

SHEARMAN & STERLING

# Sanctions Roundup

July 11, 2018

Shearman



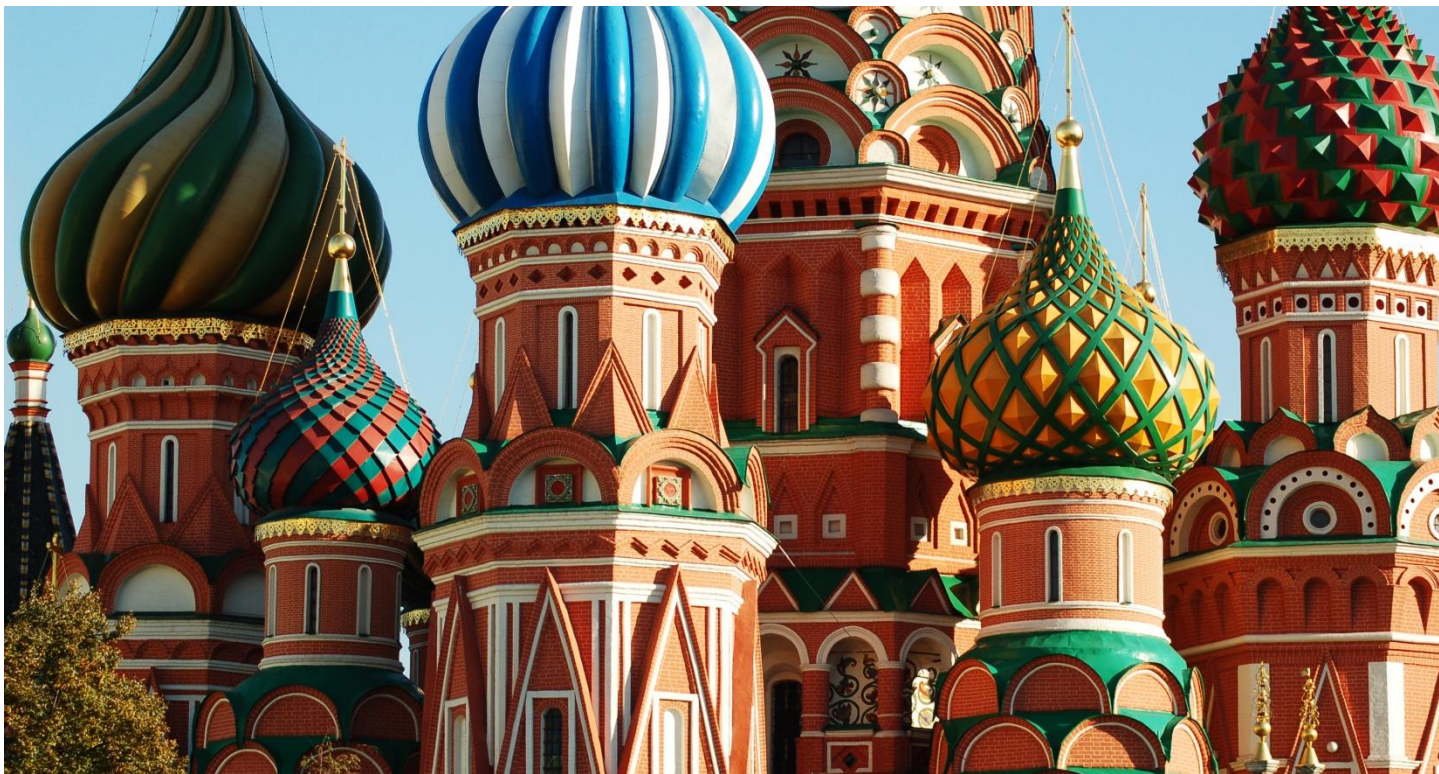
# SECOND QUARTER 2018

This quarter, companies around the globe prepared to wind down Iran-related business in the wake of U.S. sanctions snap-back. Meanwhile, OFAC provided a path to relief for designated Russian entities, extending several deadlines to allow for the continued divestment by their oligarch owners. The U.S. took no new actions against North Korea this quarter as the two countries entered highly anticipated negotiations surrounding denuclearization. Finally, in its first enforcement action of the year, OFAC stressed the importance of empowering compliance personnel to prevent prohibited transactions.

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# RUSSIA



This quarter, investors globally scrambled to cope with the fallout of the April 6 U.S. sanctions targeting Russian oligarchs and the companies they control. For example, shares in United Co. Rusal PLC, the giant Russian aluminum maker, lost almost half of their value in the week following announcement of the sanctions, and the global price of aluminum spiked by more than a quarter. In response to this significant market turmoil, the U.S. Treasury provided multiple deadline extensions for divesting and winding down business activities and has signaled that it would consider providing sanctions relief to the listed entities if their SDN-listed owners divest ownership and control over them.

The sanctions and subsequent guidance have led to multiple management shakeups and divestitures in an effort to be removed from U.S. sanctions lists, most notably by Rusal, which was designated for its close connection to billionaire Oleg Deripaska, who holds a majority interest in Rusal's largest shareholder, EN+ Group. In late May, Deripaska resigned as director of EN+ Group and Rusal, and he has reportedly continued to reduce his holdings in the companies by an amount sufficient for OFAC to lift sanctions. On June 3, Maxim Sokov, president of EN+ Group and longtime associate of Deripaska, likewise resigned his post.

The April 6 designations not only prohibit any investment and business dealings by U.S. persons with the Russian companies, but, under the Countering America's Adversaries Through Sanctions Act, also present the risk of secondary sanctions for non-U.S. persons who choose to do business with them following the wind-down period.

## **OFAC Issues Licenses to Ease Ukraine, Russia Business Wind-Downs**

In May, OFAC announced that the path to sanctions relief for the listed companies is for designated oligarchs and other SDNs to reduce their holdings and relinquish managerial control, and the agency has provided multiple deadline extensions seemingly to help facilitate this process for a number of entities.

