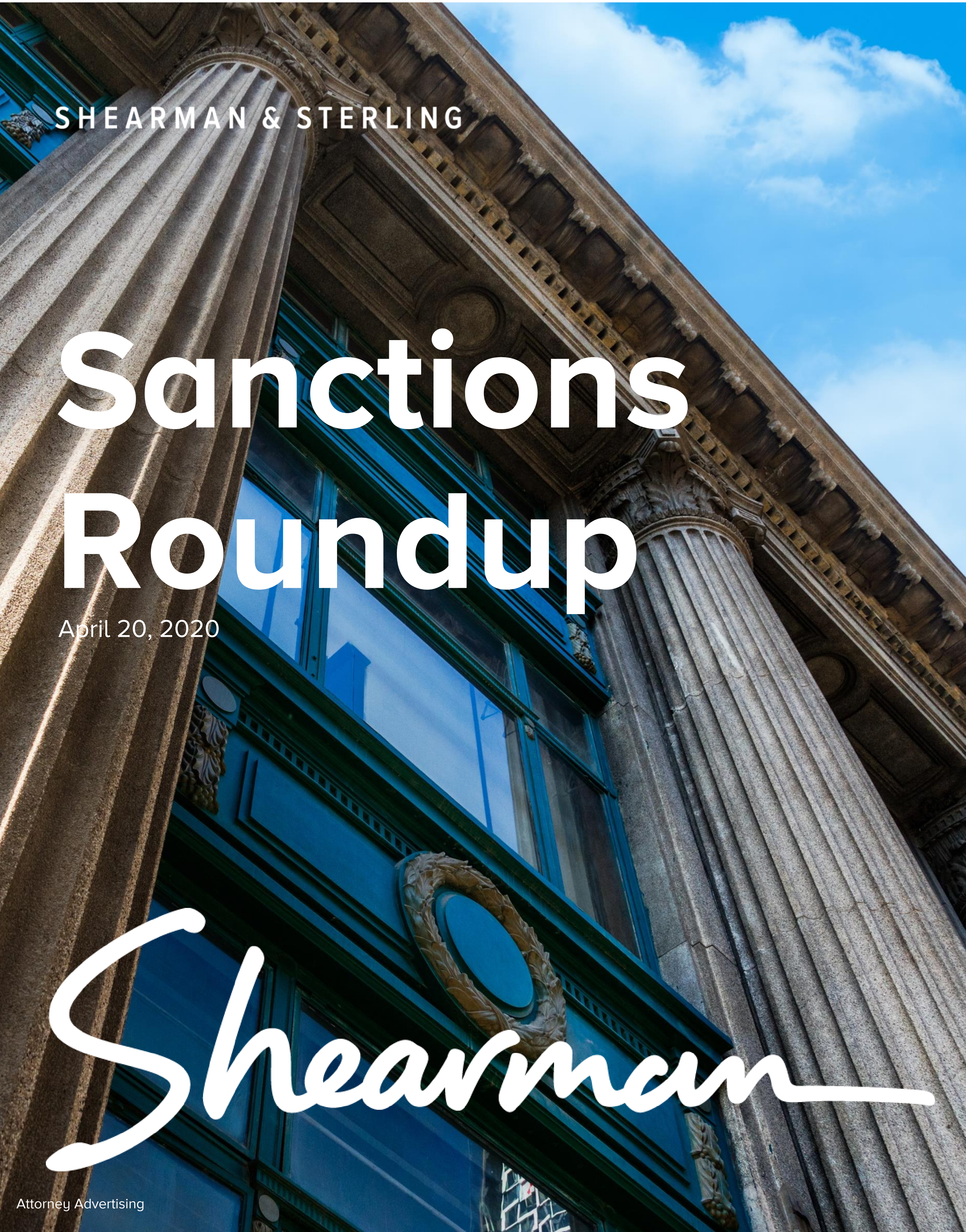


SHEARMAN & STERLING

Sanctions Roundup

April 20, 2020

FIRST QUARTER 2020

- **Despite easing sanctions on COSCO Shipping, U.S. continues to target Chinese firms for secondary sanctions over Iran-related activities.**
- **President Trump announces new restrictions on Iran's construction, mining, and textile sectors; maintains sanctions pressure despite COVID-19 pandemic.**
- **OFAC blacklists two Rosneft entities in effort to thwart Russia's expanding support of Venezuela's oil exports.**
- **Enforcement action against Swiss company illustrates OFAC's broad view of primary jurisdiction based on use of "U.S.-origin" technology.**

CONTENTS

CHINA

U.S. authorities maintained a sharp focus on China this quarter. Despite easing restrictions on China's shipping sector, U.S. enforcement agencies continued to impose secondary sanctions against firms in China (and elsewhere) for supporting Iran's petrochemical, petroleum, and metals sectors.

