

# Sanctions Alert

A summary of sanctions news and events

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## EU News

### Syria: EU Court renders verdicts on three Syrian asset freeze listing challenges

The General Court of the EU has decided three annulment applications challenging asset freeze listings under the EU's Syria sanctions regime.

On 12 May 2017, Ahmas Barqawi and Mouhammad Abdulkarim had their asset freeze listings under Council Regulation (EU) No. 36/2012 annulled by the General Court of the EU. Barqawi and Abdulkarim were previously listed for benefiting from the Syrian Government in their roles at commercial entities Pangates and Pangates International. In the cases of both individuals ([T-303/15 Barqawi](#) and [T-304/15 Abdulkarim](#)) it was found by the Court that news articles and US government press releases which had been used to include Barqawi and Abdulkarim on

the sanctions list, were not sufficient to establish a connection between Pangates and the Syrian regime.

On 18 May 2017, the General Court of the EU rejected an application by Rami Makhoulf, a cousin of President Assad, to annul his asset freeze listing. Makhoulf is considered a supporter of the Assad regime and an influential commercial operative in Syria. The annulment application ([Case T-410/16 Makhoulf v Council \[2017\]](#)) was rejected due to the EU's Syria sanctions regime covering influential commercial operatives in Syria, as well as members of the Assad or Makhoulf families.

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### Syria: EU sanctions on Syria extended by one year

On 29 May 2017, the EU Council adopted [Council Implementing Regulation 2017/907](#) and [Council Decision 2017/917](#). The effect of the regulations is to renew the current EU sanctions on Syria until 1 June 2018. The sanctions include extensive trade restrictions on Syria, including in relation to Syrian oil and petrochemical products,

financing and an arms embargo, as well as an asset freeze on individuals supporting or affiliated with the Syrian regime. The list of designated persons and entities subject to these sanctions has further been updated.

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### Syria: addition of 16 individuals to EU sanctions list

The 18 July 2017 [listing](#) includes eight scientific officers and eight senior military personnel identified as members of the Syrian regime involved in the use and development of chemical weapons. The sanctions concerned involve an EU travel ban and asset freeze.

See [Implementing Regulation 2017/1327](#) implementing [Regulation 36/2012](#) and [Implementing Decision 2017/1341](#) implementing [Decision 2013/255/CFSP](#).

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## Iran: CJEU gives judgment on Safa Nicu appeal

On 5 June 2017 the Court of Justice of the EU (the “CJEU”) has upheld the first ever damages award to a company which had incorrectly been added to the EU asset freeze list.

Safa Nicu Sepahan Co (“Safa Nicu”), an Iranian company, was first added to the EU asset freeze list relating to Iran on 23 May 2011, on the basis that it was identified as being involved in nuclear proliferation activities. On 22 July 2011, Safa Nicu started an annulment application and a claim for compensation before the General Court, on the grounds that there

was insufficient factual basis for its listing. Safa Nicu won on both grounds and was awarded EUR 50,000.

The Grand Chamber of CJEU upheld all of the lower courts conclusions on the matter, chiefly that the Council had failed to clarify the reasons for Safa Nicu’s inclusion on sanctions listings, that this failure represented a serious breach of EU law justifying compensation and that Safa Nicu had failed to establish that it was entitled to a greater amount of compensation.

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## Iran: EU info requirements for Iran trade

On 8 June 2017 the EU imposed additional information requirements for those seeking to obtain authorisation for the transfer, sale, supply or use of nuclear-connected goods from or into Iran. The EU now demands those applying for authorisation, provide comprehensive end-use and end-use location details.

([Council Regulation \(EU\) 2017/964](#) amending [Council Regulation \(EU\) 267/2012](#) and [Council Decision \(CFSP\) 2017/974](#) amending [Council Decision 2010/413/CFSP](#)).

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## Central African Republic: Conflict diamonds asset freeze maintained by EU General Court

The judgment of the EU General Court in the CAR conflict diamonds case was handed down on 20 July 2017 ([Case T-619/15 Central African Republic Diamond Purchasing Office v Council](#)). The challenge concerned Badica (among the largest CAR diamond firms) and its Belgium-based subsidiary, Kardiam. Both companies have been subject to an EU asset freeze for the trading in diamonds connected to the funding of armed groups

or criminal networks – a claim challenged in this case. The EU General Court found in favour of the EU Council, holding that whilst there may not have been sufficient evidence of the connection to armed groups/ criminal networks – it was clear that both companies had maintained their trading in diamonds in contravention of the Kimberley process.

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## Guinea-Bissau: EU renews Guinea-Bissau sanctions

Following its review of the designated persons and entities recorded on the Republic of Guinea-Bissau sanctions listing, the EU released a notice on 20 June 2017 ([2017/C 196/01](#)) indicating that such measures had not been amended and will remain in force. The provisions

are aimed at individuals who played leading roles in the April 2012 coup d'état in Guinea-Bissau and who endeavour to subvert the rule of law and restrict the primacy of civilian authority.

