

Sanctions Alert

A bi-monthly summary of sanctions news and events

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Iran News

Iran Nuclear Sanctions Deal Agreed

On 14 July 2015, Iran, the EU and the P5+1 (the United States, United Kingdom, France, China, Russia and Germany) reached a historic deal for Iran to wind down its nuclear programme in exchange for sanctions relief. This agreement has been memorialised in the [Joint Comprehensive Plan of Action](#) (JCPOA).

On 20 July 2015, the United Nations Security Council took the first step contemplated by the JCPOA by unanimously adopting [Resolution 2231 \(2015\)](#), which endorsed the JCPOA and urged its full implementation. The UN Security Council's adoption of Resolution 2231 marks the beginning of the 90 days until "Adoption Day" under the JCPOA. On the Adoption Day, Iran will be required to start certain decommissioning steps relating to its nuclear weapons programme. In a [press release](#), the Security Council characterised its resolution as setting out a "rigorous monitoring mechanism and timetable for implementation, while paving the way for the lifting of United Nations sanctions" against Iran.

That same day, the EU Council published a [statement](#) announcing its full support of the JCPOA and the Security Council resolution. The US has begun the legislative review process required to approve the JCPOA under its own law (see "[US Congress Begins Review of Iran Agreement](#)", below).

The JCPOA does not provide any immediate sanctions relief to Iran. Instead, US and EU sanctions will be withdrawn in a phased manner, based on Iran's achievement of certain milestones. The first phase of sanctions relief will take place on the "Implementation Day", after the International Atomic

Energy Agency (IAEA) verifies that Iran has completed certain decommissioning steps relating to its nuclear weapon programme. This is expected to take six to nine months. Further sanctions relief will follow based on the passage of time or further confirmation from the IAEA of Iran's compliance with restrictions on its nuclear programme. If Iran materially fails to comply, the suspended sanctions will "snap back." For more information on the sanctions relief to be provided under the JCPOA, please see the [Debevoise Client Update](#) of 17 July 2015.

To cover the period of time before the Implementation Day, the limited relief already provided to Iran under the [Joint Plan of Action](#) of November 2013, which includes the temporary suspension of certain EU and US sanctions, has been extended. The EU, through [Council Decision \(CFSP\) 2015/1148](#), has extended the EU temporary sanctions relief for six months to 14 January 2016. The US, through a [statement](#) issued by the Treasury Department's Office of Foreign Assets Control (OFAC) on 14 July 2015, has confirmed that the US temporary sanctions relief remains in effect through the Implementation Day.

The JCPOA marks a landmark step towards reopening the Iranian market for Western businesses, though within limits. The existing US embargo affecting Americans' trade with Iran is not expected to be fully lifted, as that embargo is based in large part on concerns about terrorism and regional destabilisation rather than nuclear proliferation.

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US Congress Begins Review of Iran Agreement

On 19 July 2015, the US Department of State formally [submitted](#) the Iran nuclear sanctions deal to US Congress for review. This submission was required by a [law](#) that Congress adopted in May of this year. Under the law, Congress has 60 days from the submission date to pass a resolution of disapproval to prevent final approval of the agreement.

President Obama has said he will veto any disapproval resolution if necessary. To override a presidential veto, each of the two houses of Congress would have to re-approve the resolution by at least a two-thirds vote.

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Canada to Retain Iran Sanctions for Now

On 14 July 2015, Canada's Minister of Foreign Affairs, Rob Nicholson, [announced](#) that Canada would further examine the nuclear deal between Iran, the EU and the P5+1 before deciding to take any action regarding Canada's own sanctions against Iran. Nicholson expressed Canada's appreciation of the parties' efforts to reach an agreement, but he stated that Canada

would continue to judge Iran by its actions and not by its words. He highlighted concerns relating to Iran's continued significant threat to international peace and security through its nuclear ambitions and Iran's continuing support for terrorism.

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Russia and Ukraine News

US Blocks "Sanctions Evaders" Linked to Timchenko and Rotenberg, Individuals Linked to Former Ukrainian Government, and Crimean Port and Ferry Operators, and Identifies More SSI Banks and Energy Companies

On 30 July 2015, the United States Department of the Treasury added numerous individuals and entities to its Specially Designated Nationals ("SDN") and Sectoral Sanctions Identifications ("SSI") lists under its programme of sanctions related to Russia and Ukraine.