## **Divesting Equity & Debt Holdings**

Following a period of initial investor panic, the U.S. Treasury in May extended the grace period during which investors may divest their equity or debt holdings in GAZ Group, EN+ Group, and Rusal without penalty. OFAC had initially provided a 30-day window via General License 13, then on May 1 announced that it would extend the period an additional 30 days to June 6, 2018. On May 31, OFAC again extended the deadline through August 5. (See General License 13B.) In announcing the deadline extensions, U.S. Treasury Steven Mnuchin remarked that the objective of the U.S. “was not to put Rusal out of business.” The extensions were reportedly made to facilitate ongoing efforts by EN+ Group to reduce Oleg Deripaska’s ownership and control of the group to a degree sufficient to come off of the U.S. sanctions list. EN+ Group has stated that it is in “constant” contact with OFAC toward this end.

## **Maintenance & Wind-Down of Business**

OFAC likewise granted multiple deadline extensions for companies to maintain and wind down pre-existing contracts with the designated entities. Most recently, OFAC extended the period in which persons may maintain and wind down pre-existing business with GAZ Group, Rusal, EN+Group PLC, JSC EuroSibEnergo, and their majority-owned subsidiaries from June until October 23 of this year. (See General Licenses 14, 15, and 16). OFAC clarified that the deadline extensions apply to U.S. persons and non-U.S. persons alike. As to non-U.S. persons, transactions undertaken during the wind-down period will not be considered to be “significant” such that they would be subject to potential secondary sanctions under Sections 226 and 228 of CAATSA.

Notably, OFAC did not extend the grace period for all designated entities. The maintenance and wind-down of pre-existing business with other designated Russian entities, including AgroHolding Kuban, Basic Element Ltd., B-Finance Ltd., Gazprom Burenie, Ladoga Menedzhment, NPV Engineering, Renova Group, and Russian Machines is no longer authorized pursuant to any OFAC general license.

## **Receipt of Dividends and Interest Payments**

On May 25, OFAC published FAQs to provide guidance on the ability of U.S. persons to receive payments of principal and interest during the wind-down period from blocked persons for a pre-existing loan or bond, and the sanctions implications of a foreign company paying dividends to a blocked person who is a minority shareholder in the company.

OFAC explained that during the applicable wind-down periods, U.S. persons are authorized to receive regularly scheduled payments of principal and interest from a blocked person, so long as the loan or bond was in place before April 6, 2018 and the payments are made pursuant to the terms of a pre-existing loan or bond contract. In addition, U.S. persons are permitted to receive accelerated payments, or voluntary pre-payments, from a blocked person, again, as long as the payments are made pursuant to the terms of the pre-existing contract. (See FAQ 592.)

OFAC addressed whether a non-blocked foreign entity would be subject to secondary sanctions for paying dividends to a blocked person holding an equity interest in the entity. OFAC explained that it would depend on a determination of whether or not the dividend payment transaction was “significant,” based on a totality of circumstances. Paying dividends into a blocked account such that the blocked individual cannot derive an economic benefit would not be considered a significant transaction. (See FAQ 593.)

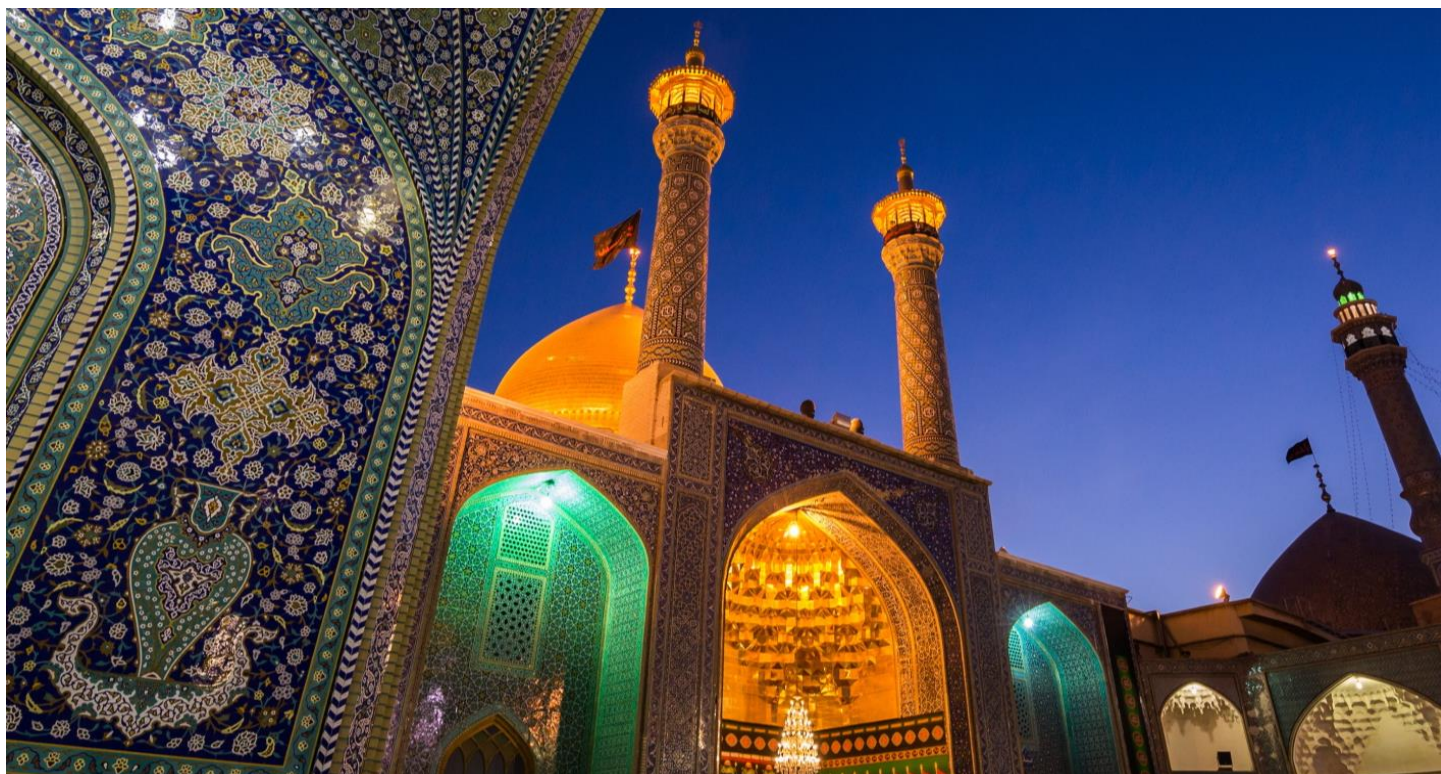
## **OFAC Designates Additional Russian Individuals and Entities for Malign Cyber Activities**