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## DRC: EU implements updated UN sanctions

UN listing criteria now includes those involved in sponsoring, planning or taking part in attacks against the UN Group of Experts members. The EU has now implemented this UN listing criteria. [Regulation](#)

[2017/1326](#) amending [Regulation 1183/2005](#) and [Decision 2017/1340](#) amending [Decision 2010/788/CFSP](#).

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## Libya: EU sanctions and further export restrictions

On 18 July 2017, leading on from the [conclusions](#) of the EU Council on the humanitarian situation in Libya, the EU published additional export restrictions. The focus of the restrictions is on those goods which may be used for human trafficking, such as outboard motor boats and inflatable vessels. [Regulation 2017/1325](#)

amending [Regulation 2016/44](#) and [Decision 2017/1338](#) amending [Decision 2015/1333](#). Moreover, the EU has [maintained sanctions](#) on currently listed persons connected to Libya.

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## Terrorism: UN Terrorism additions adopted by EU

On 20 June 2017, Fared Saal was added to the EU asset freeze list relating to ISIL and Al-Quida, having been identified as a member of ISIL

([Commission Implementing Regulation 2017/1094](#) amending [Council Regulation 881/2002](#)).

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## Terrorism: ECJ judgements on Hamas and Liberation Tigers of Tamil Eelam (LTTE)

Hamas: The EU Council has successfully appealed against the [decision of the EU General Court](#) to annul the listing of Hamas as an organisation subject to counter-terrorism sanctions. The ECJ held that the General Court, in determining a sanctions listing, was not restricted solely to considering the evidence retrieved by a national authority but could also consider evidence otherwise retrieved. ([Case C-79/15 P Council v Hamas](#))

LTTE: The ECJ adopted the same approach as regards evidence as for the Hamas appeal but concluded that the annulment of the LTTE's listing was valid on other grounds ([Case C-599/14 P Council v LTTE](#)).

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## North Korea: EU updates sanctions

The Green Pine Associated Corporation, Strategic Rocket Force of the Korean People's Army and Namchongang Trading Corporation have had their entries on the EU sanctions list amended on 18 July 2017. See [Commission Implementing Regulation](#)

[2017/1330](#) amending [Council Regulation 329/2007](#) and [Council Decision \(CFSP\) 2017/1339](#) amending [Council Decision \(CFSP\) 2016/849](#).

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## North Korea: EU considering new sanctions in conjunction with Japan

On 5 July 2017, the EU [announced](#) that it is considering imposing further sanctions against North Korea, after the Republic asserted it had successfully launched an intercontinental ballistic missile.

Subsequently, on 6 July 2017, Japanese Prime Minister Shinzo Abe, Donald Tusk and Jean-Claude Juncker, issued a [joint statement](#) in which the parties condemned

North Korea's continued nuclear and missile testing. The 6 July statement further called on the UN Security Council to adopt a new Council Resolution containing further sanctions to prevent the funding of such testing by "restricting the transfer of relevant items and technologies and funding for North Korea's nuclear and ballistic missile programs".

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## North Korea: Latvian regulator fines three banks for sanction violations

On 27 June 2017, the Latvian Financial and Capital Markets Commission (FCMC) [announced](#) that it issued fines totalling €641,514 on three Latvian Banks for their failure in preventing their clients from circumventing sanctions on North Korea. The banks, Regionāla Investīciju Banka, Privatbank, and Baltikums Bank, failed to detect that a number of their clients used off-shore companies and chain transactions to transfer funds to North Korean entities.

The FCMC has also entered into administrative agreements with the banks to ensure immediate measures are taken to remedy the weaknesses in oversight procedures.

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## UK News

### UK: New International Sanctions Bill announced

On 21 June 2017, the UK government announced its intention in the [Queen's Speech](#) to introduce a new legislative framework on international sanctions. The International Sanctions Bill (as described in the [Queen's Speech Briefing Notes](#)) is intended to enable the UK to pursue its own global sanctions regime, following Brexit. The Government envisages the

Bill "returning decision-making powers on non-UN sanctions to the UK".

The UK Government is currently in a consultation period on the proposed bill.

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### Brexit: UK provides further detail on post-Brexit sanctions

The UK government has released its [response](#) to the consultation on the [White Paper](#) for the proposed legal framework for imposing sanctions in the UK following Brexit. The response includes proposals for: creating non-public, closed material procedures (CMPs) in relation to sanctions considerations; publishing guidance on what constitutes 'UK Nexus'; and establishing that the UK

threshold for sanctions designation should be based on 'reasonable grounds to suspect'. Additional new powers have been suggested that go beyond the asset-freezing abilities currently available under the Proceeds of Crime Act 2002 and Criminal Finances Act 2017.

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## UK sanctions reporting requirements expanded

Under [European Union Financial Sanctions \(Amendment of Information Provisions\) Regulations 2017](#), HM Treasury has expanded the obligation on various business sectors to report sanctions breaches. From 8 August 2017, a wide range of professionals and businesses, including lawyers and accountants, will be required to notify the Office of Financial Sanctions

Implementation, the UK's sanctions enforcement authority, if they know or suspect that a client or customer is in breach of financial sanctions, including asset freezes. Failure to notify OFSI will constitute a criminal offence.