OFAC Eases Restrictions on COSCO Shipping's Tanker Operations

On January 31, OFAC announced the removal of COSCO Shipping Tanker (Dalian) Co. from the SDN list. The company was designated for secondary sanctions last September for its alleged involvement in transporting Iranian oil exports. The blacklisting of COSCO's oil tanker operations caused an immediate spike in freight prices worldwide. To mitigate these effects, OFAC twice extended the applicable wind-down periods while it engaged in discussions with the company. COSCO Dalian's de-listing reportedly stemmed from its commitments to abide by U.S. sanctions against Iran going forward, but the move could also be tied to ongoing trade negotiations between the U.S. and China. Notably, COSCO's management entity, **COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co**., remains designated.

Chinese & Hong Kong Entities Targeted for Iran Dealings

On January 10, OFAC designated a Chinese trading company and Chinese vessel pursuant to E.O. 13871 (targeting Iran's iron, steel, aluminum, and copper sectors) for purchasing, transporting, or supplying goods in connection with Iran's metals production. Beijing-based **Pamchel Trading Beijing Co. Ltd**. was designated, along with its Seychelles-based subsidiary **Power Anchor Limited,** for purchasing "tens of thousands of metric tons of steel slabs on a monthly basis" from Iran's Mobarakeh Steel Company. According to OFAC, Pamchel also sold carbon blocks, cathode blocks, and graphite electrodes to an Iranian trading company for use by Iranian metals producers and facilitated the sale of Iranian copper and other metals to other Chinese purchasers.

Additionally, OFAC designated the Chinese vessel **Hong Xun** and its owner, **Hongyuan Marine Co. Ltd.**, for allegedly transporting the steel slabs purchased by Pamchel from Iran to China.

On January 23, OFAC designated four non-U.S. brokers under secondary sanctions (E.O 13846) for providing material support to Iran's National Iranian Oil Company (NIOC) by facilitating the export of petroleum and petrochemical products to purchasers in China and the United Arab Emirates. The sanctions all related to activities occurring after May 2019, when the U.S. terminated the significant reduction exceptions (SREs) that allowed firms in China and elsewhere to purchase Iranian oil without being subject to sanctions. While OFAC did not release the exact value of the transactions at issue, the companies' collective activities resulted in "the equivalent of hundreds of millions of dollars" paid to NIOC. The designated entities include:

- **Triliance Petrochemical Co. Ltd.** (Hong Kong): allegedly transferred "the equivalent of millions of dollars" in payments to NIOC for Iranian petrochemicals, crude oil, and petroleum products shipped to the United Arab Emirates and China. According to OFAC, the company took steps to conceal the Iranian origin of the products. OFAC also specifically noted that Triliance facilitated the sale of petroleum products from Naftiran Intertrade Company (a NIOC subsidiary) to purchasers in China.

- **Sage Energy HK Limited** (Hong Kong) and **Peakview Industry Co. Limited** (Shanghai): both allegedly paid "the equivalent of millions of dollars" to NIOC to facilitate oil exports.

- **Beneathco DMCC** (Dubai): allegedly facilitated payments equivalent to "several million dollars" to NIOC. OFAC also noted that, in late 2018 (prior to the termination of the SRE waivers), the company "offered to assist NIOC in hiding the origin of Iranian products destined for the United Arab Emirates."

In conjunction with these designations, the State Department also designated several companies and senior executives for blocking sanctions "for knowingly engaging in a significant transaction for the purchase, acquisition, sale, or transport of petrochemical products from Iran." Those targets included **Jiaxiang Industry Hong Kong Limited** (Hong Kong), **Shandong Qiwangwa Petrochemical Co., Ltd.** (China), and Chinese national **Zhiqing Wang**.

On March 18, the State Department again announced blocking sanctions on a number of companies in China and Hong Kong for engaging in a "significant" transaction for the purchase, acquisition, sale, transport, or marketing of petrochemical products from Iran. The designated parties include Hong Kong-based companies **McFly Plastic HK Ltd, Saturn Oasis Co., Ltd**, and **Sea Charming Shipping Company Ltd**, and Chinese companies **Dalian Golden Sun Import & Export Co., Ltd.**, **Tianyi International (Dalian) Co., Ltd.**, and **Aoxing Ship Management (Shanghai) Ltd.** Two South African companies were also designated: **SPI International Proprietary Ltd** and **Main Street 1095**.

On the same day, the State Department imposed sanctions on four Chinese individuals and entities for allegedly supporting the missile development programs in Iran and Pakistan. Pursuant to the Iran, North Korea, and Syria Nonproliferation Act, on February 25 the State Department imposed new sanctions on **Luo Dingwen**, **Baoding Shimaotong Enterprises Services Company Limited**, **Gaobeidian Kaituo Precise Instrument Co. Ltd**, and **Wuhan Sanjiang Import and Export Co., Ltd.** The sanctions include restrictions on U.S. government procurement, U.S. government assistance, and exports. Turkish entity **Eren Carbon Graphite Industrial Trading Company, Ltd** was also designated.

OFAC Sanctions Chinese Actors Supporting North Korea

Two of North Korea's primary sources of revenue are remittances sent by its citizens working abroad and illicit proceeds from cybercrime. OFAC addressed the role of Chinese actors in both this quarter. On January 14, OFAC designated DPRK and Chinese entities pursuant to E.O. 13722 for assisting in the illicit exportation of North Korean laborers:

- **Namgang Trading Corporation** (DPRK): throughout 2018, allegedly handled visas, passports, and travel logistics necessary to station North Korean laborers in Russia, Nigeria, and numerous countries in the Middle East, and then repatriated the resulting funds back to the North Korean government.

