

Sanctions Alert

A bi-monthly summary of sanctions news and developments

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European News

EU Amends Syria Sanctions Regime

The European Union has amended Council Decision 2013/255/CFSP and Council Regulation (EU) No 36/2012 concerning restrictive measures against Syria. These amendments should enable Member States to support the work of the Organisation for the Prohibition of Chemical Weapons in its attempts to eliminate chemical weapons in Syria, help the United Nations deliver humanitarian supplies to Syria, allow the limited processing of payments related to medical supplies, food, shelter, sanitation and hygiene for civilian purposes, and protect goods constituting Syria's

cultural heritage which have been illegally removed from the country.

[Council Decision 2013/760/CFSP which amends Council Decision 2013/255/CFSP \(PDF\)](#)

[Council Decision 2013/255/CFSP \(PDF\)](#)

[Council Regulation \(EU\) No 1332/2013 which amends Council Regulation \(EU\) No 36/2012 \(PDF\)](#)

[Council Regulation \(EU\) No 36/2012 \(PDF\)](#)

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EU to Partially Suspend Iran Sanctions Regime once IAEA Verifies Iran's Compliance with Geneva Agreement

The European Union has announced that it will suspend some of its Iranian sanctions regime once the International Atomic Energy Agency ("IAEA") has verified Iran's compliance with the terms of the Joint Plan of Action ("JPA") agreed between the E3+3 and Iran in Geneva.

The JPA was agreed on 24 November 2013 and envisages that Iran will refrain from enriching uranium over 5% for 6 months, and dilute half of its current stockpile of 20% uranium to 5% uranium, in addition to other measures. In return, the EU will suspend a

host of economic sanctions, including some of those currently targeting the Iranian petrochemicals and precious metals industries, and will along with its partners, ensure that no new sanctions are applied by the UN Security Council, the US or the EU itself.

[Council press release \(PDF\)](#)

[Joint Plan of Action \(PDF\)](#)

[A Reuters article regarding this issue](#)

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European Court Annuls Listing of 11 Individuals Allegedly Linked With IRISL

The General Court of the European Union has held in Case T-58/12, *Nabipour & Ors v Council*, that the designation of 11 individuals under the EU's restrictive measures against Iran was improper, and ordered the EU Decisions and Regulations which resulted in the designation to be annulled. All of the individuals in question had alleged links to the Islamic Republic of Iran Shipping Line ("IRISL") or to companies linked to IRISL.

In giving its reasons, the court stated that since the designation of IRISL had been determined to be unlawful, any designation based on links to IRISL

must also fail. The court considered that even if IRISL had not prevailed in its own case, in respect of 7 of the 11 individuals the Council had failed to prove that they held a "principal managerial position" such that they were "capable of influencing the activities alleged against the company". The Council now has two months to appeal the decision.

[Judgment of the General Court in Case T-58/12 Nabipour & Ors v Council](#)

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Third Annual Report on UK Terrorist Asset-Freezing etc. Act 2010 Published

David Anderson QC, the independent reviewer of terrorism legislation in the UK, has published his third annual report on the Terrorist Asset-Freezing etc. Act 2010 ("TAFAs"). In the latest report Anderson provides a summary of the individuals and entities HM Treasury has designated, including details of delistings, the types of asset frozen in the UK and EU, and the process for new designations and their review by HM Treasury.

The report points out that TAFAs has only been used "lightly" in the three years since its entry into force.

Anderson estimates that the total assets affected amount to "less than £100,000". The report provides a summary of the licensing process whereby individuals and entities can obtain exceptions to asset freezes envisaged by TAFAs.

[Third Report on the operation of TAFAs \(PDF\)](#)

[Second Report on the operation of TAFAs \(PDF\)](#)

[First Report on the operation of TAFAs \(PDF\)](#)

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US News

Philips NV Investigates Possible Violation of Magnitsky Sanctions

In October, Hermitage Capital, a US hedge fund, filed a complaint with the US Department of the Treasury alleging that the US-based medical equipment unit of Koninklijke Philips NV, the Dutch electronics maker, sold equipment to a Russian company headed by an individual sanctioned under the Magnitsky Act. Philips has begun an internal investigation into the allegations and reworked its distribution contacts. US government officials have not commented.

The Magnitsky Act was passed in December of 2012. That law bars US persons from transacting business

with designated Russian officials linked to the death in police custody of Sergei Magnitsky, a Russian lawyer employed by Hermitage Capital who was investigating a tax fraud scheme. The US has placed 18 Russian citizens on the Magnitsky sanctions list.

