

SHEARMAN & STERLING

# Sanctions Roundup

April 16, 2018

Shearman

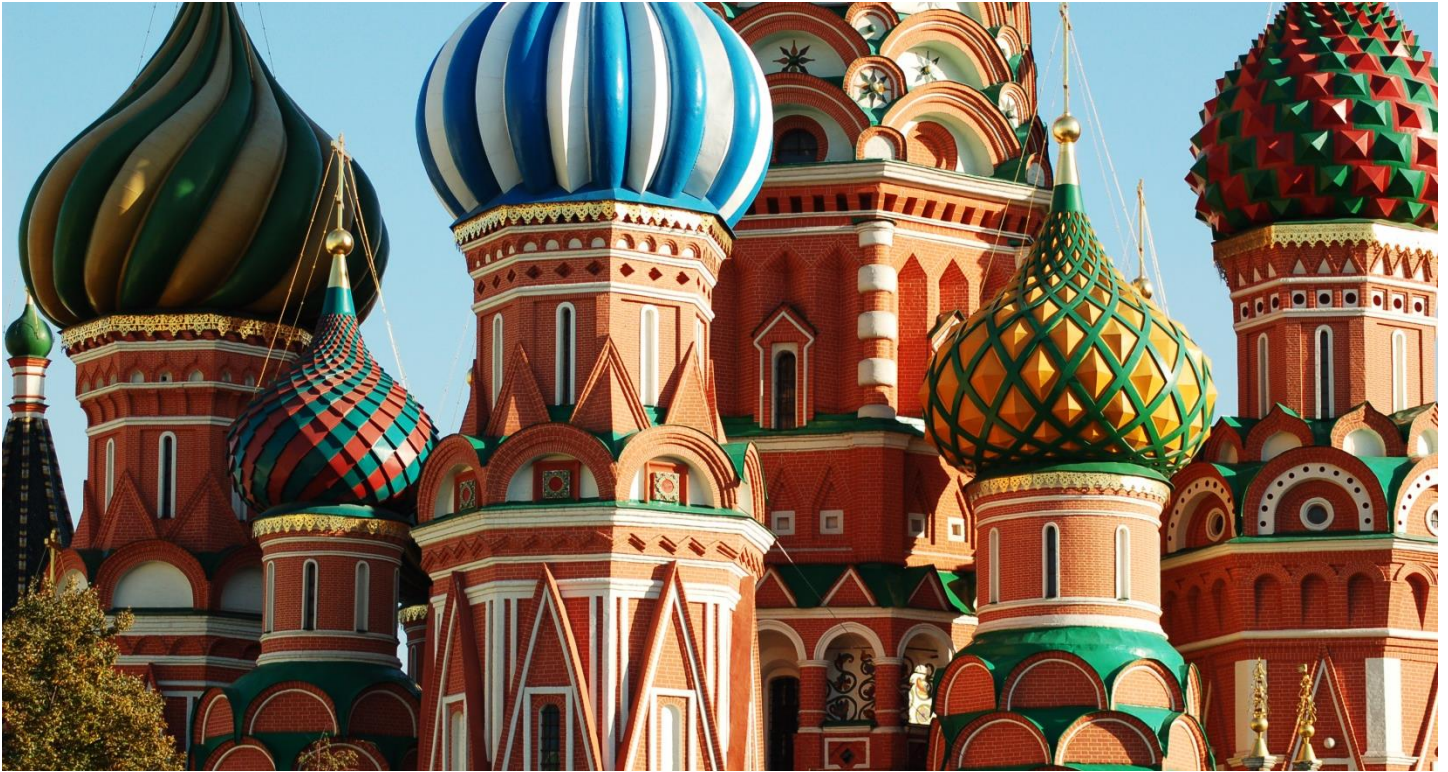
# FIRST QUARTER 2018

This quarter saw the announcement of sweeping new sanctions against Russia's billionaire class and their corporate holdings, and included the Trump Administration's first issuance of sanctions against Russia for meddling in the 2016 US presidential elections and other malign cyber activity. These measures accompanied a general uptick in designations with respect to targets in North Korea, Venezuela, and Iran. Notably, OFAC announced no enforcement actions in the first three months of the year.

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# RUSSIA



This quarter was marked by significant activity against Russia, with the Trump Administration for the first time imposing new sanctions explicitly in response to Russia's alleged meddling in the 2016 US Presidential election and for a costly cyber attack which targeted the US last year. As described further below, the Trump Administration began the year by designating dozens of individuals and entities for their alleged continued involvement in separatist activities in Ukraine. In March, the Administration targeted multiple Russian entities and related individuals for various cyber-related offenses, including for attempting to undermine the 2016 US Presidential election. In April, the Administration imposed its most severe round of sanctions yet, targeting dozens of Russian oligarchs and government officials in further response to the Russia's "range of malign activity around the globe."

Along with the ratcheting up of sanctions, diplomatic tensions between the two countries continued to escalate this month after U.K. authorities blamed Russia for a nerve agent attack against a former double agent and his daughter, who were residing in the United Kingdom. On March 26, the US expelled 60 Russian diplomats and announced the closure of the Russian consulate in Seattle, Washington. Russia denied responsibility for the attack and, in response to the US measures, expelled 60 US personnel and closed the US consulate in St. Petersburg. Commentators in the US have speculated that the Russian government remains concerned about potential financial sanctions that could be implemented by the U.K. and US governments, particularly as to Russian sovereign debt, although the Treasury Department has thus far indicated it is not considering such measures.

## **RUSSIAN OLIGARCHS AND STATE OFFICIALS**

On April 6, OFAC announced blocking sanctions against numerous Russian business tycoons, their associated companies, and senior government officials in response to what Treasury Secretary Steven Mnuchin called the Russian government's "disproportionate benefit of oligarchs and government elites" and the country's "range of malign activity around the globe" from Ukraine to Syria. The sanctions sparked an immediate selloff of Russian equities and the ruble, leading to the largest drop in Moscow-traded stocks in four years.

The most prominent of sanctioned oligarchs included billionaire Oleg Deripaska, as well as several companies he controls, including En+ Group PLC, the largest operator of Siberian power plants, and United Company RUSAL PLC, Russia's biggest aluminum producer, among others. OFAC specifically noted that a number of the sanctioned individuals appeared in the reports submitted by the Administration to Congress in January, which identified Russia's most prominent government officials and oligarchs, as was required by the Countering America's Adversaries Through Sanctions Act (CAATSA).

As with other blocking sanctions, all US-based property of the designated persons is blocked, and US persons are generally prohibited from dealing with them. By extension, non-US persons are prohibited from engaging in transactions with the SDNs where there exists the presence of a US nexus (e.g., US dollar payments, involvement of US personnel, etc.) OFAC published two general licenses, described further below, allowing a grace period for US persons to wind down previously existing operations and to divest from the sanctioned entities, noting that any payment made for the benefit of the blocked entities relating to the wind-down activities must be deposited into a blocked account at a US financial institution.

Importantly, these designations are likely to have significant implications for non-US persons as well, as CAATSA requires the Treasury Department to impose mandatory secondary sanctions on non-US persons who knowingly facilitate significant transactions with these SDNs. Indeed, concurrently with the sanctions, OFAC published additional guidance emphasizing that, pursuant to CAATSA section 228, non-US persons could face mandatory sanctions if they are determined to "knowingly facilitate significant transactions" with any Russian person subject to US sanctions. Foreign financial institutions likewise face restrictive measures pursuant to CAATSA section 226 for knowingly facilitating significant financial transactions on behalf of any such persons. OFAC reiterated its previous guidance that a transaction will not be considered "significant" if US persons would not require specific licenses from OFAC to participate in it.<sup>1</sup>

Although OFAC's ultimate approach to enforcing these CAATSA provisions against non-US persons remains to be seen, it assured that the "United States remains committed to coordinating with our allies and partners in order to mitigate adverse and unintended consequences of these designations." Despite this overture, US Treasury Undersecretary Sigal Madelker, speaking in London following the announcement of the sanctions, explicitly warned that "[t]here of course would be consequences for U.K. financial institutions" that continue to do business with the sanctioned Russian oligarchs and related entities. "There could be secondary sanctions implications."

In total, OFAC designated seven Russian oligarchs and twelve affiliated companies, seventeen senior Russian government officials and one state-owned Russian weapons trading company and its subsidiary, a Russian bank. The designations were made pursuant to E.O. 13661 and E.O. 13662 (targeting Russian Government officials and persons participating in Russia's energy sector), authorities codified by CAATSA as well as E.O. 13582 (targeting the Government of Syria and its supporters). The following individuals and entities were designated as SDNs:

### ***Designated Russian Oligarchs***

- **Vladimir Bogdanov** – Director General of Surgutneftegaz, a Russian oil company (itself previously sanctioned under Directive 4 of the sectoral sanctions program).
- **Oleg Deripaska** – purported senior official who has been investigated for money laundering, threatening business competitors, obtaining illegal wiretaps and various extortion and racketeering schemes.
- **Suleman Kerimov** – member of the Russian Federal Council alleged to have laundered hundreds of millions of euros through the purchase and sale of villas in France.
- **Igor Rotenberg** – owner of Russian oil and gas drilling company Gazprom Burenie.
- **Kirill Shamalov** – son-in-law of President Vladimir Putin and shareholder of Siber, a Russia-based oil and gas exploration company.

