

SHEARMAN & STERLING

Sanctions Roundup

May 3, 2022

FIRST QUARTER 2022

- US and Western allies impose unprecedented sanctions on the Russian Federation in response to its invasion of Ukraine. For full details and analysis, see our separate publications of [February 28](#), [March 22](#), and [April 27](#), along with our [Annex](#) of key Russian individuals and entities subject to the US, EU, and UK sanctions.
- As the world adjusts to the new sanctions landscape, US finds familiar targets in North Korea and Iranian missile procurement networks.
- DOJ terminates Trump-Era “China Initiative” on IP-theft, while the SEC threatens to delist six Chinese issuers from US exchanges over audit concerns.
- Another US travel-services company settles potential liability for Cuba infractions; OFAC penalizes Hong Kong distributor for transferring USD payments in connection with Iran business.

CONTENTS

RUSSIA	1
OFAC Targets Pro-Kremlin Actors Prior to Ukraine Invasion	1
US and Western Allies Unite in Opposition to Russian Aggression Against Ukraine	1
US Escalates Sanctions in Response to Reported War Crimes	2
CHINA	4
DOJ Ends Controversial “China Initiative”	4
Six Chinese Companies Identified for Possible Delisting from US Stock Exchanges	5
IRAN	6
OFAC Targets Iran’s Ballistic Missile Procurement Efforts	6
NORTH KOREA	7
US Targets North Korea’s Procurement of Missile-Related Inputs	7
MYANMAR (BURMA)	8
OFAC Continues to Target Myanmar Military and Its Support Networks	8
OFAC TARGETS CORRUPT ACTORS AND HUMAN RIGHTS VIOLATORS AROUND THE WORLD	9
COUNTERTERRORISM DESIGNATIONS	10
OFAC TARGETS NARCOTICS TRAFFICKERS & CRIMINAL ORGANIZATIONS	12
ENFORCEMENT ACTIONS	14

RUSSIA



Sanctions have been front and center this quarter following Russia's invasion of Ukraine in late February. The US, EU, UK, Canada, Japan, and many other countries have imposed a swath of complex and interlocking sanctions and trade restrictions on Russia to pressure President Putin to cease his country's military invasion of Ukraine. The unprecedented measures impose coordinated economic restrictions on Russian elites, financial institutions, and sectors of the Russian economy. The moves have already prompted several US and other Western companies to pull out of Russia, although Russia has sought to prevent such exits through legislation and reciprocal sanctions. The Russia Harmful Activities program is rapidly evolving, with announcements of new designations or other forms of sanctions being announced often several times a week. This report focuses on those sanctions imposed through early April. We will cover subsequent sanctions in our second quarter Update as well as specific notes highlighting critical intervening developments.

On January 20, OFAC designated four Ukrainian individuals for engaging in government-directed "influence activities" to destabilize Ukraine. First, OFAC designated two current, pro-Kremlin members of Ukraine's parliament, **Taras Kozak** and **Oleh Voloshyn**. Both Kozak and Voloshyn are believed to work on behalf of Russia's intelligence agency and operationalize the Russian Federation's disinformation campaigns. Kozak, for example, controls several news channels in Ukraine and uses his platforms to mock Ukrainian president Volodymyr Zelensky, while Voloshyn reportedly works with Russian actors to undermine Ukrainian officials and advocate on behalf of Russia. **Volodymyr Oliylyk**, a former Ukrainian official, was designated for allegedly passing sensitive information about Ukraine's critical infrastructure to Russian officials in support of Russia's cyber efforts to destabilize Ukraine's access to energy products. Lastly, OFAC designated **Vladimir Sivkovich**, former Deputy Secretary of Ukrainian National Security and Defense Council, for attempted influence operations to officially cede Crimea to Russia. Amid intelligence that Russia indeed had aggressive plans against its western neighbor, OFAC made clear that these designations were distinct from any sanctions Russia might face should it invade Ukraine.