The [Wall Street Journal](#) has quoted a US official as saying that the new listings are "not intended to be an escalation or a de-escalation of sanctions" but merely to maintain the strength of existing sanctions by preventing evasion.

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According to a Treasury Department [press release](#), the new SDN listings target individuals and entities involved in sanctions evasion related to Russia and Ukraine, as well as individuals associated with the former Ukrainian government, and port and ferry operators based in Crimea. The new SSI listings consist of banks, financial institutions and other companies that the US has determined are 50% or more owned by the Russian bank Vnesheconombank (“VEB”) and the Russian energy company OJSC Rosneft Oil Company (“Rosneft”), which were previously placed on the SSI list. A complete list of the newly designated individuals and entities can be found in the [announcement](#) of the designations on the website of the Treasury Department’s Office of Foreign Assets Control (“OFAC”).

The property of individuals or entities on the SDN list is “blocked”, and US persons are prohibited from dealing with those individuals and entities or their property. The SSI list involves lesser sanctions, consisting of restrictions on transactions by US persons involving the debt or equity of the listed companies.

The additions to the SDN list include a number of companies and individuals said to have assisted in sanctions evasion by Russian businessmen Gennady Timchenko and Boris Rotenberg and Russian defence company Kalashnikov Concern, all of which were previously added to the SDN list. The new designees include a number of companies linked to Timchenko with addresses in Russia, Finland, Cyprus, Romania, Switzerland and the British Virgin Islands, together with some of their principals; a Finnish company linked to Rotenberg; Rotenberg’s son

Roman Rotenberg; and several Russian companies and individuals linked to Kalashnikov.

The US also has added to the SDN list a number of individuals associated with the government of former Ukrainian premier Viktor Yanukovich, including Yanukovich’s son Oleksandr. The US also has designated the company PJSC Mako Holding, based in the Donetsk region of Eastern Ukraine, on the ground that it is owned by Oleksandr Yanukovich. The remaining SDN designations are of five port operators and three ferry operators based in Crimea. The US has a comprehensive embargo of Crimea, and three of the five port operators are also subject to asset freezes by the EU.

The SSI additions consist of Russian banks, energy companies and other companies that the US has determined are 50% or more owned by VEB or Rosneft. All of the newly added entities are based in Russia except for Bank BelVEB OJSC, which is based in Belarus. The VEB-linked entities are subject to SSI [Directive 1](#), which prohibits US persons from transactions involving the companies’ newly issued equity securities or debt having a maturity of 30 days or more. The Rosneft-linked entities are subject to [Directive 2](#), which prohibits US persons from transactions involving the companies’ newly issued equity securities or debt having a maturity of 90 days or more, and [Directive 4](#), which prohibits US persons from supplying goods and services for certain oil exploration and production activities.

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OFAC Warns of Tactics Used to Circumvent Crimea Embargo

On 30 July 2015, the US Treasury Department's Office of Foreign Assets Control ("OFAC") published what it [described](#) as an "important Crimea Sanctions Advisory" to highlight practices used to evade US sanctions involving Crimea, so that US companies can implement appropriate controls to guard against non-compliant transactions. The [advisory](#) warns of practices such as the omission of complete street addresses from funds-transfer messages and the interpretation of the term "Russia" in distribution agreements to include Crimea, although the US considers Crimea to be in Ukraine. OFAC recommends that US companies ensure their

screening systems scan for major locations in Crimea and not just the word "Crimea," conduct enhanced due diligence before doing business with parties having a history of evading Crimea sanctions, and clearly communicate US sanctions obligations to non-US distributors and other partners.

We expect in the coming days to publish a Debevoise Client Update analysing the Crimea Sanctions Advisory and other recent OFAC actions and discussing their practical implications.