[A Reuters article regarding this issue](#)

[A Financial Times article regarding this issue](#)

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Royal Bank of Scotland Pays US Regulators \$100 Million to Settle Data-Stripping Allegations

On 11 December 2013, Royal Bank of Scotland plc (“RBS”), an international banking group based in the United Kingdom, settled with the US Treasury Department’s Office of Foreign Asset Control (“OFAC”) for apparent violations of the Cuban Assets Control Regulations, Burmese Sanctions Regulations, Tom Lantos Block Burmese JADE Act of 2008, Sudanese Sanctions Regulations and the Iranian Transactions Regulations. RBS agreed to pay \$33,122,307 which OFAC deemed satisfied by payment of \$50 million in penalties to the Federal Reserve Board (“FRB”) for the same conduct. RBS paid an additional \$50 million to the New York Department of Financial Services (“DFS”) to settle allegations of violation of New York state laws arising from the same transactions.

All the apparent violations involved the processing of wire transfers through the US financial system to sanctioned persons or countries from 2005 to 2009.

According to the US regulators, RBS stripped identifying data from the wire instructions to conceal the destination of the funds. RBS voluntarily self-disclosed the apparent violations. In determining the penalty, OFAC found that RBS’ conduct was reckless, that RBS did not maintain adequate policies or procedures to ensure compliance with sanctions programs, significant benefits were conferred on persons subject to US sanctions, and several members of RBS’ management were aware of the conduct that led to the apparent violations.

[Treasury press release](#)

[OFAC enforcement announcement](#)

[FRB press release](#)

[DFS press release](#)

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HSBC Settles with OFAC for Wire Transfers to Specially Designated Global Terrorist

On 17 December 2013, HSBC Bank USA, N.A., a US subsidiary of the British financial services company HSBC Holdings plc, agreed to pay \$32,400 in settlement of three apparent violations of the Global Terrorism Sanctions Regulations. HSBC voluntarily disclosed the violations, and OFAC concluded that the apparent violations were not the result of wilful or reckless conduct. The alleged violations relate to HSBC Bank USA's processing of US-dollar funds transfers originated by Tajco, an entity that is designated for

sanctions as a Specially Designated Global Terrorist, destined for an unrelated company's account at HSBC Bank Middle East Limited. According to OFAC, HSBC's interdiction software flagged a potential match, but the bank's compliance personnel erroneously allowed the transactions to proceed.

[OFAC enforcement announcement \(PDF\)](#)

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US Expands Nuclear Proliferators and NITC Designations

On 12 December 2013, the US State and Treasury Departments announced additional designations of companies and individuals for providing support to Iran's nuclear program. At the same time, OFAC designated a number of companies and one individual under Executive Order 13645 for providing material assistance to the National Iranian Tanker Company ("NITC").

The NITC-related designations target companies and an individual that, according to the US government, provide material assistance to NITC. The newly sanctioned companies are Mid Oil Asia and Singa Tankers, which are Singapore-based tanker companies; Siqiriya Maritime, a Philippines-based company; and Ferland Company Limited, a company with offices in the Ukraine and Cyprus. Ferland had previously been designated under the Foreign Sanctions Evaders program for facilitating deceptive transactions on behalf of NITC. Ferland's General Manager, Vitaly Sokolenko, was also designated under both the

NITC-related sanctions and the Foreign Sanctions Evaders program.

Under the non-proliferation program, the US government designated a number of Iranian companies and individuals that it determined were involved in supplying equipment and materials to Iran's nuclear industry or potential nuclear weapons delivery systems to Iran's military.

The expanded sanctions come at a time when the US, together with other countries, is negotiating in Geneva with Iran to explore the possibility of a long-term, comprehensive resolution with Iran that would provide confidence that Iran's nuclear program is exclusively peaceful.

[Treasury press release](#)

[Department of State press release](#)

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US Designates Burmese Officer and Three Companies for Weapons Trade with North Korea

On 17 December 2013, the US Department of the Treasury designated the Burmese companies Asia Metal Company Ltd., Soe Min Htike Co. Ltd., and Excellence Mineral Manufacturing Co. Ltd., as well as Lt. Col. Kyaw Nyunt Oo, a Burmese military officer, for sanctions pursuant to Executive Order 13619. That order imposes sanctions on companies and individuals involved in arms trade between Burma (Myanmar) and North Korea. The companies and individual were

designated for their involvement in the activities of Burma's Directorate of Defence Industries, which was itself designated in July 2012 and is involved in purchasing military equipment and related materiel from North Korea.