US and Western Allies Unite in Opposition to Russian Aggression Against Ukraine

Throughout the first quarter, rapidly declassified intelligence indicated an imminent Russian invasion, later confirmed on February 24 when Russia launched missile attacks across Ukraine. The international community

acted swiftly to address the unprovoked act of aggression in violation of international law, as countries worldwide imposed sweeping sanctions measures. We previously issued notes summarizing and analyzing U.S. sanctions on Russia on [February 28, 2022](#), [March 22, 2022](#), and [April 27](#), along with an [accompanying table](#) of key Russian individuals and entities newly designated as subject to the US, EU, and UK sanctions. In short, the new US sanctions include:

- *Blocking sanctions* (i.e. asset freezes and travel bans) on numerous Russian elites and government officials, in addition to almost every major Russian financial institution, as well as defense-related enterprises, Russian online media sites, and other entities;
- *Sectoral sanctions* on certain Russian financial institutions that restrict US persons from transacting in new debt and equity, prohibit US financial institutions from maintaining correspondent and payable-through accounts or conducting transactions with Sberbank, and bar US persons from transactions involving Russia's Central Bank, National Wealth Fund, and Ministry of Finance;
- *Comprehensive economic embargo* on the self-proclaimed Donetsk and Luhansk People's Republics—similar to existing measures on Crimea, which were put in place after Russia's annexation in 2014; and
- *Trade restrictions* on certain sectors of the Russian economy, including oil and gas, high-tech goods, luxury goods, seafood, diamonds, and alcohol, and US banknotes.

Already, the coordinated measures by the US and its international partners have pummeled Russia's economy and caused widespread effects globally. The International Monetary Fund, for example, assessed that the sanctions against Russia's Central Bank will restrict its access to international reserves to support its currency, which is currently propped up by inventive protectionist measures. The sweeping sanctions against Russia's largest banks, and the exclusion from the international SWIFT payment network, have prevented Russia from receiving or making payments for exports and imports. Outside of Russia, the crisis has produced rising inflation and upward pricing pressure on energy and commodity prices, and supply disruptions will be acutely felt by those countries with close economic links with Ukraine and Russia.

The complex web of financial sanctions and trade restrictions have also presented unprecedented compliance challenges for global companies. Many in-house counsel have conducted comprehensive reviews of enterprise risks arising from connections to Russia and searched for ways to extricate or wind-down existing operations implicated by sanctions measures. Meanwhile, the fluid nature of the conflict and sanctions response has companies preparing for heightened measures against countries who so far have been reluctant to join Western governments' efforts to combat the Putin regime, such as China.

US Escalates Sanctions in Response to Reported War Crimes

On April 6 and April 7, OFAC significantly escalated sanctions against Russia following reports of atrocities against Ukrainian civilians committed by Russian forces. The latest measures include a new executive order banning US investment in Russia, as well as full-scale blocking sanctions against two of Russia's largest financial institutions, additional Russian elites and their family members, and sanctions against lucrative state-owned enterprises. These measures include:

- *New Executive Order:* President Biden issued a new Executive Order, dated April 6, 2022, titled "*Prohibiting New Investment in and Certain Services to the Russian Federation in Response to Continued Russian Federation Aggression.*" The new E.O. bans all new investment in the Russian Federation by US persons, wherever located, as well as the exportation, re-exportation, sale, or supply, directly or indirectly, from the United States, or by a US person, wherever located, of any category of services as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, to any person located in the Russian Federation.
- *Expanded Sanctions on Russian Financial Institutions:*

