

Sanctions Alert

A bi-monthly summary of sanctions news and developments

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UK News

BP to Restart Production on Rhum Gas Field

The UK government has taken steps to allow BP to restart production on the Rhum gas field in the North Sea, which will contribute up to 4% of the UK's annual gas production. The Rhum field is co-owned by BP and the Iranian Oil Company ("IOC"), which is designated under EU sanctions. As a result, when production restarts at Rhum, any proceeds from the sale of gas that accrue to the IOC will be placed in a frozen account. The government will work closely

with BP and BP's contractors on the field to ensure that production can resume and will co-manage the Rhum field from 22 October 2013.

A press release can be viewed at: <https://www.gov.uk/government/news/rhum-north-sea-gas-field-to-restart-production>

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Guidance on New Export Control Reporting Requirements Published

Further to the Secretary of State's announcement in July 2013 relating to changes in reporting requirements for users of Open Licences, guidance has now been published regarding the collection of data and making annual reports. Until December 2013, exporters may use the new guidance to create and submit test data. The first reporting period under the new guidance starts in January 2014.

Notice to Exporters 2013/26 can be viewed at: <http://blogs.bis.gov.uk/exportcontrol/uncategorized/notice-to-exporters-201326-reporting-guidance-now-available-on-spire/>

A copy of the "Open Licence Returns Guidance" can be viewed at: <https://www.spire.bis.gov.uk/docs/OpenLicenceReturnsGuidance.pdf>

A copy of the Notice to Exporters which published the Secretary of State's July announcement in relation to reporting requirements can be viewed at: <http://blogs.bis.gov.uk/exportcontrol/uncategorized/notice-to-exporters-201318-important-changes-to-the-strategic-export-control-transparency-initiative/>

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UK Government Reviews and Modifies Suspension of Export Licences For Egypt

In August 2013, in response to increasing levels of violence in Egypt, the UK government suspended all extant licences, and new licence applications, in respect of exports to Egypt of equipment which might be used for internal repression.

The Foreign & Commonwealth Office has now reviewed the suspension and decided that in the future, a blanket approach to Egyptian exports will not be adopted and each case will be considered on its merits. In relation to the 47 licences that were suspended in August, 24 will have their suspension lifted, 7 will

be revoked due to a clear risk that the goods will be used for internal repression, and the remaining 16 will stay suspended as the goods might be used for internal repression.

Notice to Exporters 2013/27, with a link to the initial announcement regarding the suspension, can be viewed at: <http://blogs.bis.gov.uk/exportcontrol/uncategorized/notice-to-exporters-201327-egypt-results-of-the-review-of-licences/>

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European News

EU to Expand Scope of Sanctions against Iran

In response to recent court judgments annulling certain European sanctions against Iran, the EU has passed a number of measures with the intent of expanding the scope of its sanctions regime against Iran and thus allowing the reinstatement of certain sanctions. As a result of the changes, the European Council can now impose travel bans and asset freezes on the following:

- persons and entities that have evaded or violated the provisions of relevant UN Security Council Resolutions or Decisions;
- a member of the Islamic Revolutionary Guard Corps (“IRGC”), or a legal person, entity or body owned or controlled by IRGC; and

- a legal person, entity or body owned or controlled by the Islamic Republic of Iran Shipping Lines (“IRISL”), or a natural person, entity or body providing insurance or other essential services to IRISL.

Since then, according to Reuters, governments in the EU have taken preliminary steps to reinstate sanctions against IRISL, and are expected to inform IRISL and some of its subsidiaries of their intention to do so.

