

DEBEVOISE & PLIMPTON LLP

# SANCTIONS ALERT

A bi-monthly summary of sanctions news and developments

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#### **RUSSIA NEWS**

### **US and EU Impose Additional Sanctions on Russia**

On 28 April, the United States designated 7 more Russian individuals and 17 entities, citing Russia's failure to meet its commitments to de-escalate the situation in Ukraine. In total, the US has now designated 45 individuals and 19 entities under sanctions authorised in response to events in Ukraine. The designations were made pursuant to Executive Order 13661, which authorises the President to impose sanctions on Russian government officials and any individuals or entities that provide support to them.

The US Treasury announced that the seven individuals were designated because they are officials of the Russian government. However, two senior executives of state-owned companies, who do not appear to hold any positions in the Russian government, have also been designated. Igor Sechin is the President and Chairman of the Management Board of Rosneft, one of the world's largest oil companies, and Sergei Chemezov is the Director General of Rostec, a state-owned holding company. The designation of an individual who serves as a senior executive of a Russian company, absent other facts or factors, should not restrict the ability of US companies and individuals to transact with the Russian company in question.

The new designations also include 17 entities, all of which were designated because they are owned or controlled by persons subject to sanctions under Executive Order 13661. The majority of the designated entities are linked to Gennady Timchenko, who was designated on 20 March 2014. In particular, the Volga Group, of which Mr. Timchenko is the sole shareholder, and several companies owned or controlled by the Volga Group across numerous industries are now subject to blocking sanctions. The other designated entities are linked to Arkady and Boris Rotenberg and include Invest Capital Bank, SMP Bank and Stroygazmontazh (SGM Group), a gas pipeline construction company.

In addition to the new designations, the Departments of Commerce and State also announced tightened export controls, stating that export licence applications for high-technology military items to Russia will be denied and that existing licences will be revoked. The Commerce Department also placed 13 of the 17 newly designated companies on the so-called "Entity List", which imposes a licensing requirement, with a presumption of denial, for the export, re-export or other foreign transfer of certain US-origin items to these companies.

In the EU, Russia's perceived failure to adhere to the Geneva Statement on Ukraine of 17 April 2014 which, among other things, requires all sides to refrain from violence, all illegal armed groups to be disarmed, and all illegally seized buildings to be returned to their owners, has led to the imposition of further sanctions against Russia, with the addition of a further 15 individuals to the list of persons designated pursuant to Council Regulation (EU) No. 269/2014. The individuals in question have been listed because they are considered to be responsible, or associated with persons who are responsible, for "actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine".

The newly designated persons, who include Russian government officials and the leaders of alleged Russian separatist groups active in Ukraine, are: Dmitry Nikolayevich Kozak (also listed by the US), Oleg Yevgenyevich Belaventsev (also listed by the US), Oleg Genrikhovich Savelyev, Sergei Ivanovich Menyailo, Olga Fedorovna Kovatidi, Ludmila Ivanovna Shvetsova, Sergei Ivanovich Neverov, Igor Dmitrievich Sergun, Valery Vasilevich Gerasimov, German Prokopiv, Valeriy Bolotov, Andriy Purgin, Denys Pushylin,

Tsyplakov Sergey Gennadevich and Igor Strelkov. The inclusion of these individuals brings the total number of people listed pursuant to Council Regulation (EU) No. 269/2014 to 48. Unlike the US, the EU is yet to designate any entities.

The current EU sanctions prohibit EU persons, which includes persons within the EU as well as EU nationals anywhere in the world, from dealing in funds or economic resources that belong to or are controlled or held by listed individuals. EU persons are also prohibited from making funds or economic resources available to listed individuals, whether directly or indirectly.

[Treasury Department Press Release](#)

[White House Press Statement](#)

[Council Implementing Regulation \(EU\) No. 433/2014](#)

[Council Regulation \(EU\) No. 269/2014 \(PDF\)](#)

[G-7 Leaders Statement on Ukraine \(PDF\)](#)

[Geneva Statement on Ukraine \(PDF\)](#)

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## **Russia Prepared to Impose Sanctions on Canada**

Georgiy Mamedov, the Russian ambassador to Canada, has said that Russia would “have to reciprocate” if the Canadian government decides to impose sanctions on Russia’s financial institutions. Canada has already imposed an asset freeze on 32 individuals and one entity (Bank Rossiya) pursuant to the Special Economic Measures (Russia) Regulations.