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<sup>1</sup> OFAC has advised that it will consider the totality of the facts and circumstances when determining whether transactions or financial transactions are "significant." OFAC will consider the following list of seven broad factors: (1) the size, number and frequency of the transaction(s); (2) the nature of the transaction(s); (3) the level of awareness of management and whether the transaction(s) are part of a pattern of conduct; (4) the nexus between the transaction(s) and a blocked person; (5) the impact of the transaction(s) on statutory objectives; (6) whether the transaction(s) involve deceptive practices; and (7) such other factors that the Secretary of the Treasury deems relevant on a case-by-case basis. See FAQ 542.

- **Andrei Skoch** – deputy of the Russian Federation’s State Duma with alleged ties to Russian organized criminal groups.
- **Viktor Vekselberg** – Founder and Chairman of the Renova Group, a network of asset management and investment funds operating in the Russian economy.

### ***Designated Oligarch-Owned Companies***

- **B-Finance Ltd** (BVI) – owned or controlled by Oleg Deripaska.
- **Basic Element Limited** (Jersey) – owned or controlled by Oleg Deripaska.
- **EN+ Group** (Jersey) – owned or controlled by Oleg Deripaska.
- **EuroSibEnerg** (Russia) – owned or controlled by Oleg Deripaska.
- **United Company RUSAL PLC** (Jersey) – owned or controlled by EN+Group.
- **Russian Machines** (Russia) – owned or controlled by Oleg Deripaska.
- **GAZ Group** (Russia) – owned or controlled by Oleg Deripaska.
- **Agroholding Kuban** (Russia) – owned or controlled by Oleg Deripaska.
- **Gazprom Burenie, OOO** (Russia) – owned or controlled by Igor Rotenberg.
- **NPV Engineering Open Joint Stock Company** (Russia) – owned or controlled by Igor Rotenberg.
- **Ladoga Menedzhment, OOO** (Russia) – owned or controlled by Kirill Shamalov.
- **Renova Group** (Russia) – owned or controlled by Viktor Vekselberg.

### ***Designated Russian State-Owned Firms:***

- **Rosoboroneksport** – weapons trading company with alleged ties to the Assad regime in Syria. According to OFAC, Rosoboroneksport has sold billions of dollars’ worth of weapons to support the Government of Syria.
- **Russian Financial Corporation Bank** – designated for being owned by Rosoboroneksport.

### ***Russian Government Officials***

- **Andrey Akimov** – Chairman of the Management Board of state-owned Gazprombank.
- **Mikhail Fradkov** – President of the Russian Institute for Strategic Studies.
- **Sergey Fursenko** – member of the board of directors of Gazprom Neft, a subsidiary of state-owned Gazprom.
- **Oleg Govorun** – Head of the Presidential Directorate for Social and Economic Cooperation with the Commonwealth of Independent States Member Countries.
- **Alexey Dyumin** – Governor of the Tula region of Russia.
- **Vladimir Kolokoltsev** – Minister of Internal Affairs and General Police of the Russian Federation.
- **Konstantin Kosachev** – Chairperson of the Council of the Federation Committee on Foreign Affairs.
- **Andrey Kostin** – President, Chairman of the Management Board, and Member of the Supervisory Council of state-owned VTB Bank.
- **Alexey Miller** – Chairman of the Management Committee and Deputy Chairman of the Board of Directors of state-owned company Gazprom.
- **Nikolai Patrushev** – Secretary of the Russian Federation Security Council.
- **Vladislav Reznik** – member of the Russian State Duma.
- **Evgeniy Shkolov** – Aide to the President of the Russian Federation.
- **Alexander Torshin** – Deputy Governor of the Central Bank of the Russian Federation.
- **Vladimir Ustinov** – Plenipotentiary Envoy to Russia’s Southern Federal District.
- **Timur Valiulin** – Head of the General Administration for Combatting Extremism within Russia’s Ministry of Interior.
- **Alexander Zharov** – Head of Roskomnadzor (the Federal Service for the Supervision of Communications, Information Technology and Mass Media).
- **Viktor Zolotov** – Director of the Federal Service of National Guard Troops and Commander of the National Guard Troops of the Russian Federation.

## GENERAL LICENSES AND GUIDANCE RELATED TO RUSSIA OLIGARCH SANCTIONS

Upon announcing the above-referenced sanctions, OFAC published two general licenses authorizing, for limited time periods, US persons to wind down pre-existing business activities with a majority of the listed entities and to divest from three of the blocked entities.

**General License No. 12** – provides a 60-day wind down period (until June 5, 2018) for “all transaction and activities . . . ordinarily incident and necessary to” terminating business with twelve enumerated entities, including United Company RUSAL PLC and EN+ Group PLC. During the 60-day window, US persons are authorized to wind down operations, contracts, or agreements in effect prior to April 6, 2018. In concurrent guidance, OFAC explained that the blocked entities listed in GL12 may, for the duration of the General License, make salary and pension payments, and provide other benefits, to US persons. Notably, however, while US persons may accept such payments, GL12 explicitly states that US persons may not transfer payments to the blocked entities. Rather, such payments must be placed into a blocked account in a US financial institution pursuant to OFAC regulations. US persons also may import goods into the US from the enumerated blocked entities during the wind down period. Persons participating in transactions under auspices of the license are required to file detailed reports of each such transaction with OFAC.

**General License No. 13** – provides a 30-day wind down period (until May 7, 2018) for “all transactions and activities . . . ordinarily incident and necessary to divest or transfer debt, equity, or other holdings from” EN+Group PLC, GAZ Group and United Company RUSAL PLC. Importantly, GL13 explicitly does not authorize any transactions with, directly or indirectly, any of the designated persons, and thus contemplates divestiture through the sale to a non-US third-party. US persons participating in transactions under auspices of the license are required to file detailed reports of each such transaction with OFAC.

In updated FAQs, OFAC emphasized that, as to US persons, continued employment by or board membership in a newly sanctioned person is prohibited absent specific authorization. OFAC added that any such US employees or board members “should review the actions you view as necessary to sever your ties with the blocked entity against applicable OFAC regulations, authorizations and public guidance.”

## TRUMP ADMINISTRATION SUBMITS LISTS AND REPORTS REQUIRED BY CAATSA

The measures described above were preceded by the Trump Administration’s submission in January of several reports to Congress, required by CAATSA, concerning Russian sanctions. On January 29, as required under the law, the Trump Administration submitted to Congress a report identifying senior Russian political figures and oligarchs, as well as a list of Russian parastatal entities. The unclassified portion of the report lists 114 senior Russian government officials and 96 Russian businesspeople. The Treasury Department also submitted a classified annex to the report, which contains the Treasury Secretary’s list of Russian parastatal entities and which identified additional political figures and oligarchs.

OFAC clarified through published guidance that the January 29 report did not itself constitute a “sanctions list” and that the inclusion of individuals or entities in the report did not create new sanctions on those individuals or entities (although certain of the listed persons may have previously been sanctioned under existing programs). OFAC emphasized that inclusion in the report does not, by itself, “imply, give rise to, or create any restrictions, prohibitions, or limitations on dealings with such persons by either US or foreign persons” or indicate that the US Government has information about the individual’s involvement in malign activities. Importantly, however, the Treasury Department highlighted that several of the oligarchs subsequently sanctioned in April had been among those identified in the January report, raising the possibility that any target of similar measures in the future are likely to be drawn from the January lists.

Notably, the March sanctions announced against Russian defense and intelligence sectors also contradicted the Administration’s guidance from earlier in the quarter. In January, after submission of the CAATSA lists, State Department officials stated that “sanctions on specific entities or individuals [related to Russian military and intelligence sectors] will not need to be imposed,” because the mere threat of sanctions was already providing deterrent effects.

In February, the Treasury Department submitted another report to Congress urging restraint with respect to expanding sanctions against Russian sovereign debt and derivatives. The memorandum, which was also required by CAATSA, reflected the Treasury Department's analysis related to the likely effects of imposing sanctions against Russian sovereign debt. According to the Treasury Department, applying sanctions to Russian sovereign debt and derivatives would inhibit Russian economic growth, escalate the strain on its banking sector, and "lead to Russian retaliation against US interests." The report further argued that the scope and consequences of expanding sanctions this way cannot be predicted and may cause economic effects that would be felt worldwide.

## CYBER-RELATED DESIGNATIONS

On March 15, 2018, OFAC announced multiple designations in response to a number of purported destabilizing activities by Russia, including: (i) interference in the 2016 US presidential election; (ii) various private sector cyber-attacks attributed to the Russian military; (iii) Russia's ongoing efforts to destabilize Ukraine; (iv) Russia's continued occupation of Crimea; (v) other election meddling activities overseas; and (vi) various other human rights abuses. Interestingly, OFAC targeted all sixteen entities and individuals that had been previously indicted in federal court by US Special Counsel Robert Mueller on February 16 on charges of conspiracy, fraud and other counts related to their alleged interference with the US election. OFAC cited CAATSA section 224 to additionally target Russia's Federal Security Service and Main Intelligence Directorate (military and intelligence agencies) and six associated operatives. In total, OFAC designated five entities and nineteen individuals.