- OFAC imposed full-scale blocking sanctions against **Public Joint Stock Company Sberbank of Russia (Sberbank)**, the largest financial institution in Russia and majority-owned by the Government of the Russian Federation. It is believed that Sberbank holds about one-third of all bank assets in Russia and is the main creditor of the Russian economy. The blocking measures expand existing sanctions against Sberbank, which before only prevented US banks from opening or maintaining correspondent accounts, or processing transactions for Sberbank under Directive 2 of E.O. 14024. OFAC designated forty-two Sberbank subsidiaries for being owned or controlled by, or for having acted or purported to act for or on behalf of, directly or indirectly, Sberbank.
- OFAC also imposed full blocking restrictions on **Joint Stock Company Alfa-Bank (Alfa-Bank)**, Russia's largest privately owned financial institution and Russia's fourth-largest financial institution overall. OFAC also designated six subsidiaries of Alfa-Bank and five vessels it owns or controls.
- *Prominent Family Members:* OFAC designated **Maria Vladimirovna Vorontsova** and **Katerina Vladimirovna Tikhonova**, identified as daughters of Russian President Vladimir Putin. In addition, OFAC designated **Maria Aleksandrovna Lavrova** and **Yekaterina Sergeevna Vinokurova**, the wife and daughter, respectively, of Russian Foreign Minister Sergey Lavrov.
- *Russian Elites:* OFAC designated additional members of the Security Council of the Russian Federation, chaired by President Putin and composed of members he appoints, a key national security body in Russia that determines and executes Russia's foreign policy, including its unprovoked war of choice against Ukraine. The members were designated pursuant to E.O. 14024 for being or having been a leader, official, senior executive officer, or member of the board of directors of the Government of the Russian Federation.
- *State-Owned Enterprises:* To cut off revenue streams that finance Russia's aggression in Ukraine, OFAC designated two Government of Russia-owned enterprises pursuant to E.O. 14024: Diamond mining company **Public Joint Stock Company Alrosa (Alrosa)** and warship builder **United Shipbuilding Corporation (USC)**, as well as all entities owned 50% or more by each entity. Alrosa is the world's largest diamond mining company, believed to generate \$4.2 billion in revenue each year. USC, meanwhile, develops and builds nearly all of Russia's warships. Also designated were eight board members of USC.

CHINA



Following Russia’s invasion of Ukraine, the US redirected its sanctions focus away from the People’s Republic of China, which for several years has been the target of US sanctions authorities in response to its perceived human rights abuses and corporate espionage. Though President Biden announced no new sanctions this quarter, there were two notable developments flowing from prior sanctions measures, including an end to the DOJ’s so-called “China Initiative” aimed at halting the PRC’s theft of US intellectual property. The US Securities and Exchange Commission, meanwhile, identified several Chinese public companies for de-listing from US securities exchanges.

DOJ Ends Controversial “China Initiative”

In February, the US Department of Justice announced it was terminating its controversial “China Initiative,” a program launched under the Trump Administration designed to prevent the theft of US intellectual property and trade secrets for use in China. The China Initiative resulted in a number of criminal prosecutions against academic scientists and tech employees, most commonly on charges that these individuals failed to disclose financial ties to China in representations to the US government. Several court proceedings against Chinese nationals remain pending this quarter, including against **Xiang Haitao**, a Chinese national and former resident of Chesterfield, Missouri, who pleaded guilty to charges that he conspired to commit economic espionage during his employment at a subsidiary of agrochemical company Monsanto. Xiang was apprehended during an attempt to board a one-way flight to China while allegedly in possession of a proprietary predictive algorithm of Monsanto, a critical component to a platform used by farmers to collect and visualize agricultural field data.

Civil rights groups and university scientists in the US, who have complained the program used racial profiling, praised the DOJ's announcement. Though officially terminated, the Department of Justice said it would continue to combat Chinese espionage and cyberthreats but would change its approach to similar "false statement" cases. In particular, Assistant Attorney General Matthew Olsen announced the initiative will now be called "a strategy for countering nation-state threats," signaling that the US will focus on foreign government threats more generally.

Six Chinese Companies Identified for Possible Delisting from US Stock Exchanges

Last quarter [we reported](#) on the SEC's adoption of a final rule to implement the Holding Foreign Companies Accountable Act (HFCAA), legislation passed in 2020 which requires companies to declare whether they are owned by a foreign government and enables the SEC to prohibit the trading of the US-listed securities of foreign companies if the company does not submit to an audit by the Public Company Accounting Oversight Board. If a foreign company fails to comply with the rule for three consecutive years, the HFCAA requires the SEC to issue an order prohibiting the trading of the company's securities on US stock exchanges and in the US over-the-counter markets. On March 8, the SEC published its first provisional list of HFCAA-identified issuers, notifying these issuers of their HFCAA non-compliance. The six companies, all based in China, are:

- Chinese biotech firms **BeiGene** and **Zai Lab**
- Restaurant operators, **Yum China**
- Semiconductor process equipment manufacturer, **ACM Research**
- Pharmaceutical company, **HUTCHMED**
- Social media company **Weibo**.

