

# **Sanctions Alert**

A bi-monthly summary of sanctions news and events

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## Breaking News

### Framework Agreed for Iran Nuclear Deal

Today it was [announced](#) that the P5+1 (the U.S., U.K., France, China, Russia and Germany) and the European Union have agreed with Iran to a [framework](#) for a deal regarding its nuclear programme. The talks among the parties were conducted over the last eight days in Lausanne, Switzerland, continuing two days past a self-imposed deadline. The framework details a variety of broad compromises and actions to be taken. Notably, the U.S. and E.U. agreed to suspend their nuclear-related sanctions regimes in exchange for Iran's promise to perform or to refrain from performing certain actions, such as agreeing not to enrich uranium at its

Fordow facility for at least 15 years. The International Atomic Energy Agency ("IAEA") is charged with monitoring Iran's satisfactory completion of its duties. If Iran fails to fulfill any of its obligations, the sanctions will be restored immediately. While the U.S. nuclear-related sanctions programme will be suspended, the U.S. sanctions for terrorism, human rights abuses and ballistic missiles will remain in place. We expect to report further on the details of the accord and its likely effects on sanctions policy in the coming days.

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## Russia News

### EU Amends and Extends Russia Sanctions

Pursuant to [Council Decision \(CFSP\) 2015/432](#) and [Council Implementing Regulation \(EU\) 2015/327](#), the EU has renewed the asset freeze and travel ban enacted by [Council Decision 2014/145/CFSP](#) and [Council Regulation 269/2014](#) such that they will now apply until 15 September 2015. Pursuant to the same

legislation, the entries of 50 designees have been amended and one person, Ludmila Ivanovna Shvetsova, now deceased, has been removed from the list.

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### US Targets Russian Bank in Crimea, Ukrainian Separatists, Additional Members of Former Yanukovich Regime

On 11 March 2015, the U.S. Treasury Department [announced](#) it had blocked the assets of Russian National Commercial Bank ("RNCB") under

[Executive Order No. 13685](#). RNCB expanded its operations into Crimea once Russia annexed the region and has become the dominant bank in the region.

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The Treasury Department is targeting RNCB for its role in integrating Crimea into the Russian financial system. RNCB has been subject to a European Union assets freeze [since 30 July 2014](#).

At the same time, the Treasury Department blocked the assets of eight separatist leaders and the Eurasian Youth Union, an organization that recruits individuals with military experience to fight for the Donetsk People's Republic, under [Executive Order No. 13660](#). The designated individuals are politicians and military personnel associated with the Donetsk People's

Republic, the Luhansk People's Republic, or the Republic of Crimea.

Additionally, the Treasury Department blocked the assets of three former Ukrainian politicians associated with the Yaunkovich government for alleged misappropriation of Ukrainian state assets. The three sanctioned individuals are former prime minister Mykola Azarov, former first deputy prime minister Serhiy Arbuzov, and former health minister Raisa Bohatyriova.

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## EU News

### Syria: EU Announces Intention to Amend Reasons for Sanctions on Head of Syrian Scientific Research Centre

On 19 March, the EU [announced](#) that it intends to amend the reasons for Mr Amr Armanazi's designation. Mr Armanazi is currently designated pursuant to [Council Implementing Regulation \(EU\) 793/2014](#) and [Council Implementing Decision 2014/488/CFSP](#) because (1) he is Director General of the Syrian Scientific Studies and Research Centre,

(2) he is responsible for providing support to the Syrian army for the acquisition of equipment used directly for the surveillance and repression of demonstrators, (3) he is responsible for the violent repression of the civilian population, and (4) he supports the regime.

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### Syria: EU Court Annuls Listing of Syrian Lawyer

On 26 February, the General Court of the European Union ruled in favour of annulling the listing of Bassam Sabbagh, a Syrian lawyer who has been on the EU's sanctions list concerning Syria since November 2011, in [Case T-652/11 Sabbagh v Council](#) (judgment in French). Mr Sabbagh, head of a law firm in Damascus and a lawyer at the Paris Bar, had

been listed on the grounds that he advises Rami and Khaldoun Makhlof, both cousins of President Bashar Al-Assad, and he is associated with President Bashar al-Assad in funding a real estate project and providing financial support to the regime.

The Court found that the EU Council did not discharge the burden of proof incumbent upon it

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regarding the reasons given for Mr Sabbagh's listing. However, the Court rejected Mr Sabbagh's claim for damages, on the grounds that there was no evidence to substantiate his claim for loss and damage.

The annulment will not take effect until the expiration of the appeal period or, if an appeal is brought within that period, until the eventual dismissal of the appeal.