Council Decision 2013/497/CFSP, which widened the scope of Council Decision 2010/413/CFSP to include the above categories, can be viewed at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:272:0046:0046:EN:PDF>

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Council Regulation (EU) No 971/2013, which amended Council Regulation 267/2012 to reflect Council Decision 2013/497/CFSP, can be viewed at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:272:0001:0002:EN:PDF>

Council Decision 2010/413/CFSP can be viewed at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:195:0039:0073:EN:PDF>

Council Regulation 267/2012 can be viewed at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:088:0001:0112:en:PDF>

A link to Reuters' article regarding sanctions against IRISL can be viewed at: <http://www.reuters.com/article/2013/10/24/us-iran-nuclear-eu-idUSBRE99N0YK20131024>

<http://www.reuters.com/article/2013/10/24/us-iran-nuclear-eu-idUSBRE99N0YK20131024>

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EU Extends Sanctions against Guinea

The sanctions imposed by the EU against the Republic of Guinea in 2009, in response to the violence used by the State's security forces against political demonstrations in September 2009, have been extended for a year. The restrictive measures consist of an embargo on arms and equipment for the use of internal suppression and travel bans and asset freezes targeted at individuals who were affiliated with the National Council for Democracy and Development, the military junta that held power in Guinea between 2008 and 2010. As a result of the EU's decision, these sanctions will continue to be in force until 27 October 2014.

Council Decision 2013/515/CFSP, which amended Council Decision 2010/638/CFSP, can be viewed at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:280:0025:0025:EN:PDF>

Council Decision 2010/638/CFSP can be viewed at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:280:0010:0017:EN:PDF>

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US News

Court Orders Forfeiture of New York Building Secretly Owned by Iran

Judge Katherine B. Forrest of the US District Court in New York has found in favour of the US government in a civil forfeiture claim over a 36-story office building in Midtown Manhattan, which was "secretly owned and controlled by the Government of Iran". According

to the US Justice Department, the building at 650 Fifth Avenue was built in the 1970s by a charitable foundation operated by the Shah of Iran, financed by a substantial loan from Bank Melli. Since the building's construction and following the Iranian revolution

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of 1979, legal title of the building changed hands several times. The Justice Department alleged that the building's owners, the Alavi Foundation and Assa Corp., were fronts for the Government of Iran and Bank Melli respectively. The court concluded that the building owners committed violations of the Iran sanctions and anti-money laundering laws and that their ownership of the building was traceable to those offences. On that basis, the court ordered the building forfeited to the US government. Preet Bharara, the US Attorney for the Southern District of New York, said that such a ruling

“paves the way for the largest-ever terrorism-related forfeiture, and provides a means of compensating victims of Iranian-sponsored terrorism” who have claims against Iran's assets.

A press release regarding this decision, with a link to the court's opinion and order, can be viewed at:

<http://www.justice.gov/usao/nys/pressreleases/September13/AlaviSummaryJudgmentPR.php>

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KMT Group Settles Liability for Attempted Exports from the US to Iran

KMT Group AB of Stockholm, Sweden, agreed to pay \$125,000 on behalf of its US and German subsidiaries to settle allegations by the US Treasury Department's Office of Foreign Asset Control (OFAC) of violations of the Iranian Transactions and Sanctions Regulations. The US subsidiary, a manufacturer of high pressure water jetting pump units, attempted to deliver nine pumps to Germany, that, OFAC alleges, the company knew or had reason to know were intended for re-export to the South Pars Industrial Gas Complex in Iran. In determining the fine, OFAC found that the company demonstrated reckless disregard for US Sanctions and had not voluntarily self-disclosed the apparent violations, but took remedial measures to

prevent future violations and cooperated with the US government's investigation. OFAC determined that the apparent violations were a non-egregious case. OFAC also noted that KMT Group already forfeited two pumps and \$579,026 received as partial payment for the pumps and has agreed not to contest forfeiture proceedings brought by the US Department of Homeland Security's Customs and Border Protection against the remaining seven pumps.

OFAC's enforcement information release is available at: http://www.treasury.gov/resource-center/sanctions/CivPen/Documents/20131025_kmt.pdf

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Ameron Settles Liability for Facilitation of Foreign Subsidiaries' Trade with Iran and Cuba

Ameron International Corporation of Pasadena, California, a manufacturer of industrial products, agreed to pay \$434,700 to settle allegations by OFAC of violations of the Iranian Transactions and Sanctions Regulations and the Cuban Assets Control Regulations. OFAC alleged that Ameron approved a capital expenditure request by its foreign subsidiaries to purchase tools for a project in Iran, referred business opportunities in Iran to its foreign subsidiaries; and provided testing services from its Texas facility to one of its foreign subsidiaries with reason to know that the services were for the benefit of an Iranian entity. The alleged Cuba violations resulted from the sale by Ameron's Colombian branch office of concrete pipe to a consortium in which a Cuban company was a partner.