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## Russia News

### Kiselev inclusion on restrictive measures list upheld by EU Court

On 19 June 2017, the asset freeze against Dmitrii Kiselev under a series of Council Decisions and Regulations (2015-2016) was upheld by the General Court of the EU ([Case T-262/15 Kiselev v Council](#)). Kiselev has been

listed since March 2014 due to being designated a State-appointed propagandist during the Russia/Ukraine conflict.

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### EU renews Crimea & Sevastopol sanctions

On 19 June 2017, EU territorial sanctions on Crimea & Sevastopol were renewed until 23 June 2018 ([Council Decision \(CFSP\) 2017/1087](#) amending [Council Decision 2014/386/CFSP](#)). The sanctions prohibit investment into the region and improve an embargo on certain goods emanating from the area,

as well as tourism. Furthermore, the renewal reaffirms the EU's commitment to "implement its non-recognition" policy on challenges to Ukrainian sovereignty over Crimea & Sevastopol.

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## EU sanctions renewed

On 28 June 2017, the EU Council [announced](#) that sectoral sanctions on Russia will continue for another six months. The EU's sectoral sanctions, as set out in [Council Regulation \(EU\) No 833/2014](#), as amended, impose restrictions on Russia's oil and gas industry, prevent certain designated entities in Russia's defence,

finance and energy sectors from accessing the EU capital markets and impose restrictions on military and dual-use goods. Following this extension, these restrictions will remain in force until 21 January 2018.

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## Turkey presence on Russia sanctions list significantly reduced

The sanctions Russia placed on Turkey in the wake of the shooting down of a Russian plane on the Turkish-Syrian border in 2015 have been scaled back. On 24 May 2017, the Kremlin restored a bilateral visa-free movement agreement, ceased the prohibition on Russian companies employing Turkish workers and lifted the ban on Turkish companies operating in Russia. The general trade embargo on Turkish imports was also removed.

Despite this cooling of sanctions, Russia has not resumed the visa waiver program previously in place and the embargo on the import of Turkish tomatoes remains in place.

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## Putin announces renewal of retaliatory sanctions

On 30 June, President Putin signed an [executive order](#) extending economic sanctions against a range of Western countries, including the European Union and the United States, principally prohibiting the export to Russia of foodstuffs and raw materials. The countries

affected all currently have their own sanctions regimes in place targeting Russia. These sanctions extension will now run to 31 December 2018.

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## OFAC adds names to Russia/Ukraine sanctions lists, blocks banks and businesses operating in Crimea and Eastern Ukraine

On 20 June 2017, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) **designated** as Specially Designated Nationals (SDNs) roughly three dozen individuals and entities in Russia and Ukraine. They were designated for their roles in the situation in eastern Ukraine and Crimea or their links to previously sanctioned entities or individuals. U.S. companies and individuals are required to freeze any assets of entities and individuals on the SDN list and are prohibited from transacting business with them.

The newly designated entities include multiple Russian banks operating in Eastern Ukraine or Crimea, the purported central banks of the Donetsk People's Republic and the Luhansk People's Republic, and a number of other businesses operating in those regions or linked to separatist groups. OFAC also has designated as an SDN the Russian company Molot-Oruzhie, OOO for allegedly helping Kalashnikov Concern evade sanctions. Kalashnikov Concern was previously sanctioned for its role in

Russia's defence industry. Much of Eastern Ukraine is in the hands of pro-Russian separatists who call themselves the Donetsk People's Republic and the Luhansk People's Republic. The Crimean peninsula has been annexed by the Russian Federation, but the annexation has not been recognized internationally.

OFAC also updated its Sectoral Sanctions Identifications List to list certain subsidiaries of Transneft as subject to Directive 2. Property of entities subject to Directive 2 is not blocked, but U.S. persons are restricted from dealing in new debt of those entities of greater than 90 days' maturity. According to OFAC, the newly listed entities were already subject to Directive 2 because they are 50 per cent or more owned by Transneft. OFAC explained that their addition to the list was intended to "help the public more effectively comply with the sanctions on Transneft."

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## ExxonMobil appeals from \$2 million OFAC fine for signing contract with blocked Russian oil company executive

In what appears to be the first publicly announced enforcement action under OFAC's Russia/Ukraine sanctions, OFAC has imposed a \$2,000,000 [civil monetary penalty](#) on ExxonMobil Corporation for signing an agreement with a Russian SDN acting on behalf of Russian oil company Rosneft. Although Rosneft is not itself blocked, its CEO and Deputy Chairman Igor Sechin, who signed the contract, is individually on the SDN list. ExxonMobil has [announced](#) that it has filed a [lawsuit](#) in a U.S. federal court in Dallas, Texas, challenging the OFAC-imposed penalty.

The \$2,000,000 penalty amount represents the statutory maximum penalty. This action by OFAC demonstrates its continued determination to aggressively pursue enforcement of sanctions with respect to Russia, as do other recent OFAC actions such as its imposition earlier this year of sanctions against certain Russian entities for trading with North Korea or operations in Crimea.