- **Beijing Sukbakso** (China): allegedly provided material support to NTC and Namgang Construction (a DPRK entity designated in 2016) by serving as a lodging facility that handles travel and logistics for NTC's overseas laborers.

On March 2, OFAC designated two Chinese nationals, **Tian Yinyin** and **Li Jiadong**, for allegedly laundering cryptocurrency stolen during a 2018 cyber-attack linked to Lazarus Group, a North Korean state-sponsored cybercrime group. According to OFAC, Tian and Li together transferred approximately $91 million of the illicit proceeds through various accounts under their control and invested large sums in gift cards capable of purchasing Bitcoin. In announcing the designations, OFAC warned that financial institutions or other persons who engage in transactions with Tian and Li could themselves face sanctions.

RUSSIA

This quarter, the U.S. took aim at Russia's second largest energy company in an attempt to curb its increasing support of Venezuela's oil trade. OFAC again extended the wind-down period related to dealings with the Deripaska-linked auto conglomerate, GAZ Group, and the U.S. continued to scrutinize government officials and infrastructure networks operating in the Crimea region of Ukraine.

OFAC Sanctions Two Rosneft Subsidiaries for Facilitating Venezuelan Oil Exports

In a further attempt to cut off funding to the Maduro regime, OFAC took action this quarter to curb Russia's support for Venezuela's oil trade. After months of U.S. secondary sanctions on Venezuelan oil exports showed relatively little effect, the U.S. envoy to Venezuela explained that the U.S. initially "underestimated the importance of Russia," which reportedly now facilitates the purchase and transport of over 70% of Venezuela's oil.

OFAC designated two Switzerland-incorporated oil brokerage subsidiaries of Russian oil giant PJSC Rosneft Oil Company pursuant to E.O. 13850 (targeting persons operating in the oil sector of the Venezuelan economy). First, on February 18, OFAC took action against oil brokerage firm **Rosneft Trading S.A.** and its president, **Didier Casimiro**, for allegedly coordinating with PdVSA to ship millions of barrels of crude oil to West Africa and Asia. In the wake of Rosneft Trading's designation, Rosneft shifted its Venezuela dealings to a different subsidiary, re-allocating cargoes to **TNK Trading International S.A**., which OFAC promptly designated on March 12. In conjunction with the sanctions, OFAC issued General License 36A, authorizing until May 20, 2020, all transactions and activities necessary to the wind-down of transactions involving Rosneft Trading and TNK Trading, and their majority-owned subsidiaries.

On March 28, Rosneft responded to the sanctions by announcing that it would sell its Venezuelan assets to an unnamed firm owned by the Russian government—later reported to be a newly created entity called "Roszarubzhneft." It remains unclear whether the divestment will result in the de-listing of Rosneft Trading and TNK Trading.. The U.S. special envoy to Venezuela stated that authorities are continuing to analyze the transaction.

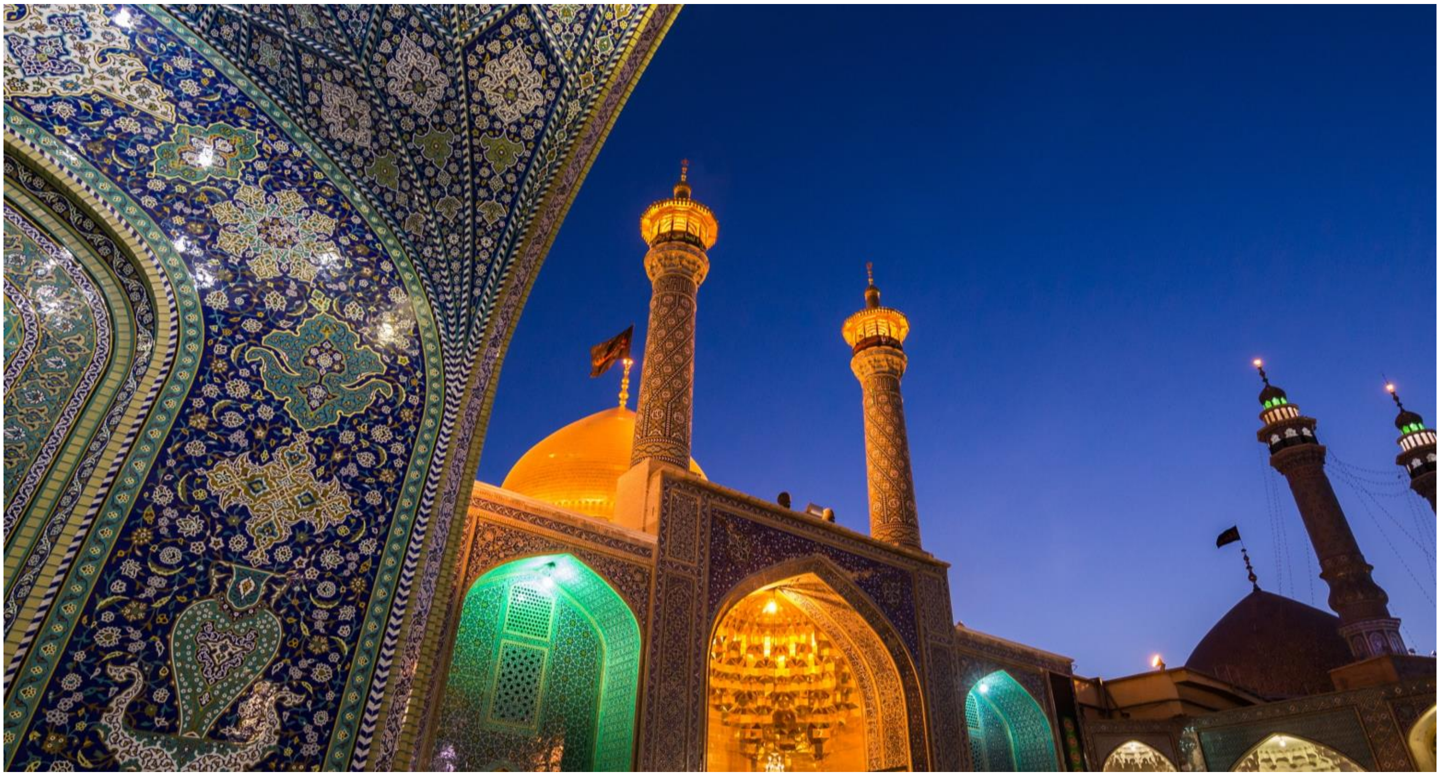
OFAC Again Postpones GAZ Group Sanctions