Pursuant to E.O. 13694 ("Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities"), the following entities and individuals were sanctioned:

- **Internet Research Agency LLC (IRA)** – designated for allegedly tampering with, altering or causing a misappropriation of information with the purpose or effect of interfering with or undermining election processes and institutions. Specifically, OFAC alleged that the IRA created and managed a vast network of fake online personas for the purpose of instigating political activities in the US, while concealing its Russian identity.
- The following individuals and entities were designated for allegedly providing material assistance to the IRA in the activities described above:
  - **Concord Management and Consulting LLC**
  - **Concord Catering**
  - **Yevgeniy Viktorovich Prigozhin**
  - **Dzheykhun Nasimi Ogly Aslanov**
  - **Anna Vladislavovna Bogacheva**
  - **Maria Anatolyevna Bovda**
  - **Robert Sergeyeovich Bovda**
  - **Mikhail Leonidovich Burchik**
  - **Mikhail Ivanovich Bystrov**
  - **Irina Viktorovna Kaverzina**
  - **Aleksandra Yuryevna Krylova**
  - **Vadim Vladimirovich Podkopaev**
  - **Sergey Pavlovich Polozov**
  - **Gleb Igorevich Vasilchenko**
  - **Vladimir Venkov**

OFAC also designated two entities and six individuals pursuant to Section 224 of CAATSA, which targets cyber actors operating on behalf of the Russian government. While the FSB had previously been designated by the Obama Administration under E.O. 13694, this marks the first time OFAC has used its Section 224 authority to designate new SDNs.

- **Federal Security Service (FSB)** – Russian intelligence organization designated for its alleged engagement in significant activities that undermine cybersecurity on behalf of the Russian government.



OFAC specifically alleged that FSB has utilized cyber tools to target Russian political dissidents as well as various US government officials.

- **Main Intelligence Directorate (GRU)** – Russian military intelligence organization also designated for its alleged engagement in significant activities that undermine cybersecurity on behalf of the Russian government. OFAC specifically alleged that the GRU was directly involved in the interference of the 2016 US election and involvement in the so-called NotPetya cyber-attack which targeted the US in 2017.
- The following individuals were designating for alleging acting on behalf of the GRU:
  - **Sergei Afanasyev**
  - **Vladimir Alexseyev**
  - **Sergey Gizunov**
  - **Igor Korobov**
  - **Igor Kostyukov**
  - **Grigoriy Molchanov**

### ***FSB-Related License for Import-Approval Activities***

Following FSB's initial designation in 2016, US exporters raised concerns that the sanctions could interfere with their normal business operations since they are required to deal with the FSB in its regulatory capacity. In addition to its intelligence role, the FSB regulates the import of technology that contains cryptographic functions, such as cell phones, tablets and printers. To address these concerns, in February 2017 OFAC issued a general license authorizing certain limited transactions with the FSB needed to gain approval to import products into Russia. After the re-designation of FSB pursuant to CAATSA section 224 this year, OFAC re-issued this license as Cyber-Related General License No. 1A ("GL 1A"). The amended GL 1A cites the new CAATSA-related authorities but otherwise is substantively identical to the previous license.

Indeed, OFAC published guidance clarifying that, under GL 1A, US persons remain permitted to engage in limited transactions with the FSB that are needed to gain approval to import products into Russia, including obtaining licenses and certificates, paying fees and complying with FSB enforcement or administrative actions. Activities expressly prohibited by GL 1A include the provision of goods or technology to or on behalf of the FSB, importing or exporting goods to the Crimea region of Ukraine and any other dealings with other SDNs. Lastly, OFAC noted that the new license does not affect the ability of US persons to travel to Russia, and the sanctions do not apply to transactions, such as complying with border control requirements, that are ordinarily incident to travel to and from Russia.

### **OFAC CONFIRMS CAATSA SANCTIONS-EVADERS ALSO APPLIES TO SSI-LIST DESIGNEES**

Finally, on March 15, OFAC published FAQ 546 related to CAATSA. As described above, section 228 of CAATSA requires the President to impose blocking sanctions (*i.e.*, designation on OFAC's SDN list) on a "foreign person" that the president determines knowingly facilitates a significant transaction or transactions, including deceptive or structured transactions, for or on behalf of "any person subject to sanctions imposed by the United States with respect to the Russian Federation" or their immediate family members. OFAC's new guidance affirmed that for purposes of this section, the phrase "sanctions imposed by the United States" include persons listed on either the SDN or SSI Lists, as well as persons subject to sanctions pursuant to OFAC's 50 percent rule.

### **UKRAINE-RELATED DESIGNATIONS**

On January 26, OFAC designated twenty-one individuals and nine entities related to activities in Ukraine that purportedly continue to undermine the Minsk Accords. The Treasury Department described the sanctions as demonstrative of its "continued commitment to maintain sanctions pressure on Russia until it fully implements its commitments under the Minsk agreements."

OFAC designated one individual and two entities related to Russia's transfer of four turbines made by a Russian-German joint venture to Crimea—an action which OFAC stated occurred despite clear contractual provisions prohibiting the use of the turbines in Crimea and repeated assurances that no such transfer would take place.

- **Limited Liability Company Foreign Economic Association Technopromexport (Technopromexport LLC)** – entity alleged to be responsible for the transfer of four turbines to Crimea. According to OFAC, in July 2017, four turbines manufactured by a joint venture between PJSC Power Machines and Siemens AG were shipped to Crimea, “despite clear contractual provisions prohibiting the use of the turbines in Crimea.”
- **Sergey Topor-Gilka** – General Director of Technopromexport LLC and OAO Technopromexport, which was designated in December 2015 pursuant to E.O. 13685 for operating in Crimea. Topor-Gilka is being designated for having acted or purported to act for or on behalf of, directly or indirectly, Technopromexport LLC and OAO Technopromexport.
- **PJSC Power Machines** – Russian co-owner of the joint venture that produced the turbines; OFAC noted that its director has publicly stated his support for Crimean infrastructure projects. Power Machines is being designated for having materially assisted, sponsored, or provided financial, material, technological or other support for, or goods or services to or in support of, OAO Technopromexport and Technopromexport LLC.

The newly designated persons also included eleven individuals described as “Ukrainian separatists,” who occupy various offices of the so-called Donetsk People’s Republic (DPR) and the Luhansk People’s Republic (LPR) in the eastern region of the country. The following individuals were designated under E.O. 13660 for having allegedly engaged in various activities undermining the peace, security, stability, sovereignty or territorial integrity of Ukraine:

- **Igor Antipov** – “Minister of Information” of the so-called “Donetsk People’s Republic (DPR).”
- **Aleksey Granovsky** – “Minister of Industry and Trade” of the DPR.
- **Ekaterina Matyushchenko** – “Minister of Finance” of the DPR.
- **Natalya Nikonorova** – “Minister of Foreign Affairs” of the DPR.
- **Vladimir Pavlenko** – “Minister of State Security” of the DPR.
- **Elena Radomskaya** – “Minister of Justice” of the DPR.
- **Aleksandr Timofeev** – “Minister of Taxes and Revenues” of the DPR.
- **Elena Kostenko** – “Acting Economic Development Minister” of the LPR
- **Svetlana Malakhova** – “Minister of Labor and Social Policy” of the LPR.
- **Pavel Malgin** – “Acting Minister of Fuel, Energy, and Coal Industry” of the LPR.
- **Dmitry Ovsyannikov** – purportedly elected “Governor of Sevastopol” in an election organized by Russia.

OFAC also designated three individuals and four entities under E.O. 13660 for alleged involvement in the illicit coal trade between Ukraine’s separatist regions and Europe:

- **ZAO Vneshtorgservis** – coal mining enterprise purportedly established to act on behalf of the DPR and LPR.
- **Vladimir Pashkov** – general director of ZAO Vneshtorgservis.
- **Gaz-Alyans, OOO** – exporting company alleged to have assisted, sponsored or provided financial, material or technological support for, or goods or services to or in support of, ZAO Vneshtorgservis, the DPR and the LPR.
- **Oleksandr Melnychuk** – alleged to have assisted, sponsored or provided financial, material or technological support for, or goods or services to or in support of, the so-called LPR, namely through the illicit export of coal.
- **Doncoaltrade Sp. Z O O** – exporting company designated for allegedly being owned or controlled by Oleksandr Melnychuk.
- **Serhiy Melnychuk** – alleged to have assisted, sponsored or provided financial, material or technological support for, or goods or services to or in support of, the LPR.

- **Ugolnye Tekhnologii, OOO** – exporting company alleged to have assisted, sponsored or provided financial, material or technological support for, or goods or services to or in support of, the LPR and DPR.