OFAC's penalty [announcement](#) cites a frequently asked question in the context of the former Burma sanctions (former [FAQ #285](#)) that was publicly available at the time the contract was signed. That FAQ took the position that signing a contract with an SDN is prohibited even if the SDN is acting a representative capacity for a non-blocked entity. A similar statement appears in OFAC's recently issued [FAQ #505](#) in connection with the Venezuela sanctions, but there is no discussion of the issue in OFAC's Russia/Ukraine related FAQs. ExxonMobil has pointed to reported statements from U.S. Treasury Department officials suggesting that the listing of Sechin targeted only his personal assets and would not affect Rosneft's business.

Current U.S. Secretary of State Rex Tillerson was serving as ExxonMobil's CEO at the time the agreement was entered into. He has recused himself from any State Department decisions regarding his former employer.

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## U.S. toughens sanctions on Russia, North Korea and Iran; Russia Retaliates

On 2 August 2017, U.S. President Donald Trump signed into law new [legislation](#) designed to strengthen and expand U.S. sanctions against Iran, North Korea and Russia. Soon after the U.S. Congress passed the bill on 27 July, Russia [took steps](#) to seize U.S. government-owned properties in Russia and demanded a reduction in American diplomatic and technical staff stationed throughout Russia. European Union officials have [expressed concerns](#) that the new U.S. legislation has the potential to disrupt and harm the EU's energy security and have warned that they may adopt measures to counteract the new sanctions.

As described in our Client Update of 28 July 2017, the new law, known as the Countering America's Adversaries Through Sanctions Act, will impose new sanctions and require review by the U.S. Congress of any easing of the existing sanctions against Russia, including delistings of currently designated persons. The congressional review provisions are a response to concerns that the Trump administration might seek to scale back existing sanctions on Russia. In his [statement](#) accompanying the signing, President Trump criticized the bill, describing it as "significantly flawed" and calling some of its provisions unconstitutional. In a [second statement](#), President Trump attacked the legislation for "limiting the Executive's flexibility" but said that he had signed it "for the sake of national unity".

The new [legislation's](#) Russia-related provisions amend the sectoral sanctions program, which imposes limited restrictions on U.S. persons' activities with designated Russian companies, tightening current restrictions in several ways. The bill also authorizes sanctions against persons engaged in malicious cyber-activities. In addition to prohibitions against U.S. companies, the bill authorizes "secondary sanctions," which seek to restrict non-U.S. persons from engaging in certain activities, against any non-U.S. companies that make "significant investments" in Russian energy projects, engage in significant transactions with the Russian defence or intelligence sector, engage in dealings involving corruption in Russia or engage in "significant" transactions for or on behalf of a sanctioned person.

The bill's Iran-related provisions generally expand the scope of potentially sanctionable activities, especially as they relate to Iran's weapons programmes and human rights abuses. The bill includes similar sanctions with respect to North Korea.

For more detailed information, please see our [Client Update](#) of 28 July 2017.

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## US News

### Cuba: President Trump issues directive reimposing some sanctions

On 16 June 2017, President Trump announced his much-anticipated [rollbacks](#) of former President Obama's relaxation of the Cuba sanctions. The changes are relatively minor, mostly affecting travel, and are not as extensive as some had expected. The new restrictions are not yet in effect. Amendments to U.S. Treasury Department and Commerce Department regulations, providing details of the changes, are expected to be announced in the coming weeks.

The United States continues to maintain a general embargo on dealings with Cuba, although the Obama administration relaxed some aspects of the embargo in 2015 and 2016. The newly announced changes, set forth in a [memorandum](#) from the President, will eliminate certain travel authorizations and will forbid dealings with entities connected to the Cuban military. OFAC has issued [FAQs](#) and the White House has issued a [fact sheet](#) explaining the new measures.

Specifically, the authorisation for individual people-to-people travel to Cuba will be eliminated. That authorisation currently allows U.S. individuals to design their own educational trips to Cuba, not connected to academic study nor organised by U.S.-based educational tour groups. Travellers who have already made flight or hotel arrangements before 16 June 2017 will be exempted.

The restrictions on entities owned or controlled by the Cuban military is potentially more significant, as it will bar otherwise-authorized transactions with Grupo de Administración Empresarial S.A. (GAESA). GAESA, which is controlled by the Cuban military, owns a number of Cuban enterprises including many hotel properties. Contractual arrangements that are already in place, however, will be exempted.

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### Cuba: OFAC settles with American Honda Finance Corporation for car leases to Cuban embassy in Canada

American Honda Finance Corporation (AHFC) [agreed](#) to pay \$87,255 to OFAC to settle its potential liability associated with 13 lease agreements between an unaffiliated Honda dealership in Ottawa, Canada, and the Cuban Embassy to Canada. The leases were approved and financed by

Honda Canada Finance, Inc. (HCFI), a majority-owned subsidiary of AHFC. AHFC voluntarily self-disclosed the existence of these agreements in March 2014; however, three additional lease agreements were entered into after that self-disclosure.