On March 20, OFAC issued two amended General Licenses, extending through July 22, 2020, the deadline by which investors must divest, and entities must wind-down, operations related to GAZ Group LLC. Specifically, OFAC issued General License 13N and General License 15H. GL 13N extends the deadline for investors to take steps to divest or transfer their interests in GAZ Group, or to engage in activities that facilitate the divestment or transfer to non-U.S. persons. GL 15H extends the deadline for transactions related to the maintenance or wind-down of operations involving GAZ Group.

U.S. Continues to Scrutinize Russian Activities in Ukraine

On January 29, OFAC designated eight individuals and one entity pursuant to E.O. 13660 for contributing to ongoing destabilization in Ukraine. First, OFAC targeted **Grand Service Express** and its CEO, **Alexander Ganov**, for operating in the Crimea region of Ukraine. Grand Service Express is a private railway company that offers passenger service between Russia's mainland and the Crimean Peninsula. OFAC also targeted seven individuals for asserting governmental authority over the Crimean Peninsula without authorization of the Government of Ukraine. Many individuals designated in this action were also targeted by the European Union and Canada.

IRAN



2020 began with heightened military tensions between the U.S. and Iran, which reverberated throughout the first quarter. President Trump extended sector-wide sanctions to encompass Iran's construction, mining, and textile sectors. Iran then followed through on its threat to breach uranium enrichment levels established by the JCPOA. Despite widespread appeals for the U.S. to ease sanctions during the ongoing COVID-19 pandemic, OFAC continued to target Iran's oil exports and other sectors.

Sector-wide Sanctions Expanded to Iran's Construction, Mining, and Textile Industries

In the wake of Iran's retaliatory air strikes on U.S. military bases in Iraq – a response to the assassination of IRGC-QF commander Qassem Soleimani – President Trump issued Executive Order 13902 on January 10, which establishes broad new sanctions against Iran's construction, mining, manufacturing, or textiles sectors. Among other restrictions, the order permits secondary sanctions against non-U.S. persons who knowingly engage in a "significant" transaction for the "sale, supply, or transfer to or from Iran of goods and services used in connection with those sectors." E.O. 13902 further contemplates secondary sanctions against foreign financial institutions who facilitate such transactions, or conduct other business with entities designated under the order. Perhaps most importantly, the order purports to grant the Treasury Secretary (in consultation with the Secretary of State) discretion to expand these restrictions to any other sector of the Iranian economy. OFAC granted a 90-day wind down period for entities to wind-down business activities with entities engaged in these economic sectors, but noted that no new business should be entered into after January 10, the effective date of the order.

OFAC Takes Aim at Iran's Largest Metal Companies, Chinese Trading Firm

Also on January 10, OFAC designated 17 of Iran's largest metals producers pursuant to E.O. 13871 (targeting Iran's iron, steel, aluminum, and copper sectors). The designated entities included steel companies **Saba Steel**, **Hormozgan Steel Company**, and **Esfahan Steel Company**, and aluminum companies **Iran Aluminum Company (IRALCO)**, **Al-Mahdi Aluminum Corporation**, and **National Iranian Copper Industries**.