On June 11, OFAC designated five entities and three individuals, pursuant to Section 224 of CAATSA, for engaging in activities on behalf of the Russian government that undermine cybersecurity. The entities and individuals are said to have supported Russia’s Federal Security Service (FSB), which was itself sanctioned in December 2016. According to OFAC, the following entities and individuals helped carry out a range of cyber-attacks, including attempted intrusions against the U.S. energy grid, global compromises of network infrastructures and the tracking of undersea communication cables:

- Digital Security
- ERPScan
- Embedi
- Kvant Scientific Research Institute
- Divetechnoservices
- Aleksandr Lvovich Tribun
- Oleg Sergeevich Chirikov
- Vladimir Yakovlevich Kaganskiy



# IRAN



## US Leaves JCPOA, Will Re-Impose Nuclear-Related Sanctions against Iran

On May 8, 2018 President Trump announced the United States' withdrawal from participation in the Joint Comprehensive Plan of Action (JCPOA) and simultaneously ordered the re-imposition of nuclear-related sanctions that had been suspended under the terms of the 2015 nuclear agreement, following a wind-down period. America's withdrawal from the agreement will have significant effects on U.S. and non-U.S. persons currently engaged in business with Iran pursuant to sanctions relief, and the announcement has already incited significant geopolitical and economic uncertainty.

Depending on the underlying transactions, non-U.S. persons who fail to wind down business activities could face significant penalties in the form of secondary sanctions, including restricted access to the U.S. financial system and capital markets, the blocking of all property and interests in property that are in the U.S. or under the control of a U.S. person, and U.S. export/import bans. The effect on U.S. persons will be felt in only a few specific contexts, as U.S. persons remained broadly prohibited from engaging in transactions with Iranian entities under JCPOA.

### Wind-Down Periods

Within 90 days of the announcement (prior to August 6, 2018), persons may conduct transactions necessary to wind down business activities related to:

- the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- Iran's trade in gold or precious metals;
- the direct or indirect sale, supply or transfer to or from Iran of graphite, raw or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;

- the purchase, subscription to or facilitation of the issuance of Iranian sovereign debt; and
- Iran’s automotive sector.

Within 180 days of the announcement (before November 4, 2018), persons may conduct transactions necessary to wind down business activities related to:

- Iran’s port operators and shipping and shipbuilding sectors, including the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);
- the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);
- the provision of underwriting services, insurance, or reinsurance; and
- Iran’s energy sector.

### **Effect on Existing Contracts**

OFAC clarified that it would permit non-U.S. persons “to be made whole for debts and obligations owed or due to them for goods or services fully provided or delivered or loans or credit extended to an Iranian party prior to the end of” the applicable wind-down period.

Supplier Transactions: Even after the applicable wind-down period ends, OFAC will allow non-U.S. persons to receive payment for goods and services fully provided or delivered to an Iranian counterparty prior to the wind-down period, pursuant to a written contract or written agreement entered into prior to May 8, 2018. However, the provision or delivery of additional goods or services to an Iranian counterparty after the end of the applicable wind-down periods (even if made pursuant to written contracts or written agreements entered into prior to May 8, 2018) may result in the imposition of U.S. sanctions.

Repayment of Loans or Credits: Similarly, even after the applicable wind-down period, OFAC will allow non-U.S. persons to receive repayment for loans or credits extended to an Iranian counterparty prior to the end of the wind-down period, provided that such loans or credits were extended pursuant to a written contract or written agreement entered into prior to May 8, 2018. However, the extension of additional loans or credits to an Iranian counterparty after the wind-down period (even if made pursuant to previously existing agreements) may result in the imposition of U.S. sanctions.

Importantly, any such payments cannot involve U.S. persons or the U.S. financial system unless the transactions are exempt from regulation or specifically authorized by OFAC.

### **OFAC Revokes General License H**

On June 27, as expected, OFAC formally revoked General License H, which had allowed foreign subsidiaries of U.S. companies to trade, finance, insure, and invest in Iran pursuant to sanctions relief under the Joint Comprehensive Plan of Action. OFAC had previously stated it would revoke the license as soon as administratively feasible. OFAC will permit foreign subsidiaries of U.S. companies through November 4, 2018 to wind down activities involving Iran that were previously authorized pursuant to GL H. According to public SEC filings, foreign subsidiaries of at least seventeen U.S.-listed companies did business with Iran after the Iran nuclear deal went into effect in January 2016, deriving Iran-linked revenues of more than \$175 million. Many more privately held companies have likely also permitted their foreign subsidiaries to do business in Iran under GL H but are not subject to SEC disclosure rules.



Additionally, OFAC amended the Iranian Transactions and Sanctions Regulations to require the wind down, through August 6, 2018, of the importation by U.S. persons of Iranian foodstuffs and carpets and the provision of goods and services related to the commercial aviation sector that were previously authorized pursuant to the JCPOA.

### **Trump Administration Expected to Take a Hard Line in Curbing Iran’s Oil Exports**

Newly reimposed sanctions under Section 1245 of the National Defense Authorization Act authorize secondary sanctions on foreign financial institutions that knowingly conduct or facilitate “significant” financial transactions for the purchase of Iranian petroleum or petroleum products with Iranian financial institutions, including the Central Bank of Iran (Bank Markazi). After the November 4 wind-down deadline, the U.S. Department of State will determine whether to issue exemptions to foreign financial institutions based on a determination that their respective home countries have “significantly reduced” purchases of oil from Iran.