Additionally, OFAC designated four individuals and two entities under E.O. 13661, which authorizes sanctions against Russian officials (and others) that provide support to previously designated persons. The following officials of the Russian Federation were listed as SDNs:

- **Andrey Cherezov** – Russian Deputy Minister of Energy in the Department of Operational Control and Management in the Electric Power Industry; designated for alleged delivery of turbines to Crimea and for being an official of the Russian Federation.
- **Evgeniy Grabchak** – Head of the Department for the Russian Energy Ministry’s Department of Operational Control and Management in the Electric Power Industry. He is responsible within the Russian Ministry of Energy for the development of electro-energetic projects in Crimea.
- **Aleksandr Pentya** – Vice President with ABR Management, which was designated pursuant to E.O. 13661 in September 2016 for acting on behalf of Bank Rossiya. Pentya was designated for acting or purporting to act for or on behalf of, directly or indirectly, ABR Management.
- **Evro Polis Ltd.** – Russian company that has contracted with the Government of Syria to protect Syrian oil fields; designated for being owned or controlled by Yevgeniy Prigozhin, who was designated pursuant to E.O. 13661 in December 2016 for providing support to senior officials of the Russian Federation.
- In late 2017, **Bogdan Kolosov**, who is the Department Manager for Customer Service at the Russian-based transportation services company **Instar Logistics**, allegedly coordinated a shipment of weapons with previously designated Kalashnikov Concern International Business Development Director Vakhtang Karamyan. Instar Logistics is being designated for acting or purporting to act for or on behalf of, directly or indirectly, Kalashnikov Concern. Kolosov is being designated for materially assisting, sponsoring or providing financial, material or technological support for, or goods or services to or in support of, Kalashnikov Concern.

Finally, OFAC designated one construction entity and two associated individuals pursuant to E.O. 13685, which authorizes sanctions against persons operating in the Crimea region of Ukraine:

- **VAD, AO** – Russian construction company responsible for the construction of the Tavrida Highway in Crimea. OFAC alleged that VAD, AO and the so-called “Republic of Crimea” signed a contract for the highway’s construction at a cost of \$2.92 billion.
- **Valeri Abramov** – co-founder and General Director of VAD, AO.
- **Viktor Perevalov** – co-founder and First Deputy General Director of VAD, AO.

Also on January 26, OFAC identified twelve subsidiaries that are owned 50 percent or more by a Russian company, Surgutneftegaz, which was previously added to OFAC’s sectoral sanctions list (SSI List) under Directive 4 (pursuant to E.O. 13662). Although the subsidiaries were already subject to the same restrictions as their parent entity under the 50% rule, OFAC specifically identified the subsidiaries to provide additional information to assist the private sector with sanctions compliance.

# IRAN



On January 12, President Trump again renewed the temporary waiver of US secondary sanctions on Iran, which are currently suspended under the terms of the Joint Comprehensive Plan of Action. Even as President Trump extended the current sanctions relief, he vowed to pull out of the nuclear deal if Congress and European allies do not “fix the deal’s disastrous flaws,” including extending its terms, bolstering inspections and curbing the country’s ballistic missile program. The next deadline for President Trump to renew or revoke the waiver of sanctions will be May 12, 2018. European media reported this quarter that several countries, including Germany, are lobbying EU counterparts to agree to new sanctions against Iran in an attempt to prevent the United States from leaving the JCPOA. Iran, in contrast, has pre-emptively rejected any modification to the agreement.

In addition to the President’s continued rhetoric against the nuclear deal, the Trump Administration this quarter continued to sanction individuals and entities in Iran alleged to be involved in the development of the country’s ballistic missile program, human rights abuses and cyber-related misconduct.

## OFAC DESIGNATIONS

On January 12, OFAC designated fourteen individuals and entities for alleged involvement in human rights abuses and censorship activities in Iran, as well as for alleged support of designated Iranian weapons proliferators. The following designations were made pursuant to E.O. 13553, which targets human rights abuses by the Iranian government; E.O. 13606, which targets human rights abuses by the Governments of Iran and Syria via information technology; E.O. 13628, which authorizes sanctions for those involved in censorship, limits on freedom of expression or activities that limit access to print or broadcast media; and E.O. 13382, which targets proliferators of weapons of mass destruction and their supporters.

- **Sadegh Amoki Larijani** – designated pursuant to E.O. 13553 for his involvement, as “head of Iran’s judiciary” in carrying out sentences in violation of Iran’s international obligations. The sentences allegedly included the execution of individuals who were juveniles at the time of their crime, as well as the torture or cruel, inhumane and degrading treatment or punishment of prisoners, including amputations.

- **Morteza Razavi** – designated pursuant to E.O. 13382 for acting for or on behalf of Green Wave Telecommunications and Fanamoj. Fanamoj was previously designated in October 2017 for its support of Iran’s Islamic Revolutionary Guard Corps (IRGC) and Iran’s Naval Defense Missile Industry Group.
- **Shi Yuhua** (a Chinese national and employee of Wuhan Sanjiang Import and Export Co. Ltd.) – designated pursuant to E.O. 13382 for acting for or on behalf of Wuhan Sanjiang and for having provided support of Iran’s Shiraz Electronics Industries (SEI), which is owned by Iran’s Ministry of Defense and Armed Forces. Both Wuhan Sanjiang and SEI are designated entities pursuant to E.O. 13382. Yuhua, on behalf of Wuhan Sanjiang, allegedly sold navigation devices and specialized sensors to SEI and then attempted to disguise the transactions to avoid detection.
- **Zhu Yuequn** ( a Chinese national and representative of Bochuang Ceramic, Inc.) – designated pursuant to E.O. 13382 for allegedly facilitating the sale, through Bochuang Ceramic Inc., of lead zirconium titanate that was ultimately headed towards Iran’s Electronic Components Industries, a designated entity.
- **Gholamreza Karaj Ziaei** (Director of the Rajaei Shahr Prison) – designated for alleged human rights abuses pursuant to E.O. 13553. The Rajaei Shahr Prison is alleged to have denied prisoners medical care and access to legal representation, as well as physical and sexual abuse.

The following entities were also designated:

- **Rajaei Shahr Prison** – designated pursuant to E.O. 13553 for perpetrating human rights abuses, including alleged physical and sexual abuse of prisoners, as well as the denial to prisoners of adequate medical care and access to legal representation.
- **Islamic Revolutionary Guard Corps Electronic Warfare and Cyber Defense Organization** – designated pursuant to E.O. 13606 for its relationship with the IRGC, which is itself designated in the Annex to E.O. 13606.
- **The Supreme Council of Cyberspace** – designated pursuant to E.O. 13628 for allegedly engaging in censorship and limiting freedom of expression, including blocking various social media sites, restricting access to news websites and websites critical of the Iranian regime.
- **The National Cyberspace Center** (owned or controlled by the Supreme Council of Cyberspace) – designated for allegedly preventing Iranians from accessing internet networks and attempting to prevent Iranians from accessing Western media content.
- **Green Wave Telecommunication** – designated pursuant to E.O. 13382 for its relationship with Fanamoj, an entity previously designated pursuant to E.O. 13382 for its support of the IRGC and Iran’s Naval Defense Missile Industry Group.
- **Iran Helicopter Support and Renewal Company** (PANHA) – designated pursuant to E.O. 13382 for being owned or controlled by Iran’s Aviation Industries Organization. PANHA, an Iranian defense industry firm, provides maintenance and other services for Iran’s military helicopters and aircraft.
- **Iran Aircraft Industries** (SAHA) – designated pursuant to E.O. 13382 for being owned or controlled by Iran’s Aviation Industries Organization. SAHA, also an Iranian defense industry firm, is the largest provider of overhaul and technical modification services for Iran’s military and cargo aircraft.
- **Pardazan System Namad Arman** (PASNA) – designated pursuant to E.O. 13382 for its support of Iran’s Electronic Components Industries (ECI). ECI was itself designated pursuant to E.O. 13382 in July 2012 for being owned or controlled by Iran’s Ministry of Defense for Armed Forces Logistics. PASNA has allegedly sought to procure lead zirconium tritanate, which is used to develop military weapons.
- **Bochuang Ceramic, Inc.** – designated pursuant to E.O. 13382 for allegedly having provided, or attempted to provide, support for PASNA, including the sale of lead zirconium tritanate.

On January 4, OFAC designated five Iranian entities, which are owned by the previously designated Shahid Bakeri Industrial Group (SBIG), and which are alleged to be involved in the research and production of component parts that are critical to Iran’s ballistic missile program. Specifically, OFAC designated the following five subordinates of SBIG:

- **Shahid Kharrazi Industries** – alleged to be responsible for the development and production of guidance and control systems for solid-propellant ballistic missiles.
- **Shahid Sanikhani Industries** – alleged to be responsible for casting and curing solid-propellant for Iran’s solid-propellant ballistic missiles.

- **Shahid Moghaddam Industries** – alleged to be responsible for the development and production of solid-propellant missile motor cases, ballistic missile launchers, and ground support equipment.
- **Shahid Eslami Research Center** – allegedly serves as the research and development organization within SBIG.
- **Shahid Shustari Industries** – allegedly created for the development of fiber materials for SBIG.