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The settlement amount reflected several aggravating factors, including that AHFC had reason to know the nature of these transactions, particularly those that occurred after the March 2014 self-disclosure; HCFI personnel appeared to have actual knowledge that the lease agreements involved the Cuban Embassy; and AHFC is a large, commercially sophisticated financial institution. OFAC also considered several mitigating factors, including that AHFC took remedial action by establishing new procedures; AHFC cooperated with

OFAC's investigation by self-disclosing and promptly providing detailed and well-organized information; and that AHFC has not received a penalty notice or Finding of Violation from OFAC in the five years prior to the earliest transaction at issue.

OFAC issued a specific license to AHFC in June 2015 to allow it to continue the lease agreements.

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## DR Congo: OFAC sanctions senior DRC government official

OFAC [designated](#) François Olenga as a Specially Designated National for his role in overseeing security operations designed to suppress political opposition in the Democratic Republic of the Congo (DRC). Olenga heads the Military House of the President, which has operational control over the DRC Republican Guard and allegedly began taking a more active role in DRC

President Joseph Kabila's anti-opposition efforts in 2016. According to OFAC, the Republican Guard has been undermining democratic processes in the DRC, including by targeting political rivals and opposition parties and arbitrarily arresting and executing DRC citizens.

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## Iran: U.S. renews nuclear sanctions relief

The U.S. Department of State has [announced](#) that it is renewing the waivers for Iran contemplated by the nuclear deal with Iran, known as the [Joint Comprehensive Plan of Action \(JCPOA\)](#). Under the JCPOA, entered into in 2015, the United States and European Union lifted certain sanctions against Iran in exchange for limits on Iran's nuclear programme. Other U.S. sanctions, which were separate from the nuclear-related sanctions, remain in place.

As a matter of U.S. domestic law, the [waivers](#) provided under the JCPOA must be renewed periodically. There were concerns the Trump administration might not extend the sanctions relief, given the administration's rhetoric towards Iran and the anti-Iran views of some members of Congress.

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## Iran: Appellate court overturns OFAC penalty against car stereo exporter

The U.S. Court of Appeals for the D.C. Circuit has overturned the \$4 million civil penalty that OFAC imposed against Epsilon Electronics, Inc. OFAC imposed the penalty for Epsilon's shipment of car audio equipment to Iran through a third country.

The court's [decision](#), issued on 26 May 2017, is the first recent decision of its kind. U.S. courts are ordinarily highly deferential to OFAC's determinations, and most OFAC penalty proceedings end in voluntary settlements.

In overturning the penalty, the Court held that OFAC did not adequately explain parts of its determination that Epsilon had reason to know its shipments would be sent to Iran. That was one of the factors that

OFAC had taken into account in setting the penalty amount. Specifically, the Court found that OFAC acted arbitrarily and capriciously in applying the same aggravating factors to all thirty-nine apparent violations, even though only five had occurred after Epsilon was put on notice of the violations.

The decision may or may not lead to a significantly different outcome for Epsilon, as OFAC could reimpose the same penalty after providing a better explanation. The court's decision could lead, in future cases, to more transparency in OFAC's analysis and justifications in its penalty determinations.

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## Iran: Jury finds Manhattan skyscraper subject to forfeiture

The trial of the U.S. Government's civil forfeiture case against the Alavi Foundation concluded on 29 June 2017, with the jury finding that the building at 650 Fifth Avenue is subject to forfeiture. The Government alleged that Alavi, a not-for-profit organisation that funds charitable and philanthropic causes, was helping the Government of Iran

evade sanctions. Key contested issues included whether Alavi was controlled by Iran and whether Alavi knew that Assa Corporation, its partner and 40 per cent owner of the building, was controlled by Iran. Debevoise represented Alavi at trial.

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## Iran: Extradited Singaporean national sentenced to prison for exporting U.S. components found in IEDs in Iraq

The Justice Department [announced](#) on 27 April 2017 that Ling Yong Nam, a Singaporean national, had been sentenced to three years and four months in prison for his role in a conspiracy to export frequency modules from the U.S. to Iran. Nam was arrested in Indonesia in October 2014 and extradited to the U.S. in 2016. Nam was sentenced after pleading guilty in U.S. District Court in Washington, D.C. According to the

Justice Department, Nam was involved in exporting 6,000 of the modules from the U.S. through Singapore and ultimately to Iran between August 2007 and February 2008, and at least 14 of the modules were ultimately found in unexploded improvised explosive devices in Iraq.

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## Iran: Companies based in Iran, China and Turkey sanctioned for supporting Iran's weapons programmes

OFAC has added a number of entities to the Specially Designated Nationals (SDN) list for supporting Iran's procurement and development of weapons technologies or for stealing U.S. engineering software to benefit the Iranian military. As a result, U.S. persons are prohibited from dealing with the sanctioned individuals and entities and are required to freeze their assets. To the extent the individuals and entities have been designated under OFAC's Nonproliferation of Weapons of Mass Destruction (NPWMD) sanctions regime, non-U.S. persons may be subjected to "secondary sanctions" for transactions with them.