The identified companies will not be immediately delisted, since the HFCAA requires an issuer to be in non-compliance with its audit requirement for three years in a row, meaning that the SEC may not take final action until 2024 at the earliest. Chinese regulators responded to the announcement by opposing what it deemed a politicized use of securities supervision by US authorities. Nevertheless, the PRC regulators signaled that they are open to working with US regulators to resolve these issues through a cooperation plan.

IRAN



Continuing its recent trend, the US took limited actions against Iran this quarter, as the two countries continue indirect talks in Vienna to revive the multilateral Joint Comprehensive Plan of Action. Public reports suggest the negotiations may be developing in a positive direction.

OFAC Targets Iran's Ballistic Missile Procurement Efforts

On March 30, OFAC designated Iranian procurement agent **Mohammad Ali Hosseini** and two Iranian entities under his control, **Jestar Sanat Delijan** and **Sayehban Sepehr Delijan**, for their efforts to procure ballistic missile propellant-related components for Iran's missile program. Hosseini, who was designated for providing support to the Iranian Revolutionary Guards Corps Research and Self Sufficiency Jihad Organization ("IRGC RSSJO"), was reportedly involved in high level talks with IRGC RSSJO officials to procure processing machines for nitril butadiene rubber and an inert gas jet milling system from China using falsified shipping documents. These components are used in the production of solid missile propellant. OFAC designated **Sina Composite Delijan Company**, also alleged to play a role in this procurement network, for its support of the IRGC RSSJO. OFAC additionally sanctioned Tehran-based **P.B. Sadr Co.**, which acted on behalf of sanctioned entity Parchin Chemical Industries ("PCI") to procure parts used to develop missile propellant. Specifically, P.B. Sadr Co. received centrifuge spare parts from China on PCI's behalf.

NORTH KOREA



North Korea made headlines this quarter after it announced that it had tested in late March a new intercontinental ballistic missile. The launch drew condemnation from leaders worldwide and ended a self-imposed moratorium on long-range testing the regime put in place in 2017. The launch follows several North Korea-related actions this quarter focused on its missile development and nuclear capabilities.

US Targets North Korea's Procurement of Missile-Related Inputs

In the first action targeting persons for allegedly having procured goods for the DPRK's weapons of mass destruction and ballistic missile programs, the US on January 12 designated five North Korean individuals pursuant to E.O. 13382: one Russia-based DPRK national, **Choe Myong Hyon**; and four China-based DPRK nationals, **Sim Kwang Sok**, **Kim Song Hun**, **Kang Chol Hak**, and **Pyon Kwang Chol**. Each was designated for providing telecommunications equipment, software, chemicals, and steel alloys in support of the Second Academy of Natural Sciences, a sanctioned entity involved in the DPRK's weapons programs. In a related action, the State Department designated North Korean national **O Yong Ho**, Russian national **Roman Anatolyevich Alar**, and Russian entity **Parsek LLC**, also for having contributed to North Korea's weapons programs.

On March 11, OFAC then designated two individuals and three entities for their assistance to Pak Kwang Hun, an SDN well-known for his efforts to acquire materiel for the DPRK defense industry. OFAC designated Russian entity **Apollon OOO** and its director, **Aleksandr Andreyevich Gayevoy**, for employing Pak Kwang Hun using an alias, to deceive suppliers that the end-user of their goods was North Korea. Pak Kwang Hun is also alleged to have worked with Russian company **Zeel – M Co., Ltd** and its director, **Aleksandr Aleksandrovich Chasovnikov**, to procure defense equipment for the DPRK. According to OFAC, Chasovnikov coordinated the purchase and transportation of defense-related items for other DPRK organizations.

MYANMAR (BURMA)



OFAC Continues to Target Myanmar Military and Its Support Networks

On March 25, OFAC designated five individuals and five entities connected to the military regime in Myanmar after the US concluded that the “Burmese military committed genocide, crimes against humanity, and ethnic cleansing against [the] Rohingya.” Among those designated was the **66th Light Infantry Division**, a military unit allegedly responsible for serious human rights abuses. The 66th Light Infantry Division purportedly played a role in the 2021 Christmas Eve massacre, in which numerous civilians were killed, burned alive, captured, and tortured. OFAC also designated two military leaders: **Ko Ko Oo**, the Commander of Central Command and the head of the Ministry of Defense’s Technologies Department, and Major-General **Zaw Hein**, the Commander of the Nay Pyi Taw Command.