[Treasury press release](#)

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US Updates Global Terrorism Sanctions List

On 18 December 2013, the US Department of the Treasury designated two individuals based in Qatar and Yemen under the Global Terrorism sanctions program. According to the US government, the individuals are terrorist financiers who have provided funds to al-Qa'ida, Asbat al-Ansar, al-Qa'ida in Iraq, al-Shabaab and al-Qa'ida in the Arabian Peninsula, and have served as interlocutors between terrorist groups and conduits for broadcast materials to reach media outlets.

On 7 January 2014, the US designated Qari Saifullah, described as a Taliban shadow deputy governor

and an operational commander in Zabul Province, Afghanistan, under the Global Terrorism Sanctions Program. According to the US, Mr. Saifullah has directly ordered his subordinates to conduct improvised explosive device, suicide and other attacks, targeting the Government of Afghanistan and coalition forces.

[Treasury press release](#)

[Department of State press release](#)

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US Expands Sanctions Targeting Japanese Yakuza Criminal Syndicate

The US Department of the Treasury announced on 19 December 2013 new designations of senior members of Yamaguchi-gumi, said to be the largest and most prominent Japanese Yakuza syndicate,

under the Transnational Criminal Organizations ("TCO") sanctions program. In 2011, President Obama designated the Yakuza as a significant TCO and charged the Department of the Treasury with

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pursuing sanctions against its members and supporters. According to the US government, the Yamaguchi-gumi is involved in international criminal endeavours, including drug trafficking, human trafficking,

extortion, prostitution, fraud and money laundering.

[Treasury press release](#)

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UN News

Security Council Adopts New Arms Embargo on Central African Republic

The UN Security Council has adopted Resolution 2127 (2013) which, aside from authorising an African-led International Support Mission, imposes a one-year arms embargo on the Central African Republic (“CAR”) and mandates all UN Member States to take measures to prevent the direct or indirect supply, sale or transfer of “arms and related materiel of all types” to the CAR.

The Council further expressed its “strong intent to swiftly consider imposing targeted measures”, such as travel bans and asset freezes, against individuals

who have acted to undermine peace, stability and security in the CAR. A committee has been established to monitor the implementation of any such targeted measures and report back on its work within 60 days.

[Security Council Resolution 2127 \(2013\)](#)

[EU Council Decision 2013/798/CFSP adopting Security Council Resolution 2127 \(2013\) \(PDF\)](#)

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Security Council Amends 41 Entries in 1988 Taliban List

The UN Security Council Committee has amended 41 entries in its 1988 Taliban List, including updating the ownership details of property, whereabouts of individuals listed and their alleged involvement in terrorist activity.

[Security Council announcement 11237](#)

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Security Council Deletes One Entry from Al-Qaida Sanctions List

The UN Security Council Committee removed Abdelhadi ben Debka from its Al-Qaida Sanctions List after considering a delisting request from the Office of the Ombudsperson. Accordingly, the UN assets freeze, travel ban and arms embargo no longer apply to this individual.

[Security Council announcement 11226](#)

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Other News

North Korean Ski Resort Obtained “Luxury Goods” in Breach of Sanctions

North Korea is said to have obtained Canadian snowmobiles, Swedish snow-blowers and Italian and German snow ploughs despite these items being subject to UN and EU sanctions. An article in the British *Daily Telegraph* reports that North Korea was able to avoid the sanctions regimes by obtaining the goods, destined for the Masik Pass ski resort, from third party suppliers. The regime in Pyongyang had previously attempted to obtain an entire ski lift from Switzerland, but was refused by the Swiss company as it determined that it could not provide “infrastructure and equipment for sport facilities with a luxury character”.

[Security Council Resolution 1718 \(2006\) prohibiting the sale of “luxury goods” \(PDF\)](#)

[Security Council Resolution 2094 \(2013\) clarifying “luxury goods” \(PDF\)](#)

[EU Council Decision 2013/183/CFSP prohibiting the sale of “luxury goods” \(PDF\)](#)

[EU Council Regulation \(EC\) No 329/2007 prohibiting the sale of “luxury goods” \(PDF\)](#)

[A Daily Telegraph article regarding this issue](#)

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