Sixteen of the entities and individual were [added](#) to the list on 18 July 2017. The designees included China-based individual Emily Liu, who was listed for procuring equipment on behalf of the Chinese military. Also listed were four China-based companies associated with Liu: Abascience Tech Co. Ltd., Raybeam Optronics Co. Ltd., Raytronic Corporation, Ltd., and Sunway Tech Co. Ltd. The Turkey-based entities Qeshm Madkandaloo Shipbuilding Cooperative Co

and Ramor Group were listed, along with an associated individual, for procuring equipment on behalf of Iran's Islamic Revolutionary Guard Corps (IRGC). Iran-based Rayan Roshd Afzar Company and three associated individuals were designated as SDNs for, among other things, producing technical components for the IRGC's unmanned aerial vehicle programme. These designations were made under the NPWMD sanctions regime.

OFAC also designated the Ajily Software Procurement Group, based in Iran, and an associated individual for using hackers to steal engineering software programmes from the United States and others. These designations were made under OFAC's Transnational Criminal Organizations sanctions regime. According to OFAC, Ajily sold some of this software to the Iranian military. At the same time, the U.S. Department of Justice [announced](#) an indictment of two Iranian nationals allegedly involved in the hacking.

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These designations coincide with the State Department's [designation](#) of two IRGC entities in Iran that are involved in the research and development of ballistic missiles technology. These entities were designated under the IRGC and NPWMD sanctions regimes. Complete identifying information for the newly designated individuals and entities is available on [OFAC's website](#).

Previously, on 17 May 2017, OFAC [added](#) two Iranian defence officials, a Chinese national and three China-based companies associated with him were added to its SDN list under the NPWMD sanctions regime. They were listed for their roles in supporting Iran's ballistic missile programme.

Specifically, Chinese national Ruan Runling and three associated Chinese companies – Shanghai Gang Quan Trading Company, Shanghai North Begins International, and Shanghai North Transway International Trading Company – were sanctioned for allegedly supporting Iran's missile programme.

According to OFAC, they supplied Iran's Shiraz Electronics Industries, an entity designated for its development of missile guidance technology for the Iranian military, with a variety of missile-related technology and goods, including goods that may be used for missile guidance systems.

Morteza Farasatpour, one of the two sanctioned defence officials, is said to have sold and delivered explosives to Syria's Scientific Studies and Research Centre on behalf of Iran's Defence Industries Organisation, an entity designated for having materially contributed to the development of Iran's nuclear and missile programmes. Rahim Ahmadi, the second official, was designated for involvement in ballistic missile flight testing in his role as Director of Iran's Shahid Bakeri Industries Group, an entity also designated for supporting Iran's ballistic missile programme.

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## Iran, Sudan and Cuba: AIG settles with OFAC over marine cargo insurance

American International Group, Inc. (AIG) has settled with OFAC concerning 555 transactions involving the insurance of maritime shipments of goods destined for, or transiting through, Iran, Sudan, or Cuba, and/or involving a blocked person. In its [announcement](#) of the settlement, OFAC reiterated its advice that insurers should include in global insurance policies an explicit exclusion for risks that would violate U.S. sanctions laws.

The transactions, which took place from November 2007 through September 2012, totalled approximately \$396,530 in premiums and claims. Most of the transactions were related to global insurance policies,

although some of the alleged violations occurred under single shipment insurance policies. AIG agreed to remit \$148,698 to settle its potential civil liability.

According to OFAC, the settlement amount reflects several aggravating factors, including that the apparent violations spanned multiple years and that AIG is a large and commercially sophisticated financial institution. OFAC also considered several mitigating factors, including that AIG voluntarily self-disclosed the apparent violations, cooperated with OFAC, and had an OFAC compliance programme in place at the time of the apparent violations.

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## North Korea: FinCEN imposes AML restrictions on Chinese bank; OFAC sanctions Russian and Chinese companies for exports to North Korea

The U.S. Financial Crimes Enforcement Network (FinCEN) has taken the initial steps to impose anti-money laundering restrictions against China's Bank of Dandong for its North Korea-related activities. Separately, OFAC has designated seven entities and five individuals as SDNs for their roles in exports to North Korea. The newly sanctioned companies include Russia-based Independent Petroleum Company and Ardis Bearings LLC, and China-based Dalian Global Unity Shipping Co., Ltd. In addition, two U.S. Senators are [reportedly](#) readying legislation that would, if adopted, strengthen sanctions against North Korea.

According to [remarks](#) by Secretary of the Treasury Steven T. Mnuchin, the action against Bank of Dandong is meant "to ensure that North Korea is cut off from the U.S. financial system." [The Notice of Proposed Rulemaking](#), published on 7 July 2017, is open for comments for 60 days. If adopted as a final rule, it will bar U.S. banks from opening or maintaining correspondent accounts for the Bank of Dandong. According to a Treasury Department [press release](#), the bank "acts as a conduit for North Korea to access the U.S. and international financial systems, including by facilitating millions of dollars of transactions for companies involved in North Korea's WMD and ballistic missile programs."