Mr. Mamedov said that Bombardier Inc., the aerospace and transportation company, and Kinross Gold Corp., the gold mining company, were among the Canadian entities that could be affected by such sanctions. Russia is an important market for both firms.

[Bloomberg Article: Retaliatory Sanctions](#)

[Bloomberg Article: Bombardier Deal Suspended](#)

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## **UK NEWS**

### **UK Government Considers Pre-Licensing Register of Arms Brokers**

The Department for Business, Innovation & Skills (the "BIS") has published a Call for Evidence regarding a potential pre-licensing register for arms brokers. Under the existing licensing regime, governed by the Export Control Order 2008, any person who wishes to carry out a controlled brokering activity, which includes the supply and delivery of arms and related activities, requires a trade control licence. A trade control licence is obtained by applying to the Export Control Organisation.

Potential objectives of a pre-licensing register could be (i) to provide greater transparency in the arms brokering industry, (ii) to require arms brokers to satisfy a degree of competency, and (iii) to allow for better enforcement of existing trade controls. The BIS has stated that the Call for Evidence is aimed at those with an interest in arms brokering, including arms brokers, defence manufacturers and NGOs who campaign on the issue of arms brokering. The closing date for responses is 30 May 2014.

[Call for Evidence \(PDF\)](#)

[Export Control Order 2008 \(PDF\)](#)

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## **EU NEWS**

### **EU Amends North Korean Sanctions List**

The list of designated persons annexed to Council Regulation (EC) No. 329/2007, which imposes an asset freeze on persons and entities considered to be engaged in, or to provide support for, North Korea's programmes of nuclear weapons, other weapons of mass destruction and ballistic missiles, has been amended by Commission Implementing Regulation (EU) No. 386/2014. Chang Song-Taek, an individual, has been removed from the list, and information regarding Korea Ryonha Machinery Joint Venture Corporation has been updated.

[Commission Implementing Regulation \(EU\) No. 386/2014](#)

[Council Regulation \(EC\) No. 329/2007 \(PDF\)](#)

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### **EU Re-Designates Iranian Drilling Company**

In November last year, the European Court of Justice (the "ECJ") removed North Drilling Company ("NDC") from the list of entities subject to the Iran sanctions imposed by Council Regulation (EU) No. 267/2012 (the "Iran Regulation"). The reason given for NDC's original designation was that it was a wholly owned subsidiary of the National Iranian Oil Company (the "NIOC"). In the application that led to the November ruling, NDC claimed that its designation should be annulled because it had been privatised and therefore had no connection with the NIOC. The Council argued that, notwithstanding the privatisation, NDC was still controlled by the Iranian state and should thus remain designated. The ECJ

ruled that the Council could not rely on this reasoning as it had never been put to NDC.

The Council, under Council Implementing Regulation (EU) No. 397/2014, has therefore amended the Iran Regulation to re-list NDC, this time on the grounds that it “provides financial support to the Government of Iran through being indirectly owned by... a major Iranian para-statal entity controlled by the Government of Iran”. The Council stated that NDC had also imported key equipment for the oil and gas industry, with the result that it is deemed to provide support for Iran’s “proliferation-sensitive nuclear activities”.

[Council Implementing Regulation \(EU\) No. 397/2014](#)

[Council Regulation \(EU\) No. 267/2012 \(PDF\)](#)

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## US NEWS

### **US Makes New WMD and Oil-Related Designations Regarding Iran**

On 29 April, the US Treasury Department’s Office of Foreign Assets Control (“OFAC”) announced new designations involving Iran. OFAC designated 8 China-based companies under Executive Order 13382, which targets proliferators of weapons of mass destruction, asserting that they are front companies for Karl Lee (aka Li Fangwei). Mr. Lee was designated in April 2009, at which time OFAC stated that he was involved in procuring ballistic missile parts for Iran.