The Obama administration made wide use of these waivers to encourage a moderated and apparently successful drawdown in global purchases of Iranian oil and to minimize economic fallout and diplomatic tensions. In contrast, the Trump Administration reportedly intends to take a hardline approach in restricting Iran’s ability to sell crude oil to non-U.S. buyers around the globe. For example, it was reported this month that the U.S. has already asked Japan to completely halt its oil imports from Iran, whereas the country had previously received waivers to continue purchasing reduced levels of Iranian oil under the Obama Administration prior to the JCPOA. It is questionable, however, whether purchasers of Iranian oil such as China will succumb to pressure from the United States, particularly in light of the burgeoning trade war with China initiated by the Trump Administration.

### **EU and UK Reaction to the US Withdrawal**

The EU and U.K. have been clear in their respective messaging that they wish to maintain their involvement in the JCPOA, despite the announcement of U.S. withdrawal from the deal. The EU’s response in this regard has been multi-faceted and focused heavily on protecting European financial interests from the effects of any U.S. secondary sanctions. Iran has signaled a willingness to remain in the deal if other signatories, which include France, Germany, the U.K., the EU, China, and Russia, can help soften the domestic effects caused by the U.S. withdrawal.

The EU’s immediate response to the newly reimposed U.S. measures has been to revive and update its “blocking statute,”<sup>1</sup> last employed as a means of limiting the extra-territorial effects of U.S. sanctions against Iran, Cuba, and Libya in the 1990s. The statute introduces, among other things, prohibitions against compliance with U.S. measures, court judgments, and administrative decisions related to the sanctions in question, as well as reporting requirements for affected companies and mechanisms for claiming compensation. The EU recently introduced an amended text of the statute to encompass the most recent U.S. measures against Iran and seeks to implement these provisions before the first U.S. measures become effective in August 2018.<sup>2</sup> In its explanatory memorandum it states:

*“Some of the measures which the United States will reactivate against Iran have extraterritorial effects and, in so far as they unduly affect the interests of natural and legal persons established in the Union and engaging in trade and/or the movement of capital and related commercial activities between the Union and Iran, they violate international law and impede the attainment of the Union’s objectives.”*

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<sup>1</sup> <https://ec.europa.eu/transparency/regdoc/rep/3/2018/EN/C-2018-3572-F1-EN-MAIN-PART-1.PDF>

<sup>2</sup> <https://ec.europa.eu/transparency/regdoc/rep/3/2018/EN/C-2018-3572-F1-EN-ANNEX-1-PART-1.PDF>

The blocking statute does not itself provide or specify penalties to be imposed in the event of breach of its provisions but states that each Member State should determine its own penalties, which are “*effective, proportional and dissuasive.*”

In parallel to its efforts to limit the reach of U.S. secondary sanctions, the EU has been lobbying for broad exemptions from these provisions for EU companies. To this end, the EU, the U.K., France, and Germany recently signed a joint letter to the U.S. Treasury Secretary and Secretary of State setting out a number of requests in seeking:

- Exemptions from U.S. sanctions for EU companies that initiated or concluded their contracts after JCPOA Implementation Day (January 16, 2016);
- Exemptions for key sectors such as energy, automotive, civil aviation, and infrastructure;
- Confirmation that secondary sanctions will not apply to the areas of pharmaceuticals and healthcare;
- Exemptions to enable banking and financing channels with Iran to be maintained;
- Extension and adaptation of the winding-down periods;
- Prolongation of General License H (enabling foreign subsidiaries of U.S. companies to continue business); and
- Reaffirmation of the exemption for embassy bank accounts.

While the U.S. has yet to formally respond publicly to the request from the European signatories, President Trump appeared to broadly reject the appeals, telling reporters as late as July 1 that the U.S. would “absolutely” sanction European entities and individuals that choose to continue doing business with Iran. Several notable EU companies, including France’s Total SA and Engie SA, have already declared their intention to cease operations there. While the EU has also threatened to file a complaint against the U.S. at the WTO, no further action has yet been taken in this regard. Any such move is presumed to be on hold while diplomatic efforts are ongoing.

## **Trump Administration Continues Designating Iran Targets for Alleged Terrorism Ties and Human Rights Abuses**

Following the JCPOA announcement, the Trump administration wasted no time in imposing a barrage of additional targeted sanctions on Iranian individuals and companies.

On May 10, OFAC announced that it had disrupted a complex currency exchange network involved in funding the Iran Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF). The disruption was carried out in joint cooperation between OFAC and the United Arab Emirates. OFAC alleged that a network of Iranian individuals and IRGC-QF front companies were illegally moving money out of Iran and into financial institutions in the UAE. Once in the UAE, the Iranian funds were converted to U.S. dollars and then used to fund activities of the IRGC-QF and its proxy groups throughout the Middle East. According to OFAC, the scheme has facilitated the flow of millions of dollars into the hands of the IRGC-QF. In total, OFAC designated six individuals and three entities pursuant to E.O. 13224, which targets terrorist financing, and pursuant to the Iranian Financial Sanctions Regulations, which prevents foreign financial institutions from providing services to Iranian parties blocked due to alleged ties to terrorism. The following individuals and entities were designated for their role in the currency exchange network:

- **Mas’ud Nikbakht**
- **Sa’id Najafpur Mohammad Hasan Khoda’i**
- **Mohammadreza Khedmati Valadzaghari**
- **Meghdad Amini**
- **Foad Salehi**
- **Jahan Aras Kish**, the alleged front-company for the IRGC
- **Rashed Exchange** was designated for being owned for controlled by **Mohammadreza Khedmati**.

- **Khedmati and Company Joint Partnership** was designated for being owned-or controlled by Mohammadreza Khedmati and Mohammad Hasan Khoda'i.