Additionally, Moscow-based Ardis-Bearings LLC and its director, Igor Aleksandrovich Michurin, were

[added](#) to the SDN list as proliferators of weapons of mass destruction on 1 June 2017. According to OFAC, they provide supplies to and participate in other business with Korea Tanguin Trading Corporation, an entity previously designated for its involvement in North Korea's weapons programmes.

Independent Petroleum Company, a Russian company, along with one of its subsidiaries, AO NNK-Primornefteproduct, were [designated](#) on 1 June 2017 under OFAC's North Korea sanctions programme. According to OFAC, they contracted to provide oil to the North Korean government and shipped over \$1 million worth of petroleum products to North Korea.

The Chinese entity Dalian Global Unity Shipping Co., Ltd. was [designated](#) on 29 June 2017 as an SDN under the North Korea sanctions programme for its transportation operations in North Korea. The company transports coal and steel products between China and North Korea and was reportedly actively involved in several cases of luxury goods smuggling.

Three North Korean governmental entities and a China-based North Korean bank official also were added to the SDN list for their roles in supporting North Korea's weapons programmes.

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## Sudan: U.S. extends sanctions review

President Trump has signed an [executive order](#) extending to 12 October 2017 the review period for determining whether U.S. sanctions against Sudan will be permanently lifted. As we reported in [Sanctions Alert Issue 51](#), the Obama administration in January issued an executive order contemplating that the Sudan sanctions would be formally terminated on 12 July 2017. That action was accompanied by a [general license](#) unblocking the property of the Government of Sudan and authorising all transactions that otherwise would be prohibited under the Sudan Sanctions Regulations.

As OFAC has [explained](#), the new executive order does not change the general license. The general license does not authorise transactions that are prohibited under the Darfur Sanctions Regulations or the South Sudan Sanctions Regulations, which remain in place.

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## Syria: U.S. sanctions individuals and entities linked to Assad regime

On 16 May 2017, OFAC [blocked the property](#) of five individuals and five entities connected with the Syrian government.

Three entities and three individuals were designated as Specially Designated Nationals of Syria for their ties to Rami Makhluf, a Syrian government insider and cousin of Syrian President Bashar al-Assad. The entities are Al-Ajinah, Al-Bustan Charity and Barly Offshore, and the individuals Muhammad Abbas, Samir Darwish and Ihab Makhluf.

At the same time, Damascus-based Cham Islamic Bank, along with Rami Makhluf's brother

Iyad Makhluf, were designated as SDNs of Syria for helping the Syrian government evade U.S. and international sanctions.

Muhammed Bin-Muhammad Faris Quwayder, the Contracts Director of Syria's Scientific Studies and Research Centre, was designated as a proliferator of weapons of mass destruction for his role in supporting the Syrian government's chemical and non-conventional weapons programme.

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## Venezuela: OFAC sanctions eight judges on Venezuela's Supreme Court

Eight members of the Constitutional Chamber of Venezuela's Supreme Court of Justice were [designated](#) as Specially Designated Nationals of Venezuela on 18 May 2017. According to OFAC, the eight judges were sanctioned for their roles in court decisions that undermined and "usurped" Venezuela's democratically-elected legislature, the National Assembly.

Venezuelan President Nicolás Maduro has acted to prevent the National Assembly, which is controlled by opposition parties, from exercising its powers. The rulings by Maduro's loyalists on the court were part of this effort.

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## Counter-Narcotics: New designations in Mexico and Colombia

*Mexico:* Jose Luis Ruelas Torres, leader of the Ruelas Torres Drug Trafficking Organization, was [designated](#) under the Kingpin Act along with ten of his associates, most of whom are members of his immediate or extended family. Torres is allegedly responsible for smuggling heroin from Sinaloa, Mexico into the U.S. and distributing the heroin in several major U.S. cities. Torres and his organization also are alleged to have moved drug proceeds from the U.S. to Mexico. In 2015, Torres and his son, Joel Efren Ruelas Avila, were charged with various narcotics trafficking and money laundering offenses by the U.S. Attorney's Office for the District of Colorado.

*Colombia:* On 31 May 2017, OFAC [designated](#) four Colombian nationals and five Colombian companies as SDNs. The companies are involved in, among other things, family estate management, mining, and coffee cultivation. The individuals and entities were designated for their ties to the Gallon Henao brothers, who were previously [designated](#) for their role in supporting La Oficina de Envigado and engaging in narcotics trafficking and other criminal activities. Three of the designated individuals in this action allegedly manage the designated companies on behalf of Juan Santiago Gallon Henao.

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## Counter-Terrorism: New designations in Yemen, Iraq and Pakistan

*Yemen:* OFAC [designated](#) Hashim Muhsin Aydraus al-Hamid and Khalid Ali Mabkht al-Aradah as SDNs on 19 May 2017 for their roles in supporting al-Qa'ida in the Arabian Peninsula (AQAP). Al-Hamid assisted AQAP in acquiring explosives and other weapons and helped individuals associated with AQAP enter Yemen. Al-Aradah, a leader of an AQAP camp in Yemen, transports weapons and AQAP recruits.