On March 23, OFAC designated one entity and ten individuals pursuant E.O. 13694, which targets the property of persons engaged in malicious cyber-related activities. OFAC alleged that the sanctioned parties “engaged in the theft of valuable intellectual property and data from hundreds of US and third-country universities and media companies for private financial gain.” The following entity and nine individuals were designated:

- **Mabna Institute** – an Iran-based company that allegedly engaged in the theft of personal identifiers and economic resources for private financial gain. Specifically, OFAC asserted that the Mabna Institute coordinated cyber intrusions into computer systems of hundreds of universities throughout the world, including in the United States, for the purpose of obtaining proprietary scientific resources for the benefit of Iran’s Islamic Revolutionary Guard Corps (IRGC).
- **Gholamreza Rafatnejad** – alleged founding member of the Mabna Institute.
- **Ehsan Mohammadi** – alleged founding member of the Mabna Institute
- **Seyed Ali Mirkarimi** – alleged hacker and Mabna Institute contractor.
- **Mostafa Sadeghi** – alleged hacker and affiliate of the Mabna Institute.
- **Sajjad Tahmasebi** – alleged Mabna Institute contractor.
- **Abdollah Karima** – allegedly owned and operated a company that sold, through a website, access to stolen academic materials obtained through computer intrusions.
- **Abuzar Gohari Moqadam** – professor and alleged affiliate of the Mabna Institute.
- **Roosbeh Sabahi** – alleged contractor for the Mabna Institute.
- **Mohammed Reza Sabahi** – alleged contractor for Mabna Institute. OFAC specifically alleged that Sabahi assisted in the carrying out of Mabna’s spear phishing campaign targeting universities.
- **Behzad Mesri** – OFAC alleges that Mesri compromised multiple user accounts belonging to a US media and entertainment company in order to repeatedly gain unauthorized access to the company’s computer servers and steal valuable stolen data including confidential and proprietary information, financial documents and employee contact information. Mesri is also the subject of an indictment announced by the US District Court for the Southern District of New York on November 21, 2017.

## US PROSECUTORS FILE CHARGES AGAINST IRANIAN NATIONAL FOR SANCTIONS EVASIONS

Another non-US businessman is facing charges in US federal court of evading economic sanctions against Iran. Prosecutors allege that **Ali Sadr Hashemi Nejad** (Sadr), chairman of Malta-based Pilatus Bank, moved \$115 million from Venezuela through the US financial system as part of a \$476 million deal to build 7,000 housing units in Venezuela. Sadr was arrested on March 19, 2018 and charged with six counts of conspiracy, bank fraud, sanctions evasion and money laundering. The charges allege that Sadr used a web of shell companies and bank accounts across the world to arrange US dollar payments from Venezuela’s state-run energy company (PDVSA) to an Iran-based construction company (Stratus Group) owned by Sadr’s family. According to prosecutors, the evidence shows that Stratus Group wanted to be paid in US dollars, and Sadr structured the transactions so as to avoid sanctions restrictions.

This prosecution follows on the heels of the high-profile criminal trial of Turkish banker **Mehmet Hakan Atilla**, who was convicted in New York in January of this year. US authorities arrested Atilla while he was visiting the United States in 2017 and charged him with sanctions violations, among other charges, relating to his role in assisting Iran to transmit nearly \$1 billion in oil and gas revenues through Turkey’s state-run bank in violation of US sanctions. Both prosecutions signal a clear willingness on the part of US authorities to pursue criminal charges, as opposed to civil or administrative penalties, against individuals outside the United States who violate sanctions regimes.

# NORTH KOREA



This quarter, the US continued to use sanctions to pressure North Korea to discontinue its nuclear program and ballistic missile testing. Notably, OFAC targeted multiple Chinese shipping and trading companies for allegedly continuing “to provide a lifeline to North Korea to fuel this regime’s nuclear ambitions.” For example, as described further below, OFAC in January targeted China-based **Beijing Chengxing Trading Co. Ltd.** and **Dandong Jinxiang Trade Co., Ltd.** for allegedly exporting millions of dollars’ worth of metals and computer equipment to North Korea in violation of US and U.N. sanctions. One month later, the US announced its “largest North Korea-related sanctions tranche to date,” targeting multiple shipping and trading companies in North Korea, China, Singapore, Taiwan, Hong Kong, and elsewhere, which were alleged to have exported coal from North Korea or to have engaged in U.N.-prohibited ship-to-ship oil transfers.

In accompanying guidance, OFAC warned that any “foreign financial institution” found to have knowingly facilitated a significant export to or import from North Korea, or knowingly facilitated a significant transaction on behalf of a North Korea-related blocked person, may lose the ability to maintain a correspondent account in the United States. This warning follows the Treasury Department’s blacklisting last year of China’s Bank of Dandong; US media reported that in recent months the Administration has considered expanding sanctions to include major Chinese banks that do not do more to curtail financial support for North Korea.

In March, President Trump announced that he accepted an invitation to meet with North Korean leader Kim Jong Un to discuss de-escalating tensions between the US and North Korea, and potentially curbing the latter country’s nuclear weapon program. If the meeting occurs, President Trump will be the first sitting American president to meet with a North Korean leader. Details of the summit have yet to be announced, and, in the meantime, President Trump has declared the US will continue to impose strong economic sanctions.

## OFAC DESIGNATIONS

On January 24, OFAC designated nine entities, sixteen individuals, and six vessels in response to North Korea’s pursuit of weapons of mass destruction and for violations of U.N. Security Council Resolutions (UNSCRs). The sanctions targeted individuals, including individuals in China and Russia, alleged to be affiliated with two North Korean entities that were previously sanctioned by the United States and the U.N. for

activities that support North Korea's chemical weapons program. Additionally, the sanctions targeted two Chinese trading companies that were generally alleged to provide support to the regime's nuclear activities through trading activities.

### ***Designated Representatives of Ryonbong Residing in Russia and China***

The following individuals were designated pursuant to E.O. 13687, which authorizes sanctions against those considered to be officials of the North Korean government, or their supporters. The designated individuals are representatives of the previously sanctioned Korea Ryonbong General Corporation.

- **Jong Man Bok** – Ryonbong representative in Dandong, China.
- **Ri Tok Jin** – Ryonbong representative in Ji'an, China. Ri Tok Jin allegedly relayed offers from China-based companies to North Korean arms proliferators.
- **Kim Man Chun** – Ryonbong representative in Linjiang, China.
- **Kim Song** – Ryonbong representative in Linjiang, China.
- **Ryang Tae Chol** – Ryonbong representative in Tumen, China.
- **Kim Kyong Hak** – Ryonbong representative in Zhuhai, China, who was allegedly involved in the purchase of hazardous chemicals in mid-2016.
- **Han Kwon U** – Ryonbong representative in Zhuhai, China.
- **Kim Ho Kyu** – Ryonbong representative and Vice Consul of the North Korean Consulate General in Nakhodka, Russia.
- **Pak Kwang Hun** – Ryonbong representative in Vladivostok, Russia.
- **Pak Tong Sok** – Ryonbong representative in Abkhazia, Georgia, formerly in Nakhodka, Russia. In August 2017, Pak Tong Sok reportedly arranged to deploy North Korean laborers to Abkhazia, a likely violation of UNSCR 2371.
- **Kim Pyong Chan** – a Workers' Party of Korea official.

### ***Designated North Korean Bank Representatives Residing in Russia and China***

In addition, OFAC sanctioned the following five North Korean individuals residing in China and Russia pursuant to E.O. 13810 or E.O. 13687 (targeting individuals linked to North Korean financial networks). OFAC also noted that the following individuals were determined to be "working on behalf of or at the direction of a DPRK bank or financial institution" for purposes of UNSCR 2321:

- **Choe Song Nam** – a UN- and US-designated Daesong Bank representative in Shenyang, China. As of late 2016, Choe Song Nam reportedly held an account at a Chinese bank.
- **Ko Il Hwan** – a UN- and US-designated Daesong Bank official in Shenyang, China.
- **Paek Jong Sam** – reportedly a Kumgang Group Bank representative in Shenyang, China. Paek Jong Sam operates in the North Korean financial services industry, and reportedly is affiliated with several Chinese bank accounts and companies.
- **Kim Chol** – the UN- and US-designated Korea United Development Bank representative in Dalian, China. As of 2016, he reportedly held an account at a Chinese bank.
- **Ri Myong Hun** – reportedly the UN- and US-designated Foreign Trade Bank representative in Vladivostok, Russia.

### ***Designated Trading Companies***

OFAC also targeted Chinese and North Korean trading companies for exporting over \$68 million worth of goods to North Korea, and importing more than \$19 million worth of goods from North Korea since 2013. The following three entities were designated pursuant to E.O. 13810, which authorizes sanctions against individuals and entities in key sectors of North Korea's economy, persons that trade with North Korea and aircraft and vessels that have traveled to North Korea:

- **Beijing Chengxing Trading Co. Ltd.** – a China-based trading company designated for reportedly selling two tons of high purity metals to a subordinate company of Ryonbong.
- **Dandong Jinxiang Trade Co., Ltd.** – a China-based company designated for reportedly trading with Korea Tangun Trading Corporation, which is a designated entity by both the U.N. and the United States. Korea Tangun Trading Corporation, also known as Korea Kuryonggang Trading Corporation, is subordinate to Second Academy of Natural Sciences, an entity involved in North Korea's weapons of



mass destruction and missile programs, and which is also designated by the U.N. and the United States. Dandong Jinxiang Trade Co., Ltd. is also reported to have exported over half a million dollars' worth of used computers to North Korea.