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EU Intends to Amend Reasons for Listings of 26 Individuals and One Entity

On 14 July 2015, the EU Council issued a [notice](#) concerning 26 individuals and one entity subject to restrictive measures designated by [Council Regulation \(EU\) No 269/2014](#) ("Regulation 269/2014") and [Council Decision 2014/145/CFSP](#) ("Decision 2014/145") in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. The notice outlined the EU's intention to amend the statements of reasons for the listing of the

individuals and entity, and informs those affected that they may submit a request to the EU Council to obtain the new statement of reasons for their designation. This proposed amendment does not affect which persons and entities are subject to the asset freezes and travel bans set out in Regulation 269/2014 and Decision 2014/145.

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EU News

South Sudan: EU Adds Four Individuals to Sanctions List

On 9 July 2015, four individuals were added to the South Sudan sanctions list. Pursuant to [Council Implementing Regulation \(EU\) 2015/1112](#), which implements [Council Regulation \(EU\) 2015/735](#), and [Council Implementing Decision \(CFSP\) 2015/1118](#), which implements [Council Decision \(CFSP\) 2015/740](#), Gabriel Jok Riak, Simon Gatewech Dual, James Koang Chuol and Marial Chanuong Yol Mangok became subject to an EU-wide asset freeze and travel ban.

These individuals are military figures alleged to have committed human rights abuses.

This legislation also amended the identifying information of two further individuals, Santino Deng Wol and Peter Gadet, both of whom were already subject to the restrictive measures.

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Belarus: EU Removes Individuals and Entities from Sanctions List

On 13 July 2015, two individuals and four entities were removed from the Belarus sanctions list. Pursuant to [Council Implementing Regulation \(EU\) 2015/1133](#), which implements [Council Regulation \(EC\) No 765/2006](#), and [Council Implementing Decision \(CFSP\) 2015/1142](#), which implements [Council Decision 2012/642/CFSP](#), the delisted individuals were Leanid Piatrovich Kozik and Viktor Vatslavavich Skurat, and the delisted entities were (i) CJSC Askargoterminal, (ii) JLLC Variant, (iii) JLLC Triple-Dekor and (iv) JCJSC Altersolutions. The individuals are political figures alleged to have committed fraudulent political activities and human rights abuses. The entities are subsidiary

companies of a holding company that provided financial support to the Lukashenka regime.

This legislation also amended the existing entries of a further four individuals and three entities. The identifying information of individuals (i) Aliaksandr Viktaravich Bazanau, (ii) Anatol Siamionavich Kisialiou, (iii) Leu Eustafievich Kryshchapovich and (iv) Iury Viktaravich Zhadobin, and entities (i) Spetspriborservice, (ii) CJSC Prostor-Trade and (iii) CJSC Dinamo-Minsk, was updated.

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US News

Commerce Department Updates Cuba Regulations

On 21 July 2015, the US Commerce Department's Bureau of Industry and Security ("BIS") [announced](#) that it was [amending](#) its [Export Administration Regulations](#) ("EAR") by removing Cuba from Country Group E:1 ("Terrorist Supporting Countries"). This change implements the US State Department's rescission of the designation of Cuba as a state sponsor of terrorism. BIS also has published [guidance](#) and a set of [Frequently Asked Questions](#) on the change.

Most significantly, the removal of Cuba from the list of terrorist supporting countries authorises the re-exportation to Cuba of most foreign-made products

with up to 25% US-origin content (increased from 10%). It also authorises the exportation from the US of replacement parts for items that previously were legally exported to Cuba, the temporary sojourn of aircraft in Cuba, and the exportation of certain encryption-related software and goods in travellers' baggage. Cuba, however, remains in Country Group E:2 ("Unilateral Embargo"), and a Commerce Department licence will still be required to export or re-export to Cuba most items subject to the EAR, as the comprehensive embargo on trade with Cuba has not been lifted.

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OFAC Publishes Regulations Implementing Venezuela Sanctions Laws

On 10 July 2015, the US Treasury Department's Office of Foreign Assets Control ("OFAC") issued [Venezuela Sanctions Regulations](#) to implement the [Venezuela Defense of Human Rights and Civil Society Act of 2014](#) and [Executive Order No. 13692](#). The Act requires the President to block the property of persons determined to have engaged in human rights abuses and undermined the right to free expression and assembly in Venezuela. The Executive Order implements the Act and further blocks the property

of individuals determined to have interfered with democratic institutions or engaged in public corruption in Venezuela. OFAC's announcement states that the regulations issued on 10 July 2015, which are in abbreviated form, were published to provide immediate guidance to the public and will be followed by more comprehensive regulations.