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## Belarus: EU Announces Intention to Amend Reasons for Sanctions on Senior Politician

On 17 March, the EU published a [notice](#) stating it intends to amend the reason for Mr Iury Viktoravich Zhadobin's designation. Pursuant to [Council Regulation \(EC\) 765/2006](#) and the Annex to [Council Decision 2012/642/CFSP](#) relating to Belarus, Mr Zhadobin is listed because he is Belarus's Minister of Defence,

with responsibility for approving "the repressive decisions agreed at ministerial level, including the decision to repress the peaceful demonstrations on 19 December 2010".

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## Libya: EU to Introduce Further Sanctions

In order to be "in full coordination" with [United Nations Security Council Resolution 2174](#), the EU Council has [announced](#) that it will introduce sanctions against individuals who "threaten the peace,

stability or security in Libya, or who undermine its political transition".

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## Al-Qaeda: EU Adds Four Individuals and One Entity to and Removes Four Individuals from Sanctions List

On 21 March, pursuant to [Commission Implementing Regulation \(EU\) 2015/480](#), the EU Council amended its Al-Qaeda sanctions list, enacted by [Council Regulation \(EC\) 881/2002](#).

As a result, (1) Angga Dimas Pershada, (2) Bambang Sukirno and (3) Wiji Joko Santoso, all of whom are members of Jemaah Islamiyah, the Southeast Asian

militant Islamist terrorist organisation, and (4) Hilal Ahmar Society Indonesia (Hasi), the humanitarian wing of Jemaah Islamiyah, have been added to the EU's Al-Qaeda sanctions list.

Further, (1) Mustafa Mohamed Fadhil, (2) Ahmed Mohammed Hamed Ali, (3) Said Ali Al-Shihri and (4) Hakimullah Mehsud have been removed from the list.

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On 23 March, pursuant to [Council Implementing Regulation \(EU\) 2015/532](#), the EU Council made a further amendment to its Al-Qaeda sanctions list, adding one individual, Aliaskhab Alibulatovich Kebekov.

Individuals and entities listed on the Al-Qaeda sanctions list are subject to an EU-wide asset freeze.

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## Bosnia and Herzegovina: EU Extends Sanctions

On 21 March, pursuant to [Council Decision \(CFSP\) 2015/487](#), the EU Council extended its sanctions under [Council Decision 2011/173/CFSP](#) until 31 March 2016. Individuals and entities included on the sanctions list are subject to an EU-wide asset freeze. These sanctions were enacted in March 2011 by the EU to target individuals

and entities who are alleged to be undermining the sovereignty of Bosnia and Herzegovina, threatening its security situation or undermining the Dayton Accords.

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## Egypt: EU Extends Sanctions

On 21 March, pursuant to [Council Decision \(CFSP\) 2015/486](#), the EU Council amended and expanded its Egyptian sanctions, enacted by [Council Decision 2011/172/CFSP](#) and Council Regulation (EU) 270/2011, until 22 March 2016. Individuals and entities included

on the sanctions list are subject to an EU-wide asset freeze. Introduced in March 2011, these sanctions target individuals and entities allegedly responsible for the misappropriation of assets owned by the Egyptian state.

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## EU Amends Terrorist Sanctions List

Pursuant to [Council Implementing Regulation \(EU\) 2015/513](#), implementing [Council Implementing Decision 2015/521/CFSP](#) and [Council Regulation \(EC\) 2580/2001](#), the EU has amended its counterterrorist sanctions list. The listings against 10 people and 23 entities have been renewed, and 2 other entities have been removed. Listed entities and individuals are subject to an EU-wide asset freeze.

The two entities that have been removed are: (1) Al-Takfir and Al-Hijr and (2) Holy Land Foundation for Relief and Development, a US charity associated with Hamas which has been closed.

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## US News

### Schlumberger Pleads Guilty, Pays \$232.7 Million Fine, for Allowing US Employees to Facilitate Trade with Iran and Sudan

On 25 March 2015, the U.S. Departments of Justice and Commerce [announced](#) a plea agreement with the oil production services company Schlumberger Oilfield Holdings Ltd., a wholly owned subsidiary of Schlumberger Ltd. From February 2004 to June 2010, Schlumberger allowed U.S.-based personnel to approve capital expenditure requests from Iran and Sudan for new tools and other purchases, arrange for drilling equipment transfers from non-embargoed oilfield locations to Iran and Sudan, provide technical services to maintain drilling equipment in Iran and Sudan, and make business planning decisions concerning Iran and Sudan. In addition to paying \$232.7 million including a criminal fine and forfeiture, Schlumberger agreed to a three-year corporate probation.

The plea is unusual in that Schlumberger was not itself a U.S. person or an entity owned or controlled by a U.S. person, and it was therefore generally free to transact business with Iran or Sudan from outside the United States. However, the company's employees who were U.S. citizens or located in the United States were required to comply with U.S. sanctions laws. Schlumberger pleaded guilty to conspiring to facilitate trade with Iran and Sudan from an office within the United States. While Schlumberger had policies prohibiting U.S. employees from working on projects involving Iran or Sudan, prosecutors faulted Schlumberger for systematically failing to enforce those policies or provide adequate compliance training.

