

Sanctions Alert

A bi-monthly summary of sanctions news and developments

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Russia News

Nine Ukrainians Challenge EU Listing

Nine of the 22 individuals listed by the EU pursuant to Council Regulation (EU) No 208/2014, as amended, have lodged applications with the General Court of the EU seeking to annul their listings. The individuals, who were subjected to the first round of asset freezes imposed by the EU in relation to the events in Ukraine, were designated for allegedly being “responsible for the misappropriation of Ukrainian state funds”.

It is reported that the following nine individuals launched proceedings, between 29 April to 15 May, to get their assets unfrozen:

1. Viktor Yanukovych (the former president);
2. Oleksandr Yanukovych (the former president’s son);
3. Viktor Yanukovych (the former president’s son);
4. Mykola Azarov (the former prime minister);
5. Oleksii Azarov (the former prime minister’s son);
6. Andriy Portnov (a former adviser to the president);
7. Serhiy Kurchenko (a Ukrainian businessman);
8. Andrii Kliuiev (the former head of administration for the president); and
9. Serhii Kliuiev (the brother of the former head of administration for the president).

[Council Regulation \(EU\) No 208/2014 \(PDF\)](#)

[EU Observer Article](#)

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G7 Stands Ready to Intensify Sanctions

On 4-5 June 2014, leaders of the G7 nations (the United States, the United Kingdom, Canada, France, Germany, Italy and Japan), the President of the European Council and the President of the European Commission met in Brussels to discuss Ukraine, Russia and the international response to the situation in Crimea, among other issues. The G7 summit is the first since Russia was expelled from the G8 in March.

Following the summit, the leaders announced that they remained “united in condemning the Russian Federation’s continuing violation of the sovereignty and territorial integrity of Ukraine”. The leaders declared they stood ready to intensify targeted sanctions and to

implement significant additional restrictive measures to impose further costs on Russia should events so require.

Speaking to reporters after the summit, German Chancellor Angela Merkel warned that if there was no “progress in the questions we have to solve there is the possibility of sanctions, even heavy sanctions of phase 3 on the table”.

[Brussels G7 Summit Declaration](#)

[Reuters Article](#)

[Bloomberg Article](#)

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EU News

EU General Court Annuls Iran Sanctions Listing of Three Individuals and One Entity

On 4 June 2014, the General Court of the EU (First Chamber) annulled the listing of three Iranian individuals and one entity, all of whom were designated pursuant to Council Regulation (EC) No 267/2012.

In Case T-622/12, *Ali Sedghi & Ahmad Azizi v Council*, the Court annulled the listings of Sedghi and Azizi, both occupying directorial positions of the listed entity Melli Bank Plc (“Melli Bank”), itself a UK-subsiary of the listed Bank Melli Iran. The Iranian bank was listed for allegedly providing support to the Iranian state for nuclear proliferation. At the time of the Court’s judgment, Sedghi was the former Chairman and Non-executive Director of Melli Bank, whilst Azizi was the Deputy Chairman and Managing Director of the bank.

The Court held that, as a general rule, the listing of an individual on account of his links with a listed entity might be justified where that individual exercises managerial power over an entity that is directly involved in the support of nuclear proliferation. However, in the present case, the Court found that Melli Bank had not provided such support itself, and was only listed because it was wholly owned by its Iranian parent company. That was sufficient to list the UK company, but not associated persons. As a result, the Court held that “the fact that the applicants

held positions at Melli Bank does not by itself permit the inference that they provided support for nuclear proliferation”, nor could it be said that any risk of future support existed.

In Case T-67/12, *Sina Bank v Council*, the Court upheld Sina Bank’s second application for annulment. Sina Bank had won a previous application in December 2012, only for the EU Council to relist it based on new evidence. The Court found, however, that the Council had not given Sina Bank the opportunity to comment on the new evidence, thus violating its right to challenge evidence brought against it. As a result of its decision in respect of Sina Bank, the General court, in a separate case (Case T-68/12, *Abdolnaser Hemmati v Council*), annulled the listing of the bank’s Managing Director and Chief Executive Officer, Abdolnaser Hemmati, who had been listed solely because of his position at the bank.

