attacks.

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Other News

Basel Committee Issues Revised Guide to Account Opening and Customer Identification

In February 2016, the Basel Committee on Banking Supervision issued a revised [General Guide to Account Opening](#). The guide, which was first published in 2013, is an annex to the 2014 guidelines on *Sound Management of Risks Related to Money Laundering and Financing of Terrorism*. The Basel Committee, an

organ of the Bank for International Settlements, has explained in an accompanying [press release](#) that the revised *General Guide to Account Opening* is meant to account for enhancements that have been made to the Financial Action Task Force (FATF) Recommendations.

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