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### Commerzbank Pays US and NY \$1.45 Billion to Settle Allegations of Wire Stripping and Other Violations

On 12 March 2015, [U.S. federal](#) and [New York state](#) prosecutors announced three-year deferred-prosecution agreements with Commerzbank AG for violations of U.S. sanctions and anti-money laundering laws. In addition to agreeing to pay fines and forfeitures as part of the federal and state DPAs, Commerzbank also agreed to civil settlements with the [New York State Department of Financial Services](#) ("DFS"), the [Federal Reserve Board](#), and the U.S. Treasury Department's [Office of Foreign Assets Control](#) ("OFAC"). In total,

Commerzbank has agreed to pay \$1.45 billion to resolve its civil and criminal liabilities. Commerzbank also agreed to implement new internal controls and, at the request of DFS, to terminate several employees.

As part of the agreements, Commerzbank admitted to omitting and deleting references to sanctioned financial institutions on over 1,500 transactions and creating a manual mechanism, which bypassed the typical automated mechanisms, to process

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these transactions. The transactions implicated the U.S. sanctions against Iran, Sudan, Burma and Cuba. Commerzbank's U.S. branch also admitted to Bank Secrecy Act violations for failing to conduct adequate customer due diligence and file appropriate suspicious activity reports in regard to transactions involving

its longstanding customer Olympus, a Japan-based manufacturer of medical devices and cameras. Olympus and three of its executives pleaded guilty in Japan in September 2012 to charges of accounting fraud.

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## PayPal Pays \$7.7 Million to Settle Allegations of Payment Processing for Sanctioned Parties

On 25 March 2015, OFAC [announced](#) a \$7.7 million [settlement](#) with the payment processor PayPal Inc. to settle claims of violations of U.S. sanctions laws. According to the settlement agreement, PayPal failed to maintain adequate sanctions monitoring procedures between 2006 and 2013. During this period, PayPal processed 486 transactions on behalf of sanctioned individuals or involving prohibited transactions, in apparent violation of the sanctions programs related to Cuba, Iran, Sudan, global terrorism, and nonproliferation of weapons of mass destruction ("NPWMD"). OFAC acknowledged that PayPal took effective remedial actions beginning in mid-2013, and it found that PayPal had made voluntary disclosure of the apparent violations.

The NPWMD violations relate to 136 transactions processed for one individual PayPal customer, who is a specially designated national ("SDN") under the NPWMD program. PayPal risk-operations personnel erroneously dismissed, on six separate occasions, alerts generated by PayPal's automatic screening system for that individual. They only recognized that they were required to block the customer's account

the seventh time the system alerted them that the customer was a match to the SDN list.

OFAC found the NPWMD violations to be an "egregious case," involving "reckless disregard" of sanctions requirements, a pattern of inappropriate conduct, and failure to follow PayPal's own policies and procedures for handling SDN list matches. OFAC found the Cuba, Iran, Sudan and global terrorism violations to constitute a "non-egregious" case. As aggravating circumstances, OFAC also cited, among other things, the absence of a screening system at PayPal prior to 2011, the inadequacy of the system that PayPal initially implemented, and harm to U.S. sanctions program objectives as a result of the improper transactions. As mitigating circumstances, OFAC noted that PayPal took various measures to strengthen its compliance systems beginning in 2013, cooperated with OFAC's investigations including by agreeing to waive the statute of limitations, and had no history of prior violations.

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## US Targets Additional Individuals Linked to Sinaloa Cartel

On 18 March 2015, the U.S. Department of the Treasury [designated](#) another three Mexican nationals for their ties to the Sinaloa Cartel under the Foreign Narcotics Kingpin Designation Act (the “Kingpin Act”). The Treasury Department alleges that three Mexican nationals, Felipe Cabrera Sarabia, Alejandro Cabrera Sarabia and José Luís Cabrera Sarabia, are major suppliers of marijuana and heroin for Mexico’s Sinaloa Cartel.

The Treasury Department’s press release singles out Felipe Cabrera Sarabia for his alleged extensive importation of drugs into the U.S., particularly the Chicago area, and alleges that his brothers Alejandro and José Luís continued the operation following Felipe’s arrest by Mexican authorities in 2011.