OFAC designated an additional three arms dealers and their companies pursuant to E.O. 14014 for operating in the defense sector of the Myanmar economy. Specifically:

- **Naing Htut Aung** and his company **International Gateways Group of Company Limited** were designated for, among other reasons, operating as an arms dealer who procured equipment from Chinese companies;
- **Aung Hlaing Oo** and his company **Myanmar Chemical & Machinery** were sanctioned for allegedly setting up a manufacturing facility to produce military arms and equipment; and
- **Sit Tain Aung** was designated for using his companies as fronts to broker arms deals.

Finally, OFAC designated **Htoo Group of Companies** and its controlled-affiliate **Asia Green Development Bank Ltd**, for being owned or controlled by, Tay Za, who was designated in January 2022 for operating in the defense sector of the Burmese economy.

OFAC TARGETS CORRUPT ACTORS AND HUMAN RIGHTS VIOLATORS AROUND THE WORLD



On March 15, OFAC designated four individuals and one entity pursuant to the Sergei Magnitsky Rule of Law Accountability Act of 2012, which authorizes OFAC to sanction persons engaged in gross human rights abuses. These are the first designations of Russian individuals under the Magnitsky Act since Russia's invasion of Ukraine, illustrating OFAC's intent to use every arrow in its quiver to punish Russia. Three targets in this action relate to the death of Russian lawyer and whistleblower Sergei Magnitsky, for whom the legislation is named, or were connected to abuses committed against Oyub Titiev. First, OFAC sanctioned **Natalia Mushnikova**, a district judge in Moscow, for efforts to conceal the legal liability for the detention and death of Magnitsky while in prison on charges connected to his investigation of large-scale corruption by Russian government officials. While a judge, OFAC alleges that Mushnikova denied Magnitsky's family the opportunity to properly plead their case against the individuals responsible for Magnitsky's death, obstructed justice by concealing evidence, denied an independent autopsy, and rejected an appeal for an independent medical review.

OFAC also targeted alleged abusers of Oyub Titiev, a prominent human rights defender and branch leader of the human rights organization Memorial. According to OFAC, Titiev was involved in investigating allegations of summary executions by Republic of Chechnya security officials in 2017. As punishment, Russian authorities arrested Titiev for drug possession upon falsified evidence. Titiev was later sentenced to four years in prison. For their involvement, OFAC designated the **Kurchaloi District of the Chechen Republic Branch of the Ministry of Internal Affairs of the Russian Federation** and two of Titiev's arresting officers, **Nurid Denilbekovich Salamov** and **Khusein Merlovich Khutaev**. OFAC also sanctioned **Dzhabrail Alkhazurovich Akhmatov**, the prosecutor who decided to bring charges against Titiev, for prosecuting Titiev despite reason to believe that evidence against Titiev was fabricated.

On March 21, OFAC designated the **Republic of the Sudan Central Reserve Police** for human rights abuses against pro-democracy protestors in Khartoum. The CRP is a militarized Sudanese police unit. On January 17, 2022, the CRP reportedly fired live ammunition at protestors outside of the University of Khartoum's Faculty of Medicine, killing one person.

COUNTERTERRORISM DESIGNATIONS



Twice in January, OFAC acted against a foreign terrorist organization, Hizballah, primarily targeting individuals and entities alleged to be operating in the Hizballah network in Lebanon. On January 18, OFAC designated **Adel Diab**, a Hizballah member and Lebanese businessman, **Ali Mohamad Daoun**, a Hizballah official in charge of its second district, and **Jihad Salem Alame**, a Hizballah member, for having provided material support to Hizballah. OFAC further designated Lebanese travel agency **Dar Al Salam for Travel & Tourism**, which is owned by Diab, Daoun, and Alame.