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New York Lawyer Disbarred for Concealing Travel to Cuba

On 14 July 2015, a [New York state appellate court held](#) that lawyer Marc Verzani was automatically prohibited from practising law because of a conviction for failing to disclose his travel to Cuba on a US Customs form. In 2011, Verzani travelled to Cuba with a client, allegedly to assist the client in making an investment in Cuba in violation of the Cuban Asset Control Regulations (“CACR”). The lawyer and his client [were initially charged](#) with conspiracy to violate the Trading With the Enemy Act (under which the CACR were adopted), as well as obstruction of justice and witness tampering for instructing a witness to lie about their presence in Cuba. Verzani ultimately pleaded guilty in federal court in October 2013 to making a false statement to US Customs by failing to

include “Cuba” in the list of countries visited on the customs declaration form that he submitted when he returned to the United States. He was sentenced to two years’ probation. The New York court held that this resulted in automatic disbarment as of the date of the conviction, because the federal crime for which he was convicted was analogous to a crime that constitutes a felony under New York state law. Verzani’s client, Adem Arici, pleaded guilty in 2013 to witness tampering in connection with the Cuba trip as well as several unrelated tax-fraud charges and [was sentenced](#) to five years’ imprisonment, three years’ supervised release, and a \$7 million forfeiture.

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Treasury Department Blocks Singapore Shipping Company and Others for Aiding North Korean Shipping

On 23 July 2015, the US Treasury Department [announced](#) that it had added to its Specially Designated Nationals (“SDN”) list a company, an individual and a vessel that it has determined are associated with the Ocean Maritime Management Company (“OMMC”), a designated North Korea shipping company. The Senat Shipping Company, based in Singapore, and its president, Leonard Lai, were both designated for providing material support to OMMC, including arranging the repair, certifications and crewing of OMMC vessels. Senat’s vessel, the “Dawnlight”, was also added to the SDN list pursuant to the DPRK sanctions regime.

The Treasury Department also updated its SDN list to reflect two aliases, Haeyang Crew Management Company and Korea Mirae Shipping Company Ltd, used by OMMC to evade sanctions. Additionally, the Treasury Department added aliases for two North Korean individuals, Kim Tong-Myo’ng and Ra Ky’ong-Su, who had been previously designated under the Non-Proliferation of Weapons of Mass Destruction (“NPWMD”) sanctions regime.

The property of entities and individuals on the SDN list is “blocked” and may not be transferred or otherwise dealt with.

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Treasury Removes Sanctions on Burmese Businessman's Wife, Three ICTY Defendants and Two Former Ivorian Officials

On 7 July 2015, the US Treasury Department [deleted](#) from the SDN list Thidar Zaw, the wife of a wealthy Burmese businessman linked to Burma's military government. Her husband, Tay Za, remains on the SDN list. On the same day, three individuals who had previously faced charges in the International Criminal Tribunal for the former Yugoslavia ("ICTY") were also deleted. Esad Landzo was sentenced to 15 years in prison by the ICTY; Rahim Ademi was acquitted; and Pasko Ljubicic received a ten-year sentence after a guilty plea. According to the [Wall Street Journal](#), a Treasury Department spokesperson said that Thidar Zaw and the three individuals in the Balkans were removed from the SDN list because they no longer

met the criteria for which they had been designated. In addition, two former Burmese individuals were removed from the list because they are deceased.

On 30 July 2015, the Treasury Department removed from its SDN list two individuals, Alcide Ilahiri Djedje and Affi N'Guessan, who had been [designated in 2011](#) for their ties to former Côte d'Ivoire president Laurent Gbagbo. According to the [Wall Street Journal](#), a Treasury Department spokesperson stated that Djedje and N'Guessan were delisted because they have played a positive role in their country's national reconciliation process.