On May 15, 2018 OFAC imposed sanctions on the Governor of the Central Bank of Iran, an Iraq-based bank and its chairman, and a Hizballah official for their alleged role in terrorist financing. According to OFAC, the Governor of the Central Bank of Iran allegedly moved millions of dollars in IRGC-QF funds out of Iran and into accounts held in al-Bilad Bank, based in Iraq. The money was then transferred out of the al-Bilad Bank and into the possession of Hizballah. In a statement, OFAC noted that these designations build upon the Trump administration's decision to withdraw from the JCPOA. The following individuals and entities were designated pursuant to E.O. 13224 and the Iranian Financial Sanctions Regulations:

- **Valiollah Seif**, the Governor of the Central Bank of Iran
- **Ali Tarzali**, the assistant director of the International Department at the Central Bank of Iran
- **Aras Habib Kareem**, the Chairman and Chief Executive of **Al-Bilad Islamic Bank**
- **Al-Bilad Islamic Bank** was designated for being owned or controlled by **Aras Habib**.
- **Muhammad Qasir**, a Hezbollah official, was designated for acting on behalf of Hezbollah. **Qasir** will also be subject to secondary sanctions pursuant to the Hezbollah Financial Sanctions Regulations.

On May 22, 2018 the Trump administration continued its sanctions pressure on Iran, this time targeting Iran's regional aggression and ballistic missile program. OFAC designated five individuals for allegedly providing both weapons and expertise of ballistic missiles to the Huthis, a Yemeni rebel group said to have orchestrated military campaigns in the region, including against various Saudi Arabian cities and Saudi oil infrastructure. Pursuant to E.O. 13224, which targets terrorist financing, E.O. 13382, which targets proliferators of weapons of mass destruction, and the Iranian Financial Sanctions Regulations, the following five individuals were designated: **Mahmud Bagheri Kazemabad, Mohammad Agha Ja'fari, Javad Bordbar Shir Amin, Mehdi Azarpisheh** and **Sayyed Mohammad Ali Haddadnezhad Tehrani**.

On May 24, 2018 OFAC designated nine individuals and entities for their alleged role in acquiring export-controlled goods out of the U.S. for use by Iranian airlines already subject to sanctions. According to OFAC, the illegal provision of parts and services helped the sanctioned airlines maintain their fleets of aircraft, which allowed the IRGC-QF and Iran to transport weapons and militia to Syria and to terrorist groups like Hizballah. Pursuant to E.O. 13224 and the Iranian Financial Sanctions Regulations, OFAC designated 31 aircraft, as well as the following individuals and entities: **Gulnihal Yegane, Iraj Ronaghi, Touraj Zanganeh, Trigrion Lojistik, RA Havacilik, 3G Lojistik, Blue Airways, Otik Aviation** and **Dena Airways**.

On May 30, 2018 OFAC issued new sanctions targeted at alleged human rights abusers in Iran. Pursuant to E.O. 13553, which targets, among other things, Iranian government officials and those acting on its behalf for participating in serious human rights abuses, OFAC designated three Iranian entities and five individuals alleged to have engaged in oppressive conduct, including attacks on Iranian students; acid attacks against Iranian citizens; electric shock, as well as sexual and physical assault of prisoners; and operating communications networks to facilitate these abuses: **Ansar-e Hezbollah, Abdolhamid Mohtasham, Hossein Allahkaram, Hamid Ostad Evin Prison, Hanista Programing Group, Abolhassan Firouzabadi, Abdolsamad Khoramabadi** and **Abdulali Ali-Asgari**.



# NORTH KOREA



OFAC refrained from imposing additional sanctions on North Korea this quarter, presumably to facilitate the inaugural meeting between President Trump and DPRK Leader Kim Jong Un held in Singapore on June 12. The two leaders met for the first time to begin discussing the prospect of denuclearization of the Korean Peninsula. In the days following the meeting, DPRK media reported that President Trump offered to lift sanctions, a claim that contrasts with the U.S. president's assurances that sanctions would remain in place until complete and verifiable nuclear disarmament has occurred.

Despite both leaders lauding the summit, President Trump on June 22 renewed existing sanctions against North Korea for another year, citing the security threat posed by the DPRK's continued pursuit of nuclear weapons technologies. In late June, U.S. Secretary of State Mike Pompeo met with Chinese counterpart Wang Yi and urged China to continue to enforce nuclear-related sanctions against North Korea, particularly noting the country's illegal export of coal and imports of refined petroleum through ship-to-ship transfers prohibited by the United Nations. The State Department is reportedly engaged in ongoing diplomatic efforts with the DPRK to build on commitments outlined during the summit between President Trump and Leader Kim Jong Un.

# VENEZUELA



On May 19, 2018 Venezuelan President Nicolás Maduro was re-elected to office. Describing the election as a “sham,” on May 21, President Trump issued a new Executive Order, E.O. 13835, targeting Venezuelan government debt. The new order prohibits U.S. persons or persons within the United States from purchasing any debt owed to the Venezuelan government or companies in which the Government of Venezuela owns a 50% or more interest. According to OFAC, Maduro and other high-ranking officials have, in the recent past, begun selling debt held by government entities at undervalued prices and keeping the proceeds for themselves. The sanctions do not directly target the oil sector, and U.S. companies and individuals may continue to sell and import oil products to Venezuela.

On May 18, 2018 OFAC announced that it had designated four Venezuelan nationals and three companies pursuant to E.O. 13692, which targets, among other things, individuals who engage in public corruption or help to undermine democracy in Venezuela. The four individuals, who all have close ties to President Nicolás Maduro, have allegedly used their official positions to participate in a variety of corrupt conduct, including narcotics trafficking, extortion, money laundering, embezzlement of state funds and illicit mineral extraction. Pursuant to sanctions under E.O. 13692, all property and interests in property owned by these persons and located in the United States will be blocked, and U.S. persons will be prohibited from dealing with the following persons:

- **Diosdado Cabello Rondón** (Cabello), the first Vice-President of the United Social Party of Venezuela, (PSUV), the political party of President Nicolas Maduro.
- **José David Cabello Rondón**, the current Superintendent of the National Integrated Customs and Tax Administration (SENIAT).
- **Marleny Josefina Contreras Hernández**, the wife of Diosdado Cabello, is the Minister of Popular Power for Tourism.
- **Rafael Alfredo Sarria Diaz**, an alleged frontman for Cabello.
- **SAI Advisors Inc.**, designated for being owned by Sarria Diaz.
- **Noor Plantation Investments LLC**, designated for being owned by Sarria Diaz.
- **11420 Corp.**, designated for being owned by Sarria Diaz.