Notably, OFAC also imposed secondary sanctions on a Chinese trading company and Chinese vessel for allegedly purchasing, transporting, or supplying goods in connection with Iran's metal production. **Pamchel Trading Beijing Co. Ltd.** was designated along with its Seychelles-based subsidiary **Power Anchor Limited** for purchasing "tens of thousands of metric tons of steel slabs on a monthly basis" from Iran's Mobarakeh Steel Company. According to OFAC, Pamchel also sold carbon blocks, cathode blocks, and graphite electrodes to an Iranian trading company for use by Iranian metals producers, and facilitated the sale of Iranian copper and other metals to Chinese purchasers. OFAC also designated the Chinese vessel **Hong Xun** and its owner, **Hongyuan Marine Co. Ltd**., for allegedly transporting steel from Iran to China.

UAE Companies Blacklisted for Facilitating Iran's Petroleum and Petrochemical Sales

On March 19, OFAC designated five United Arab Emirates-based companies for their purchase of petroleum products from the National Iranian Oil Company. According to OFAC, the following companies last year collectively purchased "hundreds of thousands of metric tons of petroleum products" from NIOC for shipment to the UAE: **Petro Grand FZE**, Alphabet International **DMCC, Swissol Trade DMCC**, **Alam Althrwa General Trading LLC**, and **Alwaneo LLC Co.** Three of the entities allegedly took steps to conceal the Iranian origin of the products. Designated pursuant to E.O. 13846, these companies are barred from dealings with U.S. persons, and non-U.S. persons could also face secondary sanctions for engaging in significant transactions with them.

European Signatories Invoke JCPOA Dispute Resolution Procedures

In January, Iran declared that it would no longer abide by the uranium enrichment levels set by the JCPOA. By February, reports surfaced that Iran had tripled its stockpile of enriched uranium, and in March the International Atomic Energy Agency issued a report finding that Iran's stockpile was nearly five times larger than the limit set by the JCPOA. In response, the agreement's three European signatories (France, Germany, and the U.K.) announced that they would invoke the dispute settlement clause of the JCPOA, triggering a mechanism that could further unravel the nuclear accord unless a diplomatic solution can be reached. The provision establishes a Joint Commission composed of representatives from every signatory country, which will review the situation and propose a resolution to safeguard the deal. The Joint Commission held its initial meeting on February 26. As of the date of publication, discussions are ongoing. OFAC responded to Iran's announcement by designating the head of Iran's Atomic Energy Organization, **Ali Akbar Salehi**.

Europe's INSTEX Conducts First Transactions with Iran

Last year, a coalition of European countries—the U.K., France, and Germany—launched a special-purpose entity called Instrument in Support of Trade Exchanges (INSTEX). The government-supported entity was described as a vehicle to protect European firms from the threat of U.S. secondary sanctions for Iran-related commercial activities that lack any U.S. connection. Since its inception, five more countries have joined: Belgium, Denmark, the Netherlands, Finland, and Sweden. This quarter, in late March, the EU took its first cautious step to test INSTEX's efficacy by executing a small sale of medical goods to Iran amid the COVID-19 pandemic. U.S. sanctions programs already contain exceptions for humanitarian purposes and medical supplies, so the transaction posed little, if any, risk of backlash from the U.S. It remains to be seen whether INSTEX will give EU firms sufficient comfort to re-engage in commercial dealings with Iran on a large scale.

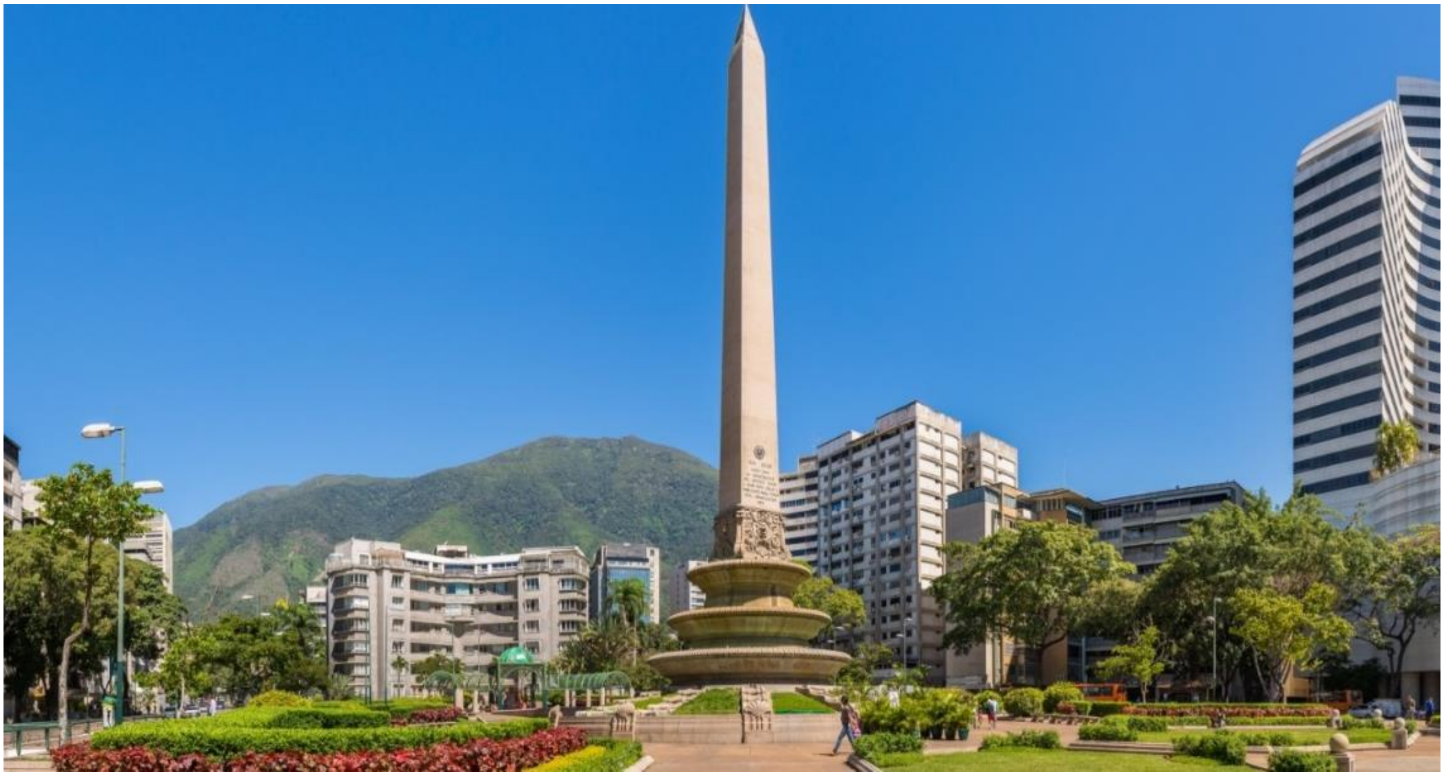
US Targets Vast IRGC-QF Support Network and Senior Iranian Officials