OFAC also designated Saeed Al Aqili, Al Aqili Group LLC and Anwar Kamal Nizami for providing support to Iran in the conduct of deceptive oil deals. Mr. Al Aqili is the co-owner and CEO of Al Aqili Group LLC, and OFAC asserts that, through his company, Mr. Al Aqili assists Iran’s efforts to sell oil in evasion of sanctions by arranging oil sales for Iran’s Revolutionary Guard Corp and disguising the oil’s origin. OFAC states that both Mr. Al Aqili and Mr. Nizami conduct business and facilitation activities with KASB International LLC, which was previously designated for providing support to government of Iran entities, including the National Iranian Oil Company, Naftiran Intertrade Company and Sima General Trading.

[Treasury Department Press Release](#)

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### **Dutch Travel Agency Settles Potential Liability for Providing Travel Services to and from Cuba**

On 18 April, OFAC announced that CWT B.V. (“CWT”), based in the Netherlands, agreed to pay \$5,990,490 to settle potential civil liability for violations of sanctions in respect of

Cuba. In 2006, CWT became majority-owned by US persons and therefore subject to the Cuban Assets Control Regulations ("CACR"), which apply not only to US persons but also companies owned or controlled by US persons. According to OFAC, CWT provided services related to travel to or from Cuba between 2006 and 2012, assisting 44,430 people, which resulted in CWT dealing in property in which Cuba or its nationals had an interest.

CWT voluntarily disclosed the apparent violations to OFAC. In determining the settlement amount, OFAC found that CWT had failed to exercise a minimal degree of caution or care regarding its compliance obligations, that CWT was a commercially sophisticated international corporation, that CWT processed a large amount of transactions that undermined the objectives of the CACR and that CWT had no compliance programme, or an inadequate one, at the time of the apparent violations. Mitigating these considerations, OFAC stated that these transactions were CWT's first violation, that CWT cooperated in investigation, agreeing to toll the statute of limitations, that CWT provided detailed and well-organised documentation and information and that CWT had taken significant remedial action.

[OFAC Enforcement Announcement \(PDF\)](#)

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## **OFAC Expands Zimbabwe Sanctions**

On 17 April, OFAC designated Tobaiwa Mudede, Sam Pa, Jimmy Zerenie and Sino Zim Development (Pvt) Ltd pursuant to Executive Order 13469, which authorises sanctions on individuals and entities who undermine Zimbabwe's democratic processes or facilitate public corruption in Zimbabwe.

Tobaiwa Mudede is a senior official in the government of Zimbabwe who, as Register General, oversaw aspects of Zimbabwe's July 2013 presidential and parliamentary elections. Sam Pa is an Angolan businessman. OFAC asserts that Mr. Pa is a well-known supporter of the Mugabe regime and, among other activities, gave more than \$1m to Zimbabwean officials in support of the Central Intelligence Organisation, which is linked to activities meant to undermine democracy in Zimbabwe. Jimmy Zerenie is a Singaporean attorney based in Zimbabwe, and OFAC asserts that, as an associate of Mr. Pa, he has facilitated illicit diamond deals between Mr. Pa and senior Zimbabwean officials. Sino Zim Development (Pvt) Ltd is controlled by Mr. Zerenie and a senior Zimbabwean official.

[Treasury Department Press Release](#)

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## **OFAC Amends SDN List, Removes Iraq, Iran and Counter Narcotics Designations**

On 29 April, OFAC removed from the SDN List four entities and an individual designated under the Iraq Stabilization and Insurgency Sanctions. OFAC also removed Libra Shipping SA, based in Greece, which was designated on 14 March 2013 under the Iran sanctions programme for allegedly operating vessels purchased for the National Iranian Tanker

Company. On 24 April, OFAC removed numerous individuals and entities designated under the Counter Narcotics sanctions programme.

[OFAC Announcement – Iraq and Iran Removals](#)

[OFAC Announcement – Counter Narcotics Removals](#)

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*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*

*Carl Micarelli (Counsel, New York) +1 212 909 6813*

*Jessica Gladstone (International Counsel, London) +44 20 7786 9166*

*Matthew Getz (International Counsel, London) +44 20 7786 5518*

*Jane Rahman (Associate, London) +44 20 7786 5463*