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## US Targets Kelmendi Drugs Network

On 24 March 2015, the U.S. Department of the Treasury [designated](#) nine persons associated with Albanian Kosovar narcotics trafficker Naser Kelmendi. President Obama named Mr. Kelmendi a significant foreign narcotics trafficker on 1 June 2012, under the Kingpin Act. Mr. Kelmendi is accused of disturbing narcotics, primarily heroin, from Afghanistan to Europe via Turkey. The [nine designations](#) include four of Mr. Kelmendi’s children for supporting his network or otherwise funding illicit activities. The Treasury

Department highlighted the background of two his sons, Liridon Kelmendi and Elvis Kelmendi who have been indicted for the sale and exportation of narcotics and attempted murder, respectively. The remaining five designations related to companies that are owned, controlled or directed by the Kelmendi family in Kosovo, Bosnia and Herzegovina, and Montenegro.

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## US Removes Obsolete Cuba Designations

On 24 March 2015, the U.S. Department of the Treasury [removed](#) roughly 60 entries, consisting of 16 vessels, 37 companies and six individuals, from the list of specially designated nationals of Cuba. The removals were made in an effort to purge [outdated entries](#) from

the list. Generally, the removed names are deceased individuals, dissolved companies and vessels that are no longer in operation.

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## US Implements UN Sanctions Against Caucasus Emirate Leader

On 25 March 2015, the U.S. Department of State [designated](#) Aliaskhab Kebekov, a Russian citizen, as a Specially Designated Global Terrorist pursuant to [Executive Order 13224](#). This action follows Mr. Kebekov's listing by the United Nations 1267/1989 al-Qa'ida Sanctions Committee. Mr. Kebekov is the new leader of the Caucasus Emirate, ascending to the position after the death of its former leader Doku Umarov. The Caucasus Emirate, or Imarat Kavkaz,

seeks to expel the Russian government from the Northern Caucasus region, including Chechnya. The group has declared allegiance to Al-Qaida and has taken responsibility for a number of terrorist attacks against Russian targets. The State Department [designated](#) the Caucasus Emirate as a Specially Designated Global Terrorist entity in 2011.

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## US Targets Assad Regime's Financial and Weapons Infrastructure

On 31 March 2015, the U.S. Department of Treasury [added](#) four more entries to the SDN List related to activities in Syria. Batoul Rida, an official at the Central Bank of Syria, has been designated for her role in arranging cash transfers for U.S.-sanctioned parties and managing fuel-related deals for the bank. The designation was made pursuant to [Executive Order 13582](#), which is aimed at persons providing support to the Syrian government in its civil war. In addition, two Lebanese companies and one Syrian company were designated under

[Executive Order 13382](#), regarding nonproliferation of weapons of mass destruction, for acting as a front for the Scientific Studies and Research Center ("SSRC") in its procurement and shipment of supplies. The SSRC is a Syrian agency that develops and produces ballistic missiles and non-conventional weapons and is believed to have previously had connections with the Syrian chemical weapons program.

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## US Authorises Sanctions Regime for Malicious Cyber-Attacks

On 1 April 2015, President Barack Obama signed a new [Executive Order](#) permitting the Secretary of the Treasury to block the property and interests of those responsible for or complicit in significant cyber-attacks against U.S. interests. Under the order, the Secretary may sanction a person who engages in cyber-enabled activities that have contributed to or are

likely to result in a significant threat to the national security, foreign policy, or economic health or financial stability of the United States, if the activity has the purpose or effect of (1) harming or compromising computers that support a critical infrastructure sector, (2) compromising the provision of services by a critical infrastructure sector, (3) disrupting the availability of a

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computer or a network of computers, and (4) causing a misappropriation of economic resources, trade secrets, personal identifiers or financial information for commercial or competitive advantage or private financial gain. Treasury Secretary Jack Lew [hailed](#) the

order as a powerful tool to protect the security and economy of the United States.

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## UK News

### Terrorist Financing: Independent Reviewer's 4th report on the operation of the Terrorist Asset Freezing etc. Act 2010

On 12 March, David Anderson Q.C., the Independent Reviewer of Terrorism Legislation presented his [fourth report](#) on the operation of the UK's Terrorist Asset Freezing etc. Act 2010 ("TFAFA 2010") to Parliament. Under section 31 of TFAFA 2010, the Treasury is required to appoint an independent person to review the operation of Part 1 of TFAFA 2010. David Anderson Q.C. was reappointed Independent Reviewer in February 2014 and has completed his review covering a 12-month period (the year to 16 September 2014) of the operation of the TFAFA 2010.

The report states that TFAFA 2010 is used sparingly but there has been an increasing attempt to use it to

respond to the threat posed by UK residents linked to terrorism who travel to and from Iraq and Syria. It also notes that the Treasury administers its designations with reasonable efficiency. The report discusses the impact of sanctions on the provision of humanitarian aid to countries under the control of designated groups, the problem of financial institutions refusing to make their services available to de-listed individuals and entities, the absence of prosecutions for breach of the Act and the small number of appeals against designations.

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# Sanctions Alert

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