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Treasury Department Blocks Additional Hizballah Leadership in Syria

On 21 July 2015, the US Treasury Department [announced](#) that it had added three individuals to the SDN list under its Syria sanctions programme. The three were added for their alleged links to Hizballah and its support of the Assad government in Syria. The Treasury Department asserted that Ibrahim Aqil and Fu'ad Shukr both serve on Hizballah's highest military body, the Jihad Council, and have actively supported Hizballah and the Syrian government against Syrian opposition forces. The third individual, Abd Al Nur Shalan, allegedly is a businessman with close ties to Hizballah leadership and

serves as Hizballah's point person for the procurement of weapons and other materials.

The Treasury also modified its listing for a fourth individual, Mustafa Badr Al-Din, who was originally [added](#) to the SDN list in 2012 under the Specially Designated Global Terrorist ("SDGT") sanctions programme. His listing was modified to add a designation under the Syria sanctions programme based on his leadership support of Hizballah.

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UK News

UK Government Responds to the Independent Reviewer on Terrorism's Report

In March 2015, David Anderson Q.C., the Independent Reviewer of Terrorism Legislation, published his [fourth report](#) on the operation of the UK's Terrorist Asset Freezing etc. Act 2010 ("TAFAs 2010") (for more information, please see the [Sanctions Alert issue 36](#)). The report recommended that during discussions concerning potential sanctions designations at meetings of the Asset Freezing Review Group ("AFRG"), a "devil's advocate" approach should be adopted. This requires one member of the AFRG to advance arguments against designation, which would assist in identifying possible weaknesses of the case in favour of designation.

On 16 July 2015, the UK government published its [response](#) to Anderson's report. The UK government stated that it recognised the importance of review group meetings being as rigorous as possible, in order to ensure that designations under TAFAs were fair, proportionate and legally robust. The response agreed that nominating a member to perform the devil's advocate role could further increase the level of challenge that already takes place during the AFRG meetings.

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Court of Appeal Permits Use of Secret Evidence in Sanctions Case

On 14 July 2015, in [Sarkandi & Ors v Secretary of State for Foreign and Commonwealth Affairs \[2015\] EWCA Civ 687](#), the Court of Appeal rejected the appellants' appeal against a High Court [decision](#) approving a closed material application (the use of secret evidence that one party cannot see) in the appellants' challenge against their sanctions listing.

In judicial review proceedings before the High Court in July 2014, the claimants sought declaratory relief and damages for the Foreign Secretary's decision to propose their addition to the EU's Iran asset freeze and travel ban lists, on the basis that the Foreign Secretary had made errors of fact and law. The Foreign Secretary stated that it was unable to disclose evidence supporting its defence without causing serious harm

to national security. As such, the Foreign Secretary made an application for the use of the closed material procedure. The High Court concluded that the statutory conditions had been met for such a procedure and allowed the application.

On appeal, the appellants submitted (i) that the Foreign Secretary would not be required to disclose the sensitive material as it was irrelevant and could not rationally be relied upon, and (ii) that such a ruling should be a measure of last resort as a closed material procedure is inherently and irremediably unfair. The Court of Appeal did not accept either of these submissions and dismissed the appeal.

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Debevoise & Plimpton LLP

919 Third Avenue
New York, New York 10022
+1 212 909 6000
www.debevoise.com

Washington, D.C.
+1 202 383 8000

London
+44 20 7786 9000

Paris
+33 1 40 73 12 12

Frankfurt
+49 69 2097 5000

Moscow
+7 495 956 3858

Hong Kong
+852 2160 9800

Shanghai
+86 21 5047 1800

For further information in relation
to any of the above, please email
sanctions@debevoise.com or call:

Satish Kini
Partner, Washington
+1 202 383 8190
smkini@debevoise.com

David O'Neil
Partner, Washington
+1 202 383 8040
daoneil@debevoise.com

Carl Micarelli
Counsel, New York
+1 212 909 6813
cmicarelli@debevoise.com

Jessica Gladstone
International Counsel, London
+44 20 7786 9166
jgladstone@debevoise.com

Matthew Getz
International Counsel, London
+44 20 7786 5518
mgetz@debevoise.com

Konstantin Bureiko
Associate, London
+44 20 7786 5484
kbureiko@debevoise.com

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regarding topics covered in
this publication to the editors.

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