In addition, OFAC blocked 14 properties in Florida and New York that are owned by Sarria, either directly or through one of his companies.

# GLOBAL MAGNITSKY ACT



In June, OFAC announced the second round of designations under the Global Magnitsky Act, The Global Magnitsky Human Rights Accountability Act, passed by Congress in 2016, targets serious human rights abusers and corrupt actors across the globe. Pursuant to the Act, President Trump last December signed E.O. 13818 “Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption,” which allows for the imposition of asset freezes and visa bans against foreign persons determined to be engaged in serious human rights abuses or corruption anywhere in the world.

On June 12, OFAC announced sanctions against Dominican Republic Senator **Felix Ramon Bautista Rosario** for alleged corrupt activity in both the Dominican Republic and Haiti. According to OFAC, Bautista has used his official position to accept bribes in the Dominican Republic and has used political connections in Haiti to win public works contracts for his construction companies, “including one case where his company was paid over \$10 million for work it had not completed.” OFAC also targeted five entities in the Dominican Republic reportedly owned and controlled by Bautista: **Constructora Hadom SA, Soluciones Electricas Y Mecanicas Hadom S.R.L., Seymeh Ingenieria SRL, Inmobiliaria Rofi SA, and Constructora Rofi SA.**

Also on June 12, OFAC targeted Cambodian national **Hing Bun Hieng**, the commander of Cambodia’s Prime Minister Bodyguard Unit. Bun Hieng and the PMBU are alleged to have engaged in numerous human rights abuses against the Cambodian people in recent years, including attacks against opposition lawmakers and demonstrators.

On June 15, OFAC took further aim at Israeli billionaire **Dan Gertler**, sanctioning fourteen entities he allegedly owned and controlled. Gertler had been previously sanctioned under the Global Magnitsky Act in December 2017 for amassing hundreds of millions of dollars in allegedly corrupt mining deals in the Democratic Republic of the Congo. Interestingly, the new sanctions coincided with an announcement by Swiss mining company Glencore PLC that it would resume making roughly \$130 million in annual royalty payments to Gertler, despite US sanctions. Glencore had ceased payments to Gertler upon his designation by US authorities, but a Congolese court decision in favor of Gertler put Glencore’s Congo-based assets at risk if payments were not re-initiated. Glencore reportedly did not receive a license from OFAC to resume the payments, but the company stated that it would make the transfers in euros and not involve US persons, in an effort to remain compliant with US restrictions. All of the property and interests in property within US jurisdiction of the following individuals and entities are blocked, and US persons are generally prohibited from engaging in transactions with them:

**Moku Mines D’or SA**  
**Moku Goldmines AG**  
**Fleurette Energy I B.V.**  
**Fleurette Africa Resources I B.V.**  
**African Trans International Holdings B.V.**  
**Fleurette African Transport B.V.**  
**Oriental Iron Company SPRL**  
**Iron Mountain Enterprises Limited**  
**Sanzetta Investments Limited**  
**Almerina Properties Limited**  
**Interlog DRC**  
**Kitoko Food Farm**  
**Karibu Africa Services SA**  
**Ventora Development Sasu**



# COUNTER-TERRORISM DESIGNATIONS



On April 2, OFAC and the State Department together targeted one entity and seven individuals linked to Lashkar-e Tayyiba (LeT), a U.N. and U.S. designated terrorist organization based in Pakistan. Specifically, OFAC designated as Specially Designated Global Terrorists (SDGTs) the **Milli Muslim League (MML)**, LeT's political party, and seven members of MML's senior leadership. The designated individuals are **Saifullah Khalid, Muzammil Iqbal Hashimi, Muhammed Harris Dar, Tabish Qayyum, Fayyaz Ahmad, Faisal Nadeem, and Muhammad Ehsan**. According to OFAC, MML styles itself as a legitimate political party but operates under the control and direction of LeT, using a variety of tactics to undermine the political process in Pakistan.

On April 30, OFAC designated **Myrna Mbanza** as an SDGT. Mbanza is a Philippines-based supporter of ISIS-Philippines (ISIS-P), itself a designated Foreign Terrorist Organization (FTO) and SDGT. According to OFAC, Mbanza has conducted financial activity for senior ISIS-P leadership and served as an intermediary between ISIS-P and extremist groups in Southeast Asia who work to recruit, train, and deploy terrorists. Specifically, Mbanza played a key role in the transfer of over \$100,000 to OFAC-designated ISIS-P leaders and worked on behalf of ISIS-P with affiliated ISIS elements in Syria and Indonesia, including the facilitation of recruitment and terrorist training of pro-ISIS recruits.

On May 16, OFAC and its Gulf State partners of the Terrorist Financing Targeting Center (TFTC) took collective action against senior members of Lebanese Hizballah. The TFTC, which is comprised of seven member countries including the United States, Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates, specifically designated senior leaders of the Shura Council, the decision-making body of Lebanese Hizballah, which exercises control over its political and terrorist activities. OFAC and its TFTC partners designated **Hasan Nasrallah**, the Secretary General of Hizballah and head of the Shura Council, as an SDGT. As the commander of Hizballah's military and security apparatus, Nasrallah is involved in a variety of violent and destabilizing activity in Lebanon, Iraq, and Yemen and has played a key role in the evolution of the Syrian civil war. OFAC and the TFTC further designated the following senior members of the Shura Council as SDGTs for acting for or on behalf of Hizballah: **Naim Qasim, Muhammad Yazbak, Husayn Al-Kalil, and Ibrahim al-Amin al-Sayyid**.

On May 16, OFAC and the State Department designated **ISIS in the Greater Sahara (ISIS-GS)** as an SDGT and an FTO. **Adnan Al-Sahrawi**, the leader of ISIS-GS, was also designated as an SDGT. Al-Sahrawi, who pledged allegiance to ISIS in May 2015, formed ISIS-GS when he dissociated from Al-Mourabitoun, an Al-Qai'da splinter

group. ISIS-GS uses Mali as a base of operations and is believed to be responsible for the October 4, 2017 attack on a U.S.-Nigerian joint patrol in Niger that led to the death of nine U.S. and Nigerian soldiers.