[Council Regulation \(EC\) No 267/2012](#)

[Case T-622/12 Ali Sedghi & Ahmad Azizi v Council](#)

[Case T-67/12 Sina Bank v Council](#)

[Case T-68/12 Abdolnaser Hemmati v Council](#)

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EU General Court Annuls Listing of Syria International Islamic Bank

On 11 June 2014, the General Court annulled the listing of Syria International Islamic Bank (“SIIB”), designated pursuant to Council Implementing Regulation 2012/544/CFSP for allegedly contributing to the provision of financial support to the Syrian regime. The EU Council froze the assets of SIIB on the grounds that the bank facilitated payments on behalf of the state-owned Commercial Bank of Syria (“CBS”) and its subsidiary, the Syrian Lebanese Commercial Bank (“SLCB”), both designated by the EU.

SIIB was subject to restrictive measures on the ground that it conducted financial transactions on

behalf of natural or legal persons who, without being included in the list of persons and entities affected by those measures, had bank accounts with CBS and SCLB. The Court held that the Council did not establish that such transactions involved a higher risk that the money came from the Syrian regime, or from listed persons, than for any other client.

[Council Implementing Regulation 2012/544/CFSP \(PDF\)](#)

[EU Press Release](#)

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EU Sanctions Boko Haram

Following the UN’s designation of Nigeria’s Boko Haram on 23 May 2014, responsible for the abduction of over 270 girls from a school in northern Nigeria, and pursuant to Commission Implementing Regulation (EU) No 583/2014 of 28 May 2014, the EU added the group to its list of persons, groups and entities associated with Al-Qaida and thus subject to an asset freeze, travel ban and arms embargo pursuant to Council Regulation (EC) No 881/2002 of 27 May 2002.

As a result of the same Implementing Regulation, the Al-Nusrah Front for the People of the Levant, also linked to Al-Qaida and operational in Syria, has

been relisted; the group was previously listed as an alias to Al-Qaida in Iraq but has now been separately designated. In addition, Wali Ur Rehman, allegedly part of the Pakistani Taliban, has now been delisted, having been removed from the UN Al-Qaida List on 29 April.

[Council Regulation \(EC\) No 881/2002 of 27 May 2002 \(PDF\)](#)

[Commission Implementing Regulation \(EU\) No 583/2014 \(PDF\)](#)

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US News

BNP Paribas Reportedly Negotiating Possible Settlement of Alleged Sanctions Violations

News reports have indicated that BNP Paribas, a French bank, is in negotiations with US authorities, including the Justice Department (DOJ), the Treasury Department's Office of Foreign Assets Control (OFAC) and the New York State Department of Financial Services (New York DFS), to settle allegations of conducting transactions with sanctioned countries through its US business. According to news reports,

the DOJ is seeking a guilty plea and a monetary forfeiture between \$8 billion and \$10 billion, and the New York DFS is seeking the termination of several high-level employees.

[New York Times Article](#)

[Wall Street Journal Article](#)

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Fokker Pays \$21 Million to Settle Allegations of Re-export of US Aircraft Parts to Iran and Sudan

On 5 June, Fokker Services B.V. (FSBV), based in the Netherlands, agreed with the US government to pay \$21 million in forfeitures and civil monetary penalties to settle alleged violations of US sanctions against Iran and Sudan. The settlement involved a civil monetary penalty of \$10.5 million paid jointly to OFAC and the Commerce Department's Bureau of Industry and Security (BIS) and a forfeiture of \$10.5 million under a deferred prosecution agreement with the US Attorney's Office for the District of Columbia (USAO).

OFAC, BIS and the USAO allege that FSBV, from 2005 to 2010, violated the Iran and Sudan sanctions when it indirectly exported or re-exported aircraft spare parts to Iran and Sudan that were procured from or repaired in the United States or that were of US origin and required an export license from BIS. The allegations cover 1,112 potential violations of the Iran sanctions,

including allegations that FSBV provided spare parts to Iran Air, and 41 potential violations of the sanctions on Sudan. The US government asserts that FSBV used a number of schemes to evade US sanctions and export laws, including the withholding of aircraft tail numbers, providing false tail numbers, deleting references to Iran in materials sent to the US and hiding activities and documents from the US Federal Aviation Administration during audits of FSBV's Dutch warehouse. According to the government, senior corporate managers and individuals in FSBV's legal and compliance departments knew about and approved the various schemes to evade US sanctions.