*Iraq:* On 15 June 2017, OFAC [designated](#) Umar al-Kubaysi and his company, Al-Kawthar Money Exchange, as SDNs for supporting Islamic State of Iraq and Syria's (ISIS) financial operations and facilitating money transfers on behalf of ISIS. OFAC's first designations of money services businesses linked to ISIS came in December 2016. Three other

ISIS members were also designated. Al-Kawthar Money Exchange has facilitated financial transfers with other money exchange companies affiliated with ISIS financial facilitators, including transfers worth approximately \$2.5 million with one such company between late 2015 and early 2016.

*Pakistan:* Mohammad Yusuf Shah, also known as Syed Salahuddin, a senior leader of the militant group Hizbul Mujahideen, was [designated](#) by OFAC as an SDN on 26 June 2017. According to OFAC, Salahuddin was designated for aggravating tensions in Kashmir by vowing to block any peaceful resolution to the conflict in Kashmir and threatening to train more Kashmiri suicide bombers to target Indian military forces.

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## Export controls: U.S. man charged for attempted weapons export to Russia

Mark Komoroski, a resident of Pennsylvania, was [indicted](#) on 10 May 2017 for allegedly attempting to export two rifle scopes to an individual in Russia without obtaining the export licenses required by U.S. law. Komoroski, a convicted felon who is

prohibited from owning firearms, also was indicted for unlawful possession of over 25,000 rounds of ammunition.

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## Export controls: U.S. businessman pleads guilty to illegal exports to Pakistan Atomic Energy Commission

Imran Khan, a business owner in Connecticut, pleaded guilty on 2 June 2017 to one count of exporting a spectrometer to the Pakistan Atomic Energy Commission (PAEC). PAEC is on BIS's Entity List, and U.S.-origin goods may not be exported to it without a license from BIS. According to a U.S. Justice Department [press release](#), Khan falsely certified to

manufacturers that export-controlled goods would remain in the United States although his company was purchasing them for re-export to PAEC and other restricted end users in Pakistan. Khan is due to be sentenced on 25 August 2017.

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## TCO sanctions: Two former PacNet executives removed from SDN list

OFAC has recently removed two former executives of affiliates of PacNet Services, Inc. from its SDN list. As we reported in [Issue 50](#), the executives had been sanctioned, along with multiple PacNet companies, in September of last year. The sanctions were based on [allegations](#) that the PacNet companies were “knowingly processing payments on behalf of a wide range of mail fraud schemes that target victims in the United States and throughout the world.” PacNet, which is headquartered in Canada, has reportedly ceased operations as a result of the sanctions.

[According to OFAC](#), one of the recently delisted individuals ([removed](#) on 15 May 2017) was involved in managing several PacNet-affiliated companies in Italy and the UK, while the other individual ([removed](#) on 6 June 2017) was a managing partner for PacNet Brazil. Several other PacNet executives have been previously delisted. The sanctions were imposed under OFAC's sanctions regime for Transnational Criminal Organizations.

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## UN News

### South Sudan: Sanctions reviewed by Security Council

On 24 May 2017, the UN Security Council (the “Council”) renewed until 31 May 2018 a raft of sanctions, including a travel ban and asset freeze regarding South Sudan. These sanctions were targeted to those designated to be blocking peace, security and stability in South Sudan and those who constitute

a threat to international peace and security in the region. The Council unanimously adopted resolution [2353 \(2017\)](#) and has recalled its previous resolutions and statements on South Sudan.

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## North Korea: Security Council extends sanctions regime

On 2 June 2017, the Council unanimously passed a resolution for new sanctions against North Korea.

The Council will extend the number of individuals and entities targeted by sanctions first imposed under [1718 \(2006\)](#). The sanctions were instigated as a direct response to two North Korean nuclear tests and ballistic missile launches. The Council adopted a US-drafted resolution ([2356 \(2017\)](#)) that put North Korea's suspected spy chief, 13 other officials and four entities, including the Koryo Bank and Strategic Rocket Force of the Korean People's Army on the UN sanctions blacklist. The Council reaffirmed

its decision that Pyongyang must abandon all nuclear weapons and existing nuclear programs completely.

In addition, on 1 June 2017, the Security Council Committee amended the North Korea sanctions list removing Choe Song, Jang Yong Son, Kim Jung Jong and Kim Yong Chol pursuant to [1718 \(2006\)](#). On 5 June 2017, the Security Council further amended the sanctions list removing Namchongang Trading Corporation and Green Pine Associated Corporation pursuant to 1718 (2006).

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## Council additions and amendments

On 16 June 2017, the Security Council Committee approved the [addition](#) of Fared Saal on its ISIL and Al-Qaida list of individuals subject to asset freezes and travel bans due to Saal's association with terrorist activities ([1267 \(1999\)](#), [1989 \(2011\)](#) and [2253 \(2015\)](#)). On 7 June 2017, the Council amended the list and

removed Jabhat al-Nusrah pursuant to previously stated regulations. On 20 June 2017, the Security Council further amended the list and removed Adbul Haq and Abu Bakr.

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# Sanctions Alert

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