On January 21, OFAC designated Adel Diab's son, **Ali Adel Diab**, a Lebanese national and director and partner of Zambia-based **Hamer and Nail Construction**, which OFAC also designated for providing material support to Hizballah along with another Zambia-based entity, **Hamidco Investment Limited**. OFAC further designated **Adnan Ayad** and his son **Jihad Adnan Ayad**, both alleged to be Hizballah members, and related entity **Al Amir Co. for Engineering, Construction, and General Trade SARM**, which the Ayads reportedly used to raise funds and launder money for Hizballah. Finally, OFAC designated the following entities for being part of Adnan Ayad and Adel Diab's networks: **Golden Group SAL Offshore**, **Inshaat Co SARM**, **Land Metics SARM**, **Land Metics SAL Off-Shore**, **Golden Group Trading SARM**, **Top Fashion GmbH Konfektionsbügeleri**, and **Jammoul and Ayad Industry for Trade**.

On February 3, OFAC sanctioned **World Human Care**, a non-governmental organization based in Indonesia reportedly established by the terrorist organization, Majelis Mujahidin Indoensia ("MMI"). According to OFAC, MMI claims to be a "charitable organization" but is a front for violent extremist activity in Syria. MMI reportedly hosted fundraisers in Indonesia, then transferred those funds to people and groups in Syria affiliated with Al Qaeda. The designation of World Human Care illustrates the difficulties OFAC faces in encouraging and supporting legitimate humanitarian organizations while preventing the financing of terrorism. In its sanctions announcement, OFAC emphasized that organizations like World Human Care undermine legitimate humanitarian efforts.

On February 23, OFAC designated members of an international network funding the Houthis' war in Yemen, led by the Islamic Revolutionary Guard Corps Qods Force and previously designated Houthi financier **Sa'id al-Jamal** and Turkey-based businessman **Abdi Nasir Ali Mahamud**. According to OFAC, the network has used a complex

web of intermediaries to fund Houthi attacks in the years-long proxy war in Yemen. OFAC designated three commodity traders, Mahamud, **Abdo Abdullah Dael Ahmed**, and **Konstantinos Stavridis**, all based in the UAE, for financing the Houthis. Ahmed reportedly operates a Yemen-based entity **Moaz Abdalla Dael Import and Export**, through which he has transferred over \$10 million to al-Jamal. Stavridis uses his company, **Fani Oil Trading FZE**, to purchase gasoline for al-Jamal. OFAC further designated Mahamud's company, Turkey-based **JJO General Trading Gida Sanayi Ve Ticaret Anonim Sirketi**, and Dael's company, UAE-based **Al Foulk General Trading Co LLC**.

Additionally, OFAC designated Turkey-based intermediary **Garanti Ihracat Ithalat Kuyumculuk Dis Ticaret Limited Sirketi** for facilitating millions of dollars of transactions for al-Jamal in support of oil shipments to China and Syria. OFAC further designated Yemen-based money exchange houses **AlAlamiyah Express Company for Exchange and Remittance** and **Al-Hadha Exchange Co.** for having moved millions of dollars for al-Jamal.

Finally, in the same round of sanctions, OFAC designated India, Singapore, and UAE-based **Aurum Ship Management FZC**, a shipping company connected to al-Jamal and Mahamud, and a vessel operating under the flag of St. Kitts and Nevis, **Light Moon**. According to OFAC, Light Moon was used to ship petroleum products in support of Mahamud and tried to disguise its activities by turning off its Automatic Identification System. OFAC also designated Aurum's managing director, **Chiranjeev Kumar Singh**, and a shell company **Peridot Shipping and Trading LLC**.

On March 1, OFAC designated financiers of ISIS and ISIS-Mozambique based in South Africa. According to OFAC Durban-based **Farhad Hoomer** provided residential properties and vehicles to support a South Africa-based cell of ISIS. He also raised funds through kidnapping and extortion. OFAC also designated the leader of a Cape Town-based group of ISIS supporters, **Siraj Miller**, a supporter of ISIS-Mozambique who facilitated funds transfers to it, **Peter Charles Mbaga**, and the owner of two mosques in South Africa who extorted their members for funds for ISIS, **Abdella Hussein Abadigga**.

In continuing its trend of sanctions enforcement against financiers of terrorism, OFAC designated two key Hizballah financiers operating in Guinea on March 4. According to OFAC, **Ali Saade** and **Ibrahim Taher**, Lebanese businessmen, transfer funds through Hizballah representatives in Guinea and Lebanon. Saade is reportedly closely tied to previously designated Hizballah supporter Kassem Tajjideen.