OFAC determined that the violations were an egregious case but had been voluntarily self-disclosed by FSBV. Aggravating factors alleged by OFAC include that FSBV engaged in wilful and reckless violations

Continued on page 6

of US law, FSBV knew it was violating US sanctions when shipping to customers in Iran and Sudan, FSBV is a sophisticated and experienced aerospace services provider, FSBV had no formal OFAC compliance programme and the actions of FSBV caused significant harm to the objectives of OFAC's Iran and Sudan sanctions. Mitigating these considerations, OFAC noted that FSBV had no OFAC sanctions history, that FSBV has adopted new internal controls and that FSBV provided substantial cooperation, including

by conducting an extensive internal investigation, producing clear and organized records and agreeing to toll the statute of limitations.

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

[Treasury Department Press Release](#)

[BIS Press Release](#)

[USAO Press Release](#)

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OFAC Issues FAQ on South Sudan-Related Sanctions

On 2 June, OFAC updated its Frequently Asked Questions (FAQ) to address issues regarding payments to or transactions with non-designated individuals or entities in South Sudan. The FAQ makes clear that an entity, such as a militia or other armed group, is not itself subject to sanctions merely because such an entity is commanded or controlled by an individual designated under the South Sudan-related sanctions. Thus, payments to or other transactions with militias

controlled or commanded by designated individuals do not, on their own, constitute prohibited activity. However, OFAC encourages US persons to employ due diligence in such transactions to ensure that a designated person is not profiting from the transaction.

[OFAC FAQ # 368](#)

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OFAC Updates Online SDN Search Tool

On 9 June, OFAC announced an upgraded search tool for its Specially Designated Nationals (SDN) and Foreign Sanctions Evaders (FSE) Lists. The tool allows users to search either the SDN List or the FSE List, or both simultaneously. It uses algorithms that look for potential matches to the input text based on character,

string and phonetic similarities. The results may be viewed on-screen, printed or saved as a spreadsheet.

[OFAC Search Tool](#)

[OFAC FAQ on Search Tool](#)

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UN News

Security Council Amends Al-Qaida Sanctions List

On 2 June 2014, the UN Security Council added three entities to the Al Qaida Sanctions List of individuals and entities subject to the asset freeze, travel ban and arms embargo set out under Security Council Resolution 2083 (2012). The entities, all associated with the Organization of Al-Qaida in the Islamic Maghreb and active in the Sahel-Sahara region of North Africa, are Al Mouakaoune Biddam, Al Moulathamoun and Al Mourabitoun.

The UN Security Council also removed from the List Jainal Antel Sali Jr. and Mohammad Ilyas Kashmiri, who died in 2007 and 2011 respectively.

[Security Council Resolution 2083 \(2012\)](#)

[Updated Al-Qaida Sanctions List](#)

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World News

Japan to Ease Sanctions Against North Korea

On 29 May 2014, the Japanese government announced that it would lift certain aspects of its sanctions regime against North Korea following an agreement between the two nations that North Korea would reopen its investigation into the kidnapping and abduction of Japanese nationals in the 1970s and 1980s. North Korea has admitted that the kidnappings were part of a wider programme during the Cold War to train North Korean spies in Japanese language and customs.

Yoshihide Suga, Japan's Chief Cabinet Secretary, stated that Japan would ease travel and money transfer restrictions between the two countries, and would also lift the ban on the entry of North Korean ships

into Japanese ports, conditional upon the results of the investigation. North Korea's chief negotiator, Song Il Ho, reportedly accepted the terms, which would come into effect in 2015.

Trade between Japan and North Korea has been suspended since Japan blocked imports from, and exports to, North Korea in 2006 and 2009 respectively, in response to the state's nuclear proliferation programme.

[Telegraph Article](#)

[Guardian Article](#)

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