- **Hana Electronics JVC** – one of North Korea's only electronics companies.

### ***Designated North Korean Shipping Companies***

Also pursuant to E.O. 13810, OFAC designated the following five North Korean shipping companies, and the six vessels in which the companies have an interest:

- **Gooryong Shipping Co Ltd.** – the owner and ship manager and operator of **Goo Ryong**, a DPRK-flagged ship.
- **Hwasong Shipping Co Ltd.** – the registered owner, ISM manager, and ship and commercial manager of the vessel **Hwa Song**, a North Korea-flagged ship.
- **Korea Kumunsan Shipping Co.** – the registered owner, ship manager, and operator of **Kum Un San**, a North Korea-flagged tanker.
- **Korea Marine & Industrial Trdg.** – the registered owner, ISM manager, ship manager and commercial manager of the general cargo ships **Un Ryul** and **Ever Glory**, both North Korea-flagged vessels.
- **CK International Ltd.** – the registered owner of the general cargo ship **Ul Ji Bong 6**, a North Korea-flagged vessel. According to OFAC, Ul Ji Bong on-loaded coal at a port in North Korea and delivered the coal to Russia.

On February 23, 2018 OFAC announced the largest North Korean sanctions package to date, targeting individuals, entities and vessels associated with the shipping and trading industries in North Korea. The sanctions, enacted pursuant to E.O.s 13722 and 13810, are designed to disrupt the tactics allegedly employed by the North Korean government to evade sanctions, with a focus on hindering the maritime activities that facilitate coal and fuel transports. In total, OFAC designated one individual, 16 North Korean entities and 19 of their vessels and nine international shipping entities and their vessels.

### ***Designated North Korean Shipping Companies***

Pursuant to E.O. 13810, which targets, in part, individuals and entities that are part of the North Korean transportation industry, OFAC designated the following 16 North Korean shipping companies and their North Korean-flagged vessels:

- **Chonmyong Shipping Co.** and its vessel **Chon Myong 1**
- **Hapjanggang Shipping Co.** and its vessel **Nam San 8** and general cargo ship **Hap Jang Gang 6**
- **Korea Achim Shipping Co.** and its vessel **Chon Ma San**
- **Korea Ansan Shipping Co.** and its vessel **An San**
- **Korea Myongdok Shipping Co.** and its vessel **Yu Phyong**
- **Phyongchon Shipping and Marine** and its vessels **Ji Song 6**, **Ji Song 8** and **Woory Star**
- **Paekma Shipping Co. care of First Oil JV Co. Ltd.** and its vessel **Paek Ma**
- **Korea Samjong Shipping Co.** and its vessels **Sam Jong 1** and **Sam Jong 2**
- **Korea Samma Shipping Co.** and its vessel **Sam Ma 2**
- **Korea Unpha Shipping and Trading** and its vessel **Kum Gang 3**
- **Korea Yujong Shipping Co. Ltd.** and its vessel **Yu Jong 2**
- **Pochon Shipping and Management** and its vessel **Po Chon**
- **Songwon Shipping and Management** and its vessel **Song Won**
- **Tonghung Shipping and Trading Co.** and its vessel **Tong Hung 5**
- **Myohyang Shipping Co.** and its vessel **Yu Son**

## ***Designated International Shipping Companies***

Pursuant to E.O. 13810, OFAC also sanctioned the following international shipping companies and their vessels. According to OFAC, the vessels have been used to export coal from North Korea, or otherwise have engaged in ship-to-ship transfers of refined petroleum products in violation of United Nations policies:

- **First Oil JV Co. Ltd.** and its vessel **Paek Ma**
- **Hongxiang Marine Hong Kong Ltd.** and its vessel **Oriental Treasure 9**
- **Huaxin Shipping HongKong Ltd.** and its vessel **Asia Bridge**
- **M.T. Koti Corp.** and its vessel **Koti**
- **Chang An Shipping & Technology** and its vessel **Hua Fu 10**
- **Liberty Shipping Co. Ltd.**
- **Shanghai Dongfeng Shipping Co. Ltd.** and its vessel **Dong Feng 6**
- **Shen Zhong International Shipping** and its vessels **Hao Fan 2** and **Hao Fan 6**
- **Weihai World-Shipping Freight** and its vessel **Xin Guang Hai 7**
- **Yuk Tung Energy Pte. Ltd.** and its vessel **Yuk Tung**

Finally, OFAC sanctioned a Taiwanese national, **Yung Yuan Tsang**, who is alleged to have coordinated North Korean coal exports with a Russian-based North Korean broker, and is alleged to have a history of other activity to evade sanctions. OFAC likewise sanctioned Taiwanese entities controlled by Tsang: **Pro-Gain Group Corporation** and **Kingly Won International Co., Ltd.** OFAC asserted that, in 2017, Tsang and Kingly Won attempted to engage in an oil deal valued at over \$1 million with the Russian firm Independent Petroleum Company, which was itself designated in 2017.

## **OFAC GUIDANCE RELATED TO NORTH KOREA SHIPPING PRACTICES**

In conjunction with the February designations, OFAC issued [advisory guidance](#) entitled “Sanctions Risks Related to North Korea’s Shipping Practices.” The Advisory alerts persons globally about deceptive shipping practices used by North Korea to evade sanctions, and warns against the risk of violating the US sanctions regime. OFAC warned that North Korea often conceals the true identity of vessels in an effort to evade sanctions, including by: (i) physically altering the vessel’s International Maritime Organization identification number; (ii) concealing the origin or destination of its cargo by transferring the cargo at sea rather than at port (a ship-to-ship transfer); (iv) falsifying cargo and vessel documentation; and (v) by disabling or manipulating a vessel’s automatic identification system (AIS) to mask the vessel’s movements.

To mitigate against the risk of violating sanctions, OFAC encouraged persons globally to implement the following types of measures: (i) monitoring for AIS manipulation; (ii) conducting research prior to engaging in ship-to-ship transfers in the area surrounding the Korean peninsula; and (iii) reviewing all documentation and leveraging available resources.

# VENEZUELA



Venezuela this quarter announced the launch of its own cryptocurrency in hopes of mitigating the effect of recent US financial sanctions. The oil-backed currency, the “petro,” will represent a barrel of crude oil from the country. Venezuelan President Nicolás Maduro said in February that the release of the petro, which represents the first cryptocurrency officially launched by a government, raised \$735 million on the first day. Iran also announced this quarter that it was developing a state-backed digital currency.

The Trump Administration responded by issuing a new executive order, described further below, which formally prohibits US persons from dealing in the Venezuelan petro. Meanwhile, the US continued its pattern of designating specific Venezuelan individuals for their alleged roles in supporting anti-democratic initiatives in the Maduro regime.

On January 5, OFAC designated four additional Venezuelan government officials pursuant to Executive Order 13692. E.O. 13692, originally signed in March 2015, authorizes sanctions against individuals engaged in undermining democracy in Venezuela. According to OFAC, the following individuals were associated with public corruption and democratic repression in Venezuela:

- **Rodolfo Clemente Marco Torres** – Governor of the Venezuelan state of Aragua and an External Director on the Board of Directors of Petróleos de Venezuela, S.A. (PdVSA). Marco Torres previously held various government positions, and is a retired General from the National Bolivarian Armed Forces. According to OFAC, Marco Torres is allegedly linked to corruption schemes related to food imports controlled by the Venezuelan military.
- **Francisco Jose Rangel Gomez** – former Governor of Bolivar State and retired army general. Rangel Gomez is alleged to be linked to corruption activities, such as strengthening armed gangs operating in Bolivar and pressuring courts to release gang members that are apprehended. OFAC also alleged that Rangel Gomez is linked to networks of corrupt military officials.
- **Fabio Enrique Zavarse Pabon** – Division General of the Bolivarian National Guard. OFAC alleged that Zavarse Pabon is responsible for acts of repression by members of the Bolivarian National Guard against street protestors in Venezuela.
- **Gerardo Jose Izquierdo Torres** – Major General of the Army, State Minister for the New Border of Peace and the Executive Secretary of the Presidential Border Commission. OFAC alleged that

Izquierdo Torres has “used his positions to profit from corruption at the expense of the Venezuelan people.”

On March 19, OFAC also designated four current or former Venezuelan government officials pursuant to Executive Order 13692, which targets, among other things, individuals involved in public corruption, anti-democratic activities and human rights abuses in Venezuela. The announcement is part of the US Treasury Department’s “ongoing efforts to highlight the economic mismanagement and endemic corruption” of the Maduro regime. The following individuals were designated:

- **Willian Antonio Contreras** – head of the Superintendency for the Defense of Socioeconomic Rights (SUNDDE), the agency responsible for imposing price controls in Venezuela. Contreras is also the Vice Minister of Internal Commerce within the Ministry of Popular Power of Economy and Finance.
- **Nelson Reinaldo Lepaje Salazar** – acting Head of the Office of the National Treasury of Venezuela. OFAC noted that the Venezuelan National Treasury has been the subject of previous corruption allegations, as it was alleged that President Maduro stole nearly \$10 million from the National Treasury.
- **Carlos Alberto Rotondaro Cova** – former President of the Board of Directors of the Venezuelan Institute of Social Security (IVSS), the government agency tasked with providing patients with drugs for chronic conditions.
- **Américo Alex Mata García** – appointed as an Alternate Director on the Board of Directors of the National Bank of Housing and Habitat, also known as BANAVIH, under the Ministry of Popular Power for Habitat and Housing.