On May 17, OFAC designated two individuals and five entities linked to Hizballah, which itself is designated as a FTO and a SDGT. Pursuant to Executive Order 13224, OFAC designated **Mohammad Ibrahim Bazzi**, a prominent Hizballah financier, and **Abdallah Safi-Al-Din**, Hizballah's representative to Iran, as SDGTs. In addition, OFAC designated five entities located in Europe, Africa, and the Middle East for being owned or controlled by Bazzi and Ali Youssef Charara, who was designated in January 2017. The designation of Bazzi, Safi-Al-Din, and their respective companies follows OFAC's renewed focus on Iran's role in financing terrorist groups like Hizballah. Bazzi, Safi-Al-Din, and their related companies are also subject to secondary sanctions pursuant to the Hizballah Financial Sanctions Regulations. Following are details on the designated individuals and organizations:

- **Mohammad Ibrahim Bazzi** – Bazzi was designated for providing assistance to Hizballah. Bazzi allegedly uses his extensive business operations around the world to generate financial support for Hizballah. Moreover, Bazzi and his OFAC-designated associates have close ties to the Central Bank of Iran, operate complex money laundering schemes and work in connection with various sanctioned drug trafficking organizations.
- **Abdallah Safi-Al-Din** – Safi Al-Din was designated for acting for or on behalf of Hizballah. Safi Al-Din, as Hizballah's representative to Iran, is believed to act as a conduit between Iran and Hizballah on financial matters. According to OFAC, Safi Al-Din and Bazzi worked together to repair the political relationship between the Government of Iran and The Gambia.
- **Global Trading Group NV (GTG)** – GTG, an energy products and services company based in Belgium, was designated for being owned or controlled by Bazzi.
- **Euro African Group LTD (EAGL)** – EAGL, a petroleum and petroleum products company located in The Gambia, was designated for being owned for controlled by Bazzi. Since 2003, EAGL has been the exclusive importer of all fuel products into The Gambia.
- **Africa Middle East Investment Holding (AME Investment)** – Lebanon-based AME Investment was designated for being owned or controlled by Bazzi.
- **Premier Investment Group SAL Offshore (PIG Offshore)** – PIG Offshore, a Lebanon-based financial services company, was designated for being owned or controlled by Bazzi.
- **Car Escort Services S.A.L. Off Shore (CES)** – CES, an export-import company based in Lebanon, was designated for being owned or controlled by Bazzi. CES is also partly owned by SDGT Ali Youssef Charara, another Hizballah financier.

# OFAC TARGETS NARCOTICS TRAFFICKERS & CRIMINAL ORGANIZATIONS



On April 6, OFAC designated two individuals alleged to be engaged money laundering and the operation of a prostitution ring for the benefit of Mexican drug cartels. Pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act), OFAC designated **Jesus Perez Alvear** and **Miguel Jose Leone Martinez**, and **Gallistica Diamante**, Alvear's music promotion business, as Specially Designated Narcotics Traffickers (SDNTs). According to OFAC, Alvear uses his role as a music promoter to launder the proceeds of narcotics trafficking through concert revenues on behalf of the Cartel de Jalisco Nueva Generacion (CJNG) and the Los Cuinis Drug Trafficking Organization (Los Cuinis DTO). Both of these cartels are led by individuals designated by OFAC in April 2015. Perez Alvear operates concerts under the name of his business, Gallistica Diamante, and then allegedly launders drug cartel proceeds with otherwise legitimate concert income. Miguel Leon, a Venezuelan-Italian fashion photographer, runs an international prostitution ring to the benefit of the Los Cuinis DTO. According to OFAC, Miguel Leon recruits models and other women from South America and Europe to serve as prostitutes for leaders of the Los Cuinis DTO.

On April 27, OFAC took action to address the U.S. opioid crisis by designating fentanyl-trafficker **Jian Zhang**, his Hong Kong-registered chemical company **Zaron Bio-Tech (Asia) Limited**, and four of his associates, as SDNTs. According to OFAC, Zhang's extensive trafficking of the drug fentanyl has contributed to opioid-related deaths in the U.S. Four of Zhang's associates – **Na Chu**, **Yeyou Chu**, **Cuiying Liu**, and **Keping Zhang** – were also designated for their alleged role in laundering fentanyl proceeds. According to OFAC, Zhang exploited the commercial shipping networks of Zaron Bio-Tech to facilitate the illegal importation of fentanyl into the United States. The sanctions follow a criminal indictment against Jian Zhang last year for illegally importing opioids into the United States.

On May 7, OFAC designated **Pedro Luis Martin Olivares (Martin)** as a SDNT. OFAC further designated two of his close associates, **Walter Alexander Del Nogal Marquez (Del Nogal)** and **Mario Antonio Rodriguez Espinoza (Rodriguez)**, for providing material support to Martin's trafficking operations. Martin, a former Venezuelan military and intelligence official, allegedly abused his official position to orchestrate the trafficking



and sale of cocaine and other narcotics throughout Venezuela and Colombia. Specifically, Martin shut off military radar detection capabilities to enable the aerial movement of the narcotics, operated extensive bribery schemes of local officials, and played a role in the laundering of drug proceeds. Del Nogal assists Martin in drug distribution operations, as well as the movement of illicit drug proceeds out of Venezuela. Rodriguez, Martin's closest associate, coordinates money laundering by leveraging the business enterprises owned by Martin, Del Nogal, and Rodriguez. OFAC also designated 20 businesses for being owned or controlled by Martin, Del Nogal, or Rodriguez, and for their role in laundering the proceeds of extortion and drug trafficking schemes. The designated companies are: **D2 Imagineering, C.A.**; **Del Bros Overseas, S.A.**; **DMI Trading Inc.; Financial Corporation (Fincorp International) S.A.**; **Financial Corporation Fincorp, C.A.**; **Grupo Control 2004, C.A.**; **Grupo Control System 2004, C.A.**; **Inmuebles y Desarrollos West Point, C.A.**; **Inversiones Malamar R, C.A.**; **Inversiones PMA 243, C.A.**; **Matsunichi Oil Trader, C.A.**; **Matsunichi Oil Tradeez 12, C.A.**; **PLM Sociedad De Corretaje, C.A.**; **P.L.M. Group Sociedad D2 Corretaje De Valores, C.A.**; **PLM Consorcio, C.A.**; **PLM Consultores, C.A.**; **PLM Security Control Group, C.A.**; **PLM Transporte, C.A.**; **Techno Transporte ML, C.A.**; and **Vic Del Inc.**