On March 7, OFAC and the State Department designated **Katibat al Tawhid wal Jihad (KTJ)**. KTJ is an al-Qaeda affiliate that operates in the Idlib province of Syria with Hay'at Tahrir al-Sham, Katibat al-Imam al-Bukhari, and Islamic Jihad Group. According to the State Department, KTJ is responsible for terrorist attacks in Syria, as well as the 2017 St. Petersburg metro attack in April of 2017 and the car bombing of the Chinese Embassy in Bishkek, Kyrgyzstan in 2016.

On March 25, OFAC designated **Abdurrahman Ado Musa**, **Salihu Yusuf Adamu**, **Bashir Ali Yusuf**, **Muhammed Ibrahim Isa**, **Ibrahim Ali Alhassan**, and **Surajo Abubakar Muhammad** for their affiliation with Nigeria-based terrorist group Boko Haram. Recently, the UAE Federal Court of Appeals in Abu Dhabi convicted everyone for transferring \$782,000 from Dubai to Boko Haram. They have all been sentenced in the UAE, with Adamu and Muhammad receiving life imprisonment. OFAC intends for these sanctions to prevent the further use of the individuals' funds in support of terrorism.

OFAC TARGETS NARCOTICS TRAFFICKERS & CRIMINAL ORGANIZATIONS

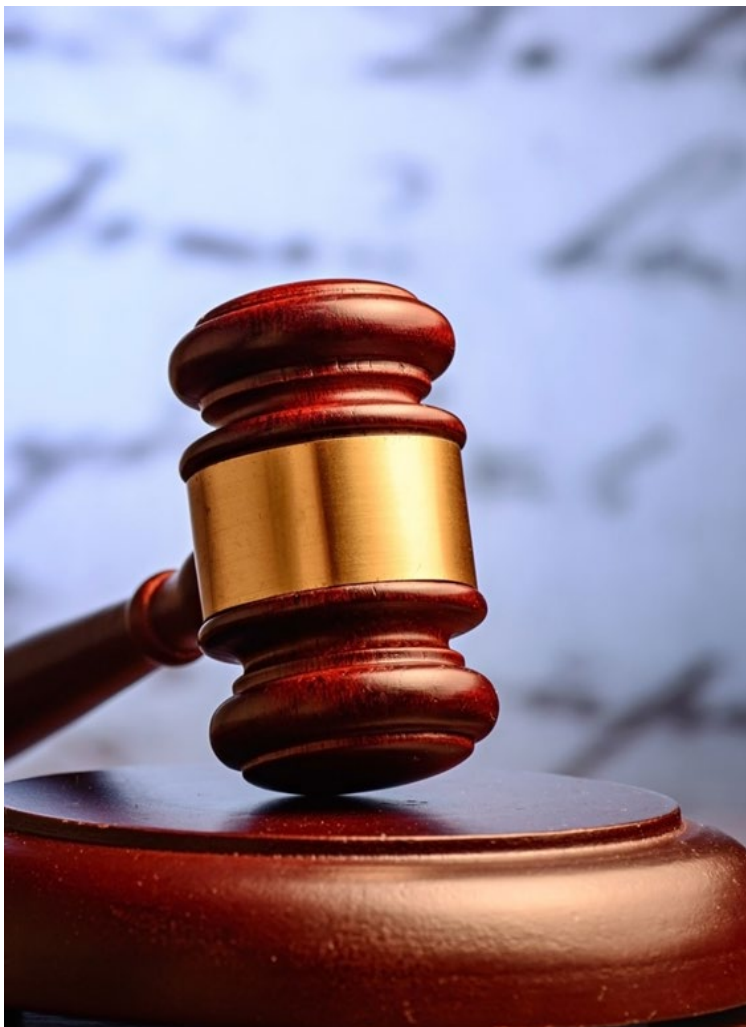


This quarter OFAC escalated its effort to curb illicit drug trafficking through multiple actions targeting members of two Mexican drug cartels: the Sinaloa Cartel and Cartel de Jalisco Nueva Generacion (CJNG).