OFAC determined that the apparent violations were a non-egregious case. However, OFAC determined

that Ameron recklessly disregarded US sanctions requirements, knew or should have known that the transactions involved Iran or Cuba, had an inadequate compliance program given the size and nature of its operations, and did not voluntarily self-disclose the violations, but undertook significant remedial steps in response to the apparent violations and provided substantial cooperation during the investigation, including providing clear and organised records and agreeing to toll the statute of limitations.

OFAC's enforcement information release can be viewed at: http://www.treasury.gov/resource-center/sanctions/CivPen/Documents/20131024_ameron.pdf

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UAE Firm Fined for Originating Wire Transfers through the US to Iran

OFAC fined Alma Investment LLC, a UAE-based investment and advisory company, \$1,500,000 for originating at least six electronic funds transfers, totalling \$103,283, through US financial institutions in violation of the Iranian Transactions and Sanctions Regulations. OFAC determined that this was an egregious case. In determining the fine, OFAC found that Alma did not voluntarily self-disclose the matter; acted at least recklessly, and apparently wilfully, by concealing and omitting material information in the fund transfers; Alma's senior management likely had actual knowledge or reason to know of the concealment and omissions; Alma does not appear

to have an OFAC compliance program; Alma did not cooperate in the investigation; the transfers potentially caused significant harm to US sanctions objectives; and assessing a fine against Alma will have a deterrence effect by encouraging greater due diligence by foreign financial institutions that maintain accounts for third-country trading companies or money transmitters.

OFAC's enforcement information release can be viewed at: http://www.treasury.gov/resource-center/sanctions/CivPen/Documents/20131021_alma.pdf

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US Considers Freeing Up Iranian Assets

The White House is reportedly considering a proposal that could result in the unfreezing of billions of dollars of Iranian assets without scaling back the international sanctions aimed at strangling the country's oil industry. The plan is contingent on Tehran's demonstrating that it is taking credible steps towards dismantling its nuclear programme.

President Obama is keen to build on the momentum of recent weeks which included productive talks in Geneva between Iran and the six nation block known

as the P5+1. Whilst the plan could be carried out without Congressional approval, any attempt toward conciliation with Iran could be met with strong opposition from Republicans in Congress.

An article regarding this issue can be viewed at: <http://www.telegraph.co.uk/news/worldnews/middleeast/iran/10390045/White-House-considering-unfreezing-Iranian-funds.html>

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UN News

Security Council Adds Two Entries to Al-Qaida Sanctions List

The UN Security Council Committee added Muhammad Jamal Abd-Al Rahim Ahmad Al-Kashif, an individual associated with Al-Qaida, to its Al-Qaida sanctions list. The Committee also added Muhammad Jamal Network (MJN), an organisation associated with Al-Qaida, to the list. Accordingly, the UN asset freeze,

travel ban and arms embargo shall apply to these two entries.

The announcement can be viewed at: <http://www.un.org/News/Press/docs//2013/sc11154.doc.htm>

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Other News

Shipping Giant Stops Port Calls to Iran

Maersk Line, one of the biggest shipping companies in the world, has decided to stop port calls to Iran to mitigate the risk of damaging business opportunities with other countries, in particular the United States. According to Reuters, a spokeswoman for the unit of Danish Group A.P. Moller-Maersk, of which Maersk Line is a part, indicated that the shipping giant will keep a dormant business entity in Iran and should the

sanctions regimes be lifted, the company may consider resuming its business in Iran.

A copy of the article regarding this issue can be viewed at: <http://www.reuters.com/article/2012/10/09/us-maersk-iran-shipping-idUSBRE8980NM20121009>

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