On March 26, OFAC took action to address those who provide support or act on behalf of the IRGC-QF and the transfer of lethal aid to Iran-backed militias operating in Iraq. In total, OFAC designated twenty Iran and Iraq-based front companies, senior officials, and business associates who allegedly engaged in weapons smuggling, money laundering, oil dealings with Syria, and misappropriation of funds to support the malign activities of the IRGC-QF. Among those designated were The Reconstruction Organization of the Holy Shrines in Iraq and its IRGC-QF-appointed leader, **Mohammad Jalal Maab**. OFAC alleges that while ROHSI purports to be a religious organization, it has transferred millions to Iraq-based front companies that funnel resources to Iranian-backed terrorist militias. Also designated was **Al Khamael Maritime Services**, an Iraq-based company that has sold

Iranian-origin petroleum products in violation of U.S. sanctions against the Iran. See the full list of the entities and individuals designated in this action.

OFAC also pressed forward in targeting officials linked to Iran's Supreme Leader. On February 20, OFAC designated five senior officials who allegedly exercised their authority to disqualify political candidates opposed to the views of Iran's Supreme Leader. The designated individuals are appointed members of Iran's Elections Supervision Committee and of the Guardian Council, which is responsible for "vetting" candidates and has the power to disqualify certain candidates. For their alleged role in preventing free and fair elections in Iran, OFAC designated the following individuals: **Ahmad Jannati**, **Mohammad Yazdi**, **Siamak Rahpeyk**, **Abbas Ali Kadkhodaei**, and **Mohammad Hasan Sadeghi Moghadam**.

VENEZUELA



As President Nicolás Maduro maintains power in the face of U.S. sanctions pressure, OFAC took additional action this quarter to cut off the regime's financial lifelines. As previously described, two subsidiaries of Russia's PJSC Rosneft Oil Company were designated for facilitating Venezuelan oil exports. OFAC also took aim at Venezuela's state-owned airline CONVIASA and identified a number of aircraft owned or operated by state-owned oil company PdVSA.

The Trump Administration is reportedly planning to deny further waivers to Chevron Corp. and four U.S. oilfield service providers: Halliburton, Schlumberger, Baker Hughes, and Weatherford. To date, the companies have received periodic licenses to continue operating in Venezuela. In January, OFAC issued the fourth 90-day waiver since announcing the Venezuela sanctions in November 2018. If not renewed, the current waivers will expire on April 22, 2020. Chevron has reportedly begun terminating certain contracts with local oil services firms in Venezuela.

OFAC Blacklists Rosneft Subsidiaries in Effort to Curtail Russian Support

Disrupting revenues earned from the sale of Venezuelan oil remained a top priority of OFAC. Departing from its prior focus on Venezuela's Cuba-related dealings, this quarter OFAC designated two Switzerland-incorporated oil brokerage subsidiaries of Russian oil giant **PJSC Rosneft Oil Company** pursuant to E.O. 13850 (targeting persons operating in the oil sector of the Venezuelan economy). First, on February 18, OFAC took action against oil brokerage firm **Rosneft Trading S.A.** and its president, **Didier Casimiro**. According to OFAC, from August 2019 to January 2020, Casimiro met with PdVSA officials during which the companies discussed plans to strengthen their strategic relationship, and then coordinated to ship millions of barrels of crude oil to West Africa and Asia. In the wake of Rosneft Trading's designation, Rosneft shifted its Venezuela dealings to a different subsidiary, re-allocating cargoes to **TNK Trading International S.A**., which OFAC designated on March 12. Upon announcing the sanctions, OFAC issued General License 36A, authorizing until May 20, 2020, all transactions and activities necessary to the wind-down of transactions involving Rosneft Trading and TNK Trading, and their majority-owned subsidiaries.