- In the first action, on February 10, OFAC sanctioned **Wilder Emilio Sanchez Farfan** and **Miguel Angel Valdez Ruiz** for participating in the international illicit drug trade. OFAC reports that Sanchez Farfan, an Ecuadorian national, is a cocaine supplier for the Sinaloa Cartel and CJNG, transporting multi-ton quantities of cocaine from Guayaquil, Ecuador to Mexico, and ultimately, into the US. Valdez Ruiz, a Mexican national, was sanctioned for working as an intermediary between Sanchez Farfan and a Sinaloa Cartel leader, Ismael Zambada Garcia. Both Sanchez Farfan and Valdez Ruiz have been indicted in the US District Court for the Southern District of California and are considered fugitives.
- A week later, on February 17, OFAC designated **Sergio Armando Orozco Rodriguez** for laundering the proceeds of drug trafficking on behalf of CJNG in Puerto Vallarta, Mexico. According to OFAC, Orozco Rodriguez requires new businesses to receive unofficial permission from him prior to opening, then collects taxes from the businesses for the CJNG.
- The next month, on March 18, OFAC designated the **Los Huistas Drug Trafficking Organization** and two of its leaders under E.O. 14059. According to OFAC, the Los Huistas both produce drugs for export and also smuggle cocaine, methamphetamine, and heroin from Northern Guatemala to the United States through Mexico with the help of sanctioned organizations like the Sinaloa Cartel and the CJNG. OFAC also designated **Eugenio Dario Molina Lopez**, who oversees the Los Huistas and primarily traffics South and Central American cocaine into Mexico. Another Los Huistas leader, **Aler Baldomero Samayoa Recinos**, organizes shipments of cocaine from Guatemala to Mexico and launders money.

- OFAC additionally designated Los Huistos members and Guatemalan nationals **Axel Bladimir Montejo Saenz, Freddy Arnoldo Salazar Flores, Werner Dario Molina Montejo, and Roger Antulio Samayoa Montejo** for their participation in the organization and familial affiliation with its sanctioned leaders.

ENFORCEMENT ACTIONS



On January 3, OFAC announced a settlement with **Airbnb Payments, Inc.**, a wholly owned subsidiary of Airbnb, Inc., to resolve its potential civil liability arising from nearly 7,000 apparent violations of the Cuban Assets Control Regulations. Specifically, between September 28, 2015 and March 1, 2020, OFAC determined that Airbnb Payments processed payments related to 3,464 “stays” (*i.e.*, traveler lodging provided by Airbnb) and 3,076 “experiences” (*i.e.*, traveler activities provided by Airbnb) in Cuba for guests traveling for reasons not permitted under the US government’s authorized categories of travel. Airbnb Payments also processed payments related to forty-four confirmed transactions involving non-US persons engaging in Cuba-related travel prior to the issuance of a specific license from OFAC. OFAC specifically noted these violations occurred because Airbnb launched its services in Cuba without fully understanding the complex sanctions landscape. The company opened its platform for Cuba-related travel following the Obama administration’s relaxation of travel restrictions. Airbnb Payments, however, did not upgrade its internal controls and recordkeeping systems to manage sanctions risks. OFAC noted that it was these deficient screening procedures, which Airbnb Payments proactively sought to fix upon its discovery of their flaws, that caused the apparent violations. In determining the penalty amount of \$91,172.29, OFAC determined the apparent violations were non-egregious and voluntarily self-

disclosed.

On January 11, OFAC announced a settlement with **Sojitz (Hong Kong) Limited** over its potential civil liability arising from sixty apparent violations of the Iranian Transactions and Sanctions Regulations. Specifically, between August 2016 and May 2018, certain Sojitz HK employees caused the non-US company to purchase approximately 64,000 tons of Iranian-origin, high density polyethylene resin from a supplier in Thailand. In connection with those purchases, Sojitz HK made sixty separate US dollar payments from its Hong Kong bank to the Thai supplier’s banks, transferring \$75,603,411 through multiple US correspondent banks. OFAC noted that the employees who executed the payments acted contrary to company-wide policies by failing to identify the payments as being subject to US sanctions and omitting the country-of-origin information on transactional documents. OFAC found the noncompliant employees’ behavior to be an aggravating factor in light of Sojitz HK’s status as a “sophisticated offshore trading and cross-border trade financing company.” Ultimately, in determining the penalty amount of \$5,228,298, OFAC noted that the violations were non-egregious and voluntarily self-disclosed.

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