## NEW GUIDANCE ON VENEZUELA FINANCIAL SANCTIONS

On February 12, 2018 the Department of the Treasury published two new Venezuela-related Frequently Asked Questions (FAQs). The new FAQs provide additional guidance on debt-related prohibitions in E.O. 13808, including the meaning of “new debt,” and the receipt of certain late payments from the Government of Venezuela, including from Petroleos de Venezuela, S.A. (PdVSA).

- OFAC published **FAQ 553**, which provides the Treasury Department’s definition of “new debt” for purposes of E.O. 13808. The FAQ clarifies that OFAC considers “new debt” to be debt created on or after August 25, 2017, and provides various examples of “debt,” including loans and extensions of credit. OFAC does not consider debt that was created prior to August 25, 2017 to be “new debt” so long as the terms of the debt instrument (including, for example, the length of the repayment period or any interest rate applied) agreed to by the parties do not change on or after August 25, 2017. Such preexisting debt does not need to conform to the 30- or 90-day tenors imposed under E.O. 13808, and US persons may collect and accept payment for such debt regardless of whether the relevant segment of the Government of Venezuela, including PdVSA, pays during the agreed-upon payment period.
- In **FAQ 554**, OFAC also clarified that for “new debt” (debt created on or after August 25, 2017), US persons are not permitted to accept payment from PdVSA or other segments of the Government of Venezuela if payment for a debt is not received within the applicable period specified in E.O. 13808. In circumstances where PdVSA or another segment of the Government of Venezuela fails to pay a debt in full within 90 or 30 days, as applicable, US persons must obtain a specific license from OFAC before accepting payment. However, OFAC noted that “to mitigate potential harm to US persons who have not received payment related to new debt ... within the applicable maturity period,” it would grant specific licenses on a case-by-case basis so long as (1) the debt is based on an agreement that complies with applicable sanctions requirements and prohibitions; (2) the debt is “new debt” created before March 14, 2018; (3) the relevant segment of the Government of Venezuela failed to pay its debt within the agreed-upon, authorized payment period; and (4) the transaction is not otherwise prohibited.

## TRUMP SIGNS EXECUTIVE ORDER EXPLICITLY ADDRESSING NEW VENEZUELA DIGITAL CURRENCY

On March 19, 2018 President Trump signed a new executive order, Executive Order 13827 (“Taking Additional Steps to Address the Situation in Venezuela”), which prohibits US persons and others subject to US jurisdiction from engaging in all transactions related to, provision of financing for and dealings in, any digital currency, digital coin or digital token that was issued by, or on behalf of, the Government of Venezuela after January 9, 2018. E.O. 13827 specifically targets Venezuela’s introduction of its state-issued cryptocurrency, the “petro.” Concurrently, OFAC released three new Frequently Asked Questions related to E.O. 13827:

- **FAQ 527** confirmed that both the “petro” and “petro-gold” are considered a “digital currency, digital coin, or digital token” that was issued by, for or on behalf of the Government of Venezuela on or after January 9, 2018.
- **FAQ 565** clarified that Venezuela’s traditional fiat currency, *bolivar fuerte*, is NOT considered a “digital currency, digital coin, or digital token” that was issued by, for or on behalf of the Government of Venezuela on or after January 9, 2018.
- **FAQ 566** provided guidance to individuals who may have participated in the pre-sale for Venezuelan digital currency. According to OFAC, those who participated in the pre-sale are prohibited from further dealing in the digital currency unless OFAC has issued a license specifically authorizing the activity.

# COUNTER-TERRORISM DESIGNATIONS



On January 4, the State Department designated **Muhammad al-Ghazali**, **Abukar Ali Adan** and **Wanas al-Faqih** as Specially Designated Global Terrorists (“SDGT”). All three individuals are associated with al-Qaida affiliates al-Qa’ida in the Arabian Peninsula (“AQAP”) and al-Qa’ida in the Islamic Maghreb (“AQIM”). Al-Ghazali is a senior member of AQAP who is involved in internal security and helps train the group’s operatives. Ali Adan is a deputy leader of al-Shabaab. Moreover, al-Faqih is an AQIM associate who helped plan the March 18, 2015, Bardo Museum attack in Tunis, Tunisia that killed at least twenty people.

On January 23, the State Department designated **Khalid Batarfi** as a SDGT. Batarfi is the leader of AQAP and was the top commander for AQAP in Abyan Governate, Yemen. In April 2015, Batarfi was released from the Central Prison of al-Mukalla after AQAP militants attacked the prison.

On January 23, the State Department designated two alleged ISIS members, **Siddhartha Dhar** and **Abdelatif Gaini**, as SDGTs. Dhar was a leading member Al-Muhajiroun, a now-defunct terrorist organization. In late 2014, Dhar travelled from the United Kingdom to Syria to join ISIS. He is believed to be the masked leader who appeared in a January 2016 video showing the execution of several ISIS prisoners. Gaini is a Belgian-Moroccan citizen believed to be fighting for ISIS in the Middle East.

On January 25, OFAC designated six individuals as SDGTs: four individuals were designated for their support of the Taliban, and two individuals were designated for their support of the Haqqani Network. The following individuals were designated:

- **Abdul Samad Sani** – Sani was designated for acting on behalf of the Taliban. In early 2017, Sani allegedly sent weapons to Taliban members who later attacked an Afghan National Police patrol, killing one officer and wounding two others. Previously, Sani traveled to the Persian Gulf to obtain funding and supplies and also solicited donations from Taliban sympathizers in Afghanistan and Pakistan.
- **Abdul Qadeer Basir Abdul Baseer** – Baseer was designated for acting on behalf of the Taliban. In the fall of 2017, Baseer paid Taliban commanders tens of thousands of dollars for previous attacks conducted in Kunar Province, Afghanistan. Previously, Baseer disbursed funds to Taliban leaders and helped finance the Taliban’s military and political activities in northern and eastern Afghanistan.

- **Hafiz Mohammed Popalzai** – Popalzai was designated for supporting the Taliban and Gul Agha Ishakzai. Popalzai has served for several years on the Taliban Finance Commission and was responsible for the Taliban’s finances in southern and western Afghanistan.
- **Maulawi Inayatullah** – Inayatullah, a Taliban military affairs member, was designated for supporting the Taliban. In late 2016, Inayatullah led Taliban attacks against Afghan and Coalition Forces in Kabul, Afghanistan, and provided financial support for the attack’s planners.
- **Faqir Muhammad** – Muhammad was designated for acting on behalf of the Haqqani Network. For several years, Muhammad has been a major fundraiser for the Haqqani Network.
- **Gula Khan Hamidi** – Hamidi was designated for providing financial, material and technological support to the Haqqani Network. In July 2015, Hamidi facilitated communication between a Haqqani Network official and a Haqqani Network contact in Syria. Hamidi participated in meetings with Haqqani leaders in Syria and coordinated the travel of militants from Pakistan to Turkey and onwards to Syria.

On January 31, the State Department designated **Ismail Haniyeh, Harakat al-Sabireen, Liwa al Thawra and Harakat Sawa’d Misr** (“HASM”) as SDGTs. Ismail Haniyeh is the leader and president of the Political Bureau of Hamas, which was designated in 1997 as a Foreign Terrorist Organization (“FTO”) and in 2001 as a SDGT. Haniyeh has close links with Hamas’s military wing and has reportedly engaged in terrorist attacks against Israeli citizens. Harakat al-Sabireen is an Iranian-backed terrorist group that operates primarily in Gaza and the West Bank. The group has carried out terrorist activities targeting Israel and pursues an anti-American agenda. Liwa al-Thawra is a terrorist group in Egypt that has claimed responsibility for the October 2016 assassination of Egyptian brigadier general Adel Ragai and a 2017 bombing outside of a police training center in Tanta, Egypt. HASM is an Egyptian terrorist group that has claimed responsibility for a September 2017 attack on Myanmar’s embassy in Cairo and the earlier assassination of Egyptian National Security Agency officer Ibrahim Azzazy.

On February 2, OFAC designated six individuals and seven entities linked to Hizballah, which itself is designated as a FTO and a SDGT. Specifically, OFAC designated Lebanon-based Jihad **Muhammad Qansu, Ali Muhammad Qansu, Issam Ahmad Saad and Nabil Mahmoud Assaf** and Iraq-based **Abdul Latif Saad and Muhammad Badr-Al-Din** for acting on behalf of Hizballah member and financier Adham Tabaja and his company, Al-Inmaa Engineering and Contracting. Moreover, OFAC designated Sierra Leone-based **Dolphin Trading Company Limited, Sky Trade Company,** and **Golden Fish Liberia LTD.** and Lebanon-based **Golden Fish S.A.L.** for being owned and controlled by Ali Muhammad Qansu. Each of the six individuals and seven entities designated under the February 2 order are also subject to secondary sanctions pursuant to the Hizballah Financial Sanctions Regulations. Following are details on the sanctioned individuals.