OFAC Blocks Venezuelan State-Owned Property

This quarter, OFAC took action against Venezuelan state-owned airlines and aircraft. In January, OFAC identified fifteen aircraft as blocked property of PdVSA. According to OFAC, these aircraft have been used to transport senior Maduro regime officials, many of whom have been designated by OFAC. OFAC further alleges that some of the aircraft have been operated in dangerous manner, including by flying in close proximity to U.S. military aircraft. Later, on February 7, OFAC identified the Venezuelan state-owned airline, **Consorcio Venezolano de Industria Aeronauticas y Servicios Aereos, S.A.** (**CONVIASA**), pursuant to E.O. 13884, which targets, in part, property of the Government of Venezuela. Although already considered blocked property of the Government of Venezuela, the most recent action adds CONVIASA and its fleet of aircraft to OFAC's SDN List. In announcing the designation, OFAC noted that the Maduro regime relies on CONVIASA to shuttle officials to North Korea, Cuba, and Iran, abusing state-owned assets to advance Venezuela's destabilizing activities. See the complete list of identified aircraft.

OFAC Targets Officials for Attempted Seizure of National Assembly

On January 13, OFAC designated seven Venezuelan government officials who, on behalf of President Nicolás Maduro, led a failed attempt to illegitimately seize control of the National Assembly and block opposition leader Juan Guaidó and other officials from participating in a required election of National Assembly leadership. According to OFAC, on January 5, Maduro-controlled security forces prevented Guaidó and around 100 opposition delegates of the National Assembly from entering the Federal Legislative Palace. Furthermore, a small group of Maduro-aligned delegates staged an attempt to obstruct the election process and, instead, held a fraudulent election lacking a quorum. Pursuant to E.O. 13692, which targets current and former Venezuelan government officials, the following individuals were designated**:** **Luis Eduardo Parra Rivero**, **Jose Gregorio Noriega Figueroa**, **Franklyn Leonardo Duarte**, **Jose Dionisio Brito Rodriguez**, **Conrado Antonio Perez Linares**, **Adolfo Ramon Superlano**, and **Negal Manuel Morales Llovera**.

US SANCTIONS REMAIN UNABATED AMID COVID-19 CRISIS

As world nations take extraordinary measures to combat the spread of the highly contagious and deadly COVID-19 virus, U.S. sanctions enforcement appears to remain unabated. There are, however, growing calls for the U.S. to take temporary sanctions relief measures that might facilitate treatment of COVID-19 in hard-hit countries. On March 31, 2020, thirty-four members of Congress issued a letter to the Trump Administration calling for a suspension of Iranian sanctions in light of the COVID-19 public health emergency. Signatories to the letter noted with urgency that stemming the spread of the virus in the Middle East depends on the Iranian government's ability to combat it with adequate medical supplies. The statement cites a recent Human Rights Watch report that found ITSR sanctions limited the country's ability to finance the import of medicine and other humanitarian supplies. Framed as a humanitarian request aimed at combatting the rapidly deteriorating health situation in the country, the letter implores the Trump Administration to remove obstacles that prevent medicines and medical equipment from reaching the Iranian people. Similar arguments could be made regarding the effect of U.S. sanctions on humanitarian assistance to other vulnerable populations in countries such as Syria, Cuba, and Venezuela. Venezuela's President Maduro recently applied to the International Monetary Fund for a $5 billion loan to help finance Venezuela's response to the novel Coronavirus but was turned down owing to the lack of international consensus as to his political legitimacy. With heavy sanctions on Venezuelan oil exports, Venezuela could struggle to combat the spread without international assistance.

The Treasury Department maintains that the current sanctions framework already permits the provision of humanitarian supplies and assistance to vulnerable populations through a set of broad exceptions and authorizations under the relevant sanctions regimes which generally allow for the sale or donation of humanitarian goods, including medicine and medical devices. In addition, OFAC announced in late February that the U.S. and Swiss governments had finalized the terms of the Swiss Humanitarian Trade Arrangement. The

SHTA is designed as a vehicle to facilitate the flow of humanitarian goods to the Iranian people while preventing the Iranian regime from siphoning relief funds to support its malign activities. Secretary of State Mike Pompeo responded to calls for temporary relief by stating that the Trump Administration is "doing everything [it] can to facilitate the humanitarian assistance moving in and to make sure that the financial transactions connected to that can take place as well. There is no sanction on medicines going to Iran, there is no sanctions on humanitarian assistance going into that country." Despite these assurances from U.S. officials, the strong reaction from other governments and from human rights groups indicates that the existing sanctions framework may not be sufficient to overcome the perceived risks associated with exporting or financing humanitarian goods to sanctioned countries.