On June 5, OFAC targeted Colombian drug cartels and their leaders pursuant to the Kingpin Act. Specifically, OFAC designated the family-run **Rincon Castillo Drug Trafficking Organization** (the **Rincon Castillo DTO**), its leader **Pedro Rincon Castillo**, and his associate, **Horacio de Jesus Triana Romero**, as SDNTs. OFAC also designated seven Colombian individuals for their support of the Rincon Castillo DTO and an additional seven Colombian companies owned or controlled by these individuals. According to OFAC, the Rincon Castillo DTO launders the proceeds of cocaine trafficking through the cartel's emerald mines and other legitimate enterprises. Following are details on the designated individuals and organizations:

- **The Rincon Castillo DTO** was designated for trafficking cocaine out of Colombia and into the United States. In addition to the manufacture and trafficking of illegal drugs, the Rincon Castillo DTO owns and operates a network of emerald mines throughout Colombia, which it uses to launder the proceeds of its illegal drug trade.
- **Pedro Rincon Castillo**, the leader of the Rincon Castillo DTO, is said to oversee the transportation and distribution of cocaine out of Colombia and into international markets, with the intention to import the drug into the United States.
- **Horacio Triana Romero**, a close associate and brother-in-law of Rincon Castillo, was also designated as a SDNT. Romero works on behalf Rincon Castillo DTO, but conducts independent operations in which he oversees the manufacture, shipment, and other transportation of cocaine.
- OFAC also designated seven individuals for providing material support of the Rincon Castillo DTO. **Omar Rincon Castillo** and **Gilberto Rincon Castillo**, two of Pedro Rincon Castillo's brothers, were designated for their role in cocaine production and trafficking. **Salvador Rincon Castillo**, **Gustavo Rincon Castillo**, and **Emerio Rincon Castillo** were designated for their role in laundering the illicit proceeds of cocaine trafficking. **Disde Gonzalez Rodriguez** was designated for operating a cocaine laboratory, and **Julio Solano Chaves** was designated for creating companies for the Rincon Castillo DTO.

In addition, OFAC designated seven Colombian companies for being owned or controlled by the Rincon Castillo DTO or by the designated individuals: **Comercializadora Internacional Agricola y Ganadera Rincon Castillo Limitada**, **Distribuidora y Electricos Rincon Ltda.**, **Esmeraldas Colombianas Cerro Gualilo Ltda. C.I.**, **Esmeraldas Narapay Ltda.**, **Inversiones de Occidente Ltda.**, **Sociedad Esmeraldifera de Maripi Ltda.**, and **Zuliana de Esmeraldas C.I. S.A.S.**

# ENFORCEMENT ACTIONS



In its first enforcement action of 2018, OFAC announced on June 6 that **Ericsson, Inc.** (United States) and **Ericsson AB** (Sweden) agreed to pay \$145,893 to settle allegations that the companies violated the Sudanese Sanctions Regulations, 31 C.F.R. § 538. According to OFAC, in 2011 Ericsson AB contracted to provide equipment and services in support of a Sudanese telecommunications project. When Ericsson AB encountered a technical malfunction in the course of implementing the project, Ericsson AB employees allegedly sought assistance from an employee from their U.S. affiliate, Ericsson Inc. OFAC stated that Ericsson AB, with assistance from the U.S.-based employee, purchased export controlled U.S.-origin satellite equipment for use in the Sudan project and used deceptive means to cover up the end use of the equipment. OFAC warned that even though these transactions are no longer prohibited since the removal of the Sudanese Sanctions Regulations, “this change does not affect past, present, or future OFAC enforcement investigations or actions related to any apparent violations of the SSR relating to activities that occurred prior to October 12, 2017.” OFAC further pointed out that the business employees involved in the apparent misconduct had received warnings from Ericsson’s compliance personnel, but had chosen to circumvent internal controls. OFAC stated that this action “highlights the importance of

empowering compliance personnel to prevent transactions prohibited by U.S. economic and trade sanctions” and implored companies to “ensure their sanctions compliance teams are adequately staffed, receive sufficient technology and other resources, and are delegated appropriate authority to ensure compliance efforts meet an entity’s risk profile.”

On June 12, the U.S. Department of Justice filed criminal indictments against eight businessmen (five Russian nationals and three Syrian nationals) for allegedly conspiring to send millions of dollars’ worth of jet fuel and USD payments into Syria in violation of U.S. sanctions. The five Russian nationals are employees of JSC Sovfracht (Russia), a shipping and freight company. The three Syrian nationals include one individual affiliated with Sovfracht and two government petroleum inspectors. According to the indictment, beginning in 2011, the co-conspirators began using deceptive means, including front companies and falsified documentation, to send USD payments from Sovfracht into Syria in circumvention of U.S. sanctions. In addition, U.S. authorities allege that in 2014 the defendants used USD transactions to deliver jet fuel to Syria via the Syrian-based Baniyas Refinery Company, which had been previously designated by OFAC. Finally, the indictment alleges that Sovfracht continued to use deceptive means to engage in USD transactions even after Sovfracht itself was designated as an SDN in 2016. Specifically, authorities allege that following its designation, the co-conspirators established a front company, Maritime Assistance LLC, which assumed all of Sovfracht’s employees, operations, and contractual obligations, effectively allowing Sovfracht to continue engaging in USD transactions despite its designation.

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#### **Authors & Contributors**

Philip Urofsky  
Danforth Newcomb  
Stephen Fishbein  
Brian Burke  
Christopher LaVigne  
Barnabas Reynolds  
Mark Lanpher  
Susanna Charlwood

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