On February 7, OFAC designated three individuals, **Rahman Zeb Faqir Muhammad, Hizb Ullah Astam Khan and Dilawar Khan Nadir Khan,** as SDGTs. Rahman Zeb was designated for providing financial, material and technological support to Lashkar-e Tayyiba (“LeT”), a U.N. and US-designated terrorist organization based in Pakistan. In early 2016, he was involved in LeT’s financial operations in Pakistan and Afghanistan. Hizb Ullah and Dilawar were designated for acting on behalf of SDGT Shaykh Aminullah. Hizb Ullah served as a financial official of a Peshwar-based madrassa that was co-founded by Shaykh Aminullah. Dilawar has acted as Shaykh Aminullah’s assistant; in that role, he facilitates funds transfers and relays messages on behalf of the SDGT.

On February 9, OFAC designated three individuals and three entities as SDGTs. Following are details on the SDGTs:

- **Abdulpatta Escalon Abubakar** – Abubakar was designated for providing assistance to ISIS. He has served as a key facilitator for ISIS and its network in the Philippines since at least January 2016 and has helped transfer thousands of dollars to the network. In late September 2017, Abubakar was detained by Filipino authorities as he was traveling from the Gulf to the Philippines.
- **Yunus Emre Sakarya and Profesyoneller Elektronik (“PE”)** – Sakarya was designated for providing assistance to ISIS. Since 2015, Sakarya has served as a key facilitator involved in the procurement of unnamed aerial vehicles to ISIS. PE, a Turkey-based company, was designated for being owned and controlled by Sakarya and for assisting ISIS.
- **Mohamed Mire Ali Yusuf (“Mire Ali”), Libaan Trading and Al-Mutafaq Commercial Company** – Mire Ali was designated for providing assistance to ISIS. Since 2016, Mire Ali provided funds to ISIS leaders and ran two businesses, Libaan Trading and Al-Mutafaq Commercial, that served as fronts for ISIS-aligned groups in Somalia.

On February 20, the State Department designated **Ansarul Islam** as a SDGT. Ansarul Islam is a Burkina Faso-based terrorist group that has launched numerous attacks in northern Burkina Faso, including a December 2016 attack that killed a dozen soldiers. The group has also launched attacks against police stations in Burkina Faso and murdered a school director and another man in Kourfayel, Burkina Faso.

On February 27, the State Department designated three ISIS-affiliated groups—**ISIS-West Africa**, **ISIS-Philippines** and **ISIS-Bangladesh**—as SDGTs and as FTOs. Moreover, OFAC also designated four other ISIS-affiliated groups—**ISIS Somalia**, **Jund al-Khilafah-Tunisia**, **ISIS-Egypt** and the **Maute Group**—and two ISIS-affiliated leaders—**Mahad Moalim** and **Abu Musab al-Barnawi**—as SDGTs. Following are details on the designated organizations and individuals.

- **ISIS-West Africa and Abu Musab al-Barnawi** – In August 2016, Boko Haram pledged allegiance to ISIS and changed the group’s name to ISIS-West Africa. However, in August 2016, the group split into two factions. ISIS appointed Abu Musab al-Barnawi as leader of ISIS-West Africa, and the remaining faction adopted its former name, Boko Haram.
- **ISIS-Philippines and the Maute Group** – In June 2016, militants in the Philippines pledged allegiance to ISIS and encouraged other Muslims to join the terrorist group. The Maute Group declared its allegiance to ISIS in 2014 and is an integral part of ISIS-Philippines. It is responsible for the siege of Marawi, Philippines, which began in May 2107, and the September Davao market bombing, which killed 15 people.
- **ISIS-Bangladesh** – In August 2014, a group of Bangladeshi nationals pledged allegiance to ISIS. ISIS-Bangladesh has since executed numerous attacks across the country, including an assault on the Holey Artisan Bakery in Dhaka that killed 22 people.
- **ISIS-Somalia and Mahad Moalim** – ISIS-Somalia was formed in October 2015 and has since claimed responsibility for attacks across the country, including a May 2017 suicide bombing at a police checkpoint that killed five people and a February 2017 attack on a tourist hotel that killed four security guards. Mahad Moalim is the co-deputy of ISIS-Somalia and facilitates the shipments of fighters and arms from Yemen to Somalia.
- **Jund al-Khilafah-Tunisia (“JAK-T”)** – JAK-T, a Tunisian organization, pledged allegiance to ISIS leader Abu Bakr al-Baghdadi in December 2014 and has since executed several attacks in Tunisia.
- **ISIS-Egypt** – In May 2017, ISIS announced that ISIS-Egypt had separated from related Egypt-based terrorist organizations. ISIS-Egypt has claimed responsibility for numerous attacks in Egypt, including a December 2016 attack on Cairo’s Coptic Christian cathedral that killed 28 people.

On March 8, the State Department designated **Ahmad Iman Ali** and **Abdifatah Abubakar Abdi** as SDGTs. Ali is a prominent al-Shabaab commander who has served as the group’s leader in Kenya since 2012. In that role, Ali has targeted Kenyan troops in Somalia and is responsible for al-Shabaab propaganda geared towards Kenyan government and civilians. He has also recruited on behalf of al-Shabaab, targeting poor youth in Nairobi slums. Abdi is a suspected member of al-Shabaab and is wanted in connection with a June 2014 attack in Mpeketoni, Kenya, that killed more than 50 people.

On March 22, the State Department designated **Joe Asperman**, a French national, as a SDGT. OFAC also designated **Katibat al-Imam al-Bukhari**, an Aleppo-based entity, as a SDGT. Asperman, a senior chemical weapons expert for ISIS, oversaw chemical operations production for ISIS in Syria and deployed chemical weapons at the battlefield. Katibat al-Imam al-Bukhari is the largest Uzbek fighting force in Syria and has played a significant role in the fighting in northwestern Syria. The organization fights alongside groups including al-Nusrah Front, an al-Qa’ida affiliate in Syria.



# OFAC TARGETS NARCOTICS TRAFFICKERS & CRIMINAL ORGANIZATIONS



On January 30, OFAC designated the **Zhao Wei Transnational Criminal Organization** (“Zhao Wei”) pursuant to Executive Order 13581, “Blocking Property of Transnational Criminal Organizations.” Based in Laos, the Zhao Wei TCO is alleged to exploit the greater Golden Triangle Special Economic Zone by engaging in drug trafficking, human trafficking, money laundering, bribery and wildlife trafficking. OFAC also designated a network of four individuals—**Zhao Wei, Guiqin Su, Abbas Eberahim, and Nat Rungtawankhiri**—and three entities—**Kings Romans International Co., Kings Romans International Investment Co. Limited and King Romans Company Limited**—for materially assisting the Zhao Wei TCO.

On February 14, OFAC designated three Colombian nationals—**Javier Garcia Rojas, Ruth Garcia Rojas and Wilton Cesar Hernandez Durango**—as Specially Designated Narcotics Traffickers (SDNTs) under the Kingpin Act. OFAC also designated four companies owned by the three designated individuals: **Agroconstrucciones Las Palmeras S.A.S., Euromecanica, Inversora Pinzon y Garcia S. En C.S. En Liquidacion and MMAG Agricultura Global S.A.S.** Two of the designated individuals, siblings Javier and Ruth Garcia Rojas, are the longtime partners of Jose Bayron Piedrahita Ceballos and the La Oficina de Envigado (“La Oficina”) criminal group, which was designated under the Kingpin Act in June 2014. The third individual, Wilton Cesar Hernandez Durango, is a former Colombian law enforcement official who has disrupted Colombian efforts to investigate Piedrahita Ceballos.

On March 6, OFAC designated eight Mexican nationals and eight Mexican companies as SDNTs under the Kingpin Act; those individuals and entities are linked to the Ruelas Torres drug trafficking organization (“Ruelas Torres DTO”), a Sinaloa-based criminal organization led by Joel Efen Ruelas Avila. The designated individuals are: **Maria Monserrat Avila Rocha, Patricia Lourdes Ruelas Avila, Jose Maria Ruelas Avila, Trinidad Ruelas Avila, Raquel Rivera Guerrero and Cruz Sanchez Medrano**, all family members of Joel Efen Ruelas Avila. The OFAC action also targets Mexican nationals **Pedro Sanchez Medrano and Reyna Isabel Rivera Sandoval**, key associates of the Ruelas Torres DTO. The eight designated entities, all based or registered in Sinaloa, include five agricultural companies, **Agricola Ruelas S.P.R. de R.I., Alondra Produce, S.P.R. de R.I., Comercializadora Gael 4, S.A. de C.V., Dispersora Gael, S.A. de C.V. and Felixtapia S.C. de R.L. de C.V.**; two construction companies, **Constructora Joel, S.A. de C.V. and Constructora Vania, S.A. de C.V.**; and one clothing boutique, **Cruzita Novedades**.

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