OFAC TARGETS HUMAN RIGHTS ABUSES IN SOUTH SUDAN & NICARAGUA

On January 8, OFAC targeted **Taban Deng Gai**, the Vice President of South Sudan, for alleged human rights abuses, including the disappearance and deaths of civilians, pursuant to the Global Magnitsky Human Rights Accountability Act (E.O. 13818). OFAC attributes the inability of the South Sudanese government to implement a peace agreement to settle unrest in South Sudan to efforts by political leaders, such as Deng, to silence opposition and citizen dissent. For example, Deng reportedly arranged and directed the disappearance and deaths of human rights lawyer Samuel Dong Luak and opposition party member Aggrey Idry. According to OFAC, Deng directed these actions to solidify his position within South Sudanese President Kiir's government and to intimidate members of the opposition party.

On March 5, OFAC announced that it was designating the Nicaraguan National Police for its role in committing human rights abuses in Nicaragua. Nicaragua's primary law enforcement agency was designated pursuant to E.O. 13851 ("Blocking Property of Certain Persons Contributing to the Situation in Nicaragua") and the Nicaragua Human Rights and Anticorruption Act of 2018. According to OFAC, since 2018, NNP has used live ammunition against peaceful protesters and carried out targeted executions and kidnappings of political opponents of the Ortega regime. OFAC also designated three individual NNP commissioners: **Juan Antonio Valle**, **Luis Alberto Perez Olivas**, and **Justo Pastor Urbina**. The blocking sanctions apply to the NNP as an entity, as well as to the three named NNP commissioners. They do not apply to individual, non-designated NNP police officers. Concurrent with these designations, OFAC issued Nicaragua—related General License No. 1, authorizing the conduct of official business of the U.S. Government, and General License No. 2, authorizing the wind-down of transactions involving the NNP, including the processing of salary payments from the NNP to its employees, through May 6, 2020.

COUNTER—TERRORISM DESIGNATIONS

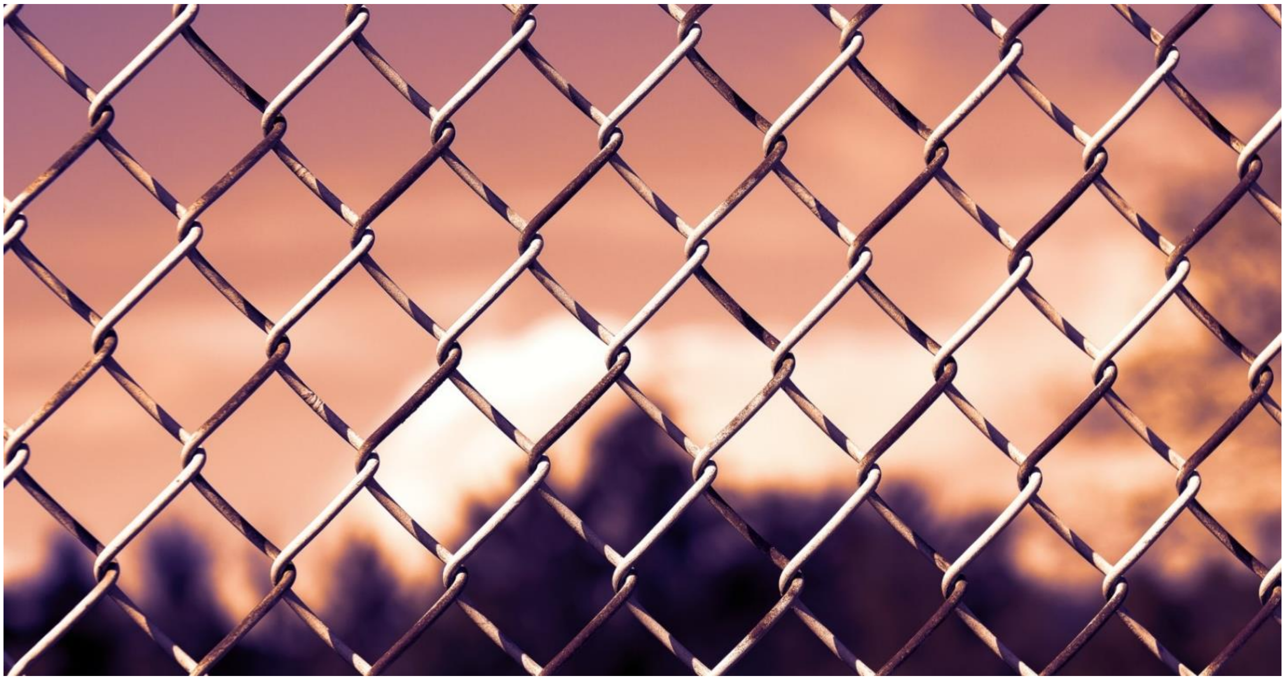
On January 3, pursuant to E.O. 13224, OFAC designated **Aas'ib Ahl al-Haq** as a Foreign Terrorist Organization and two individuals involved in the organization for allegedly using violence to further the Iranian government's efforts to undermine Iraqi sovereignty. According to OFAC, Aas'ib Ahl al-Haq, led by brothers **Qais al-Khazali** and **Laith al-Khazali**, has claimed responsibility for more than 6,000 attacks against U.S. and coalition forces since 2006.

On February 26, OFAC acted pursuant to E.O. 13224 to curtail the activities of the **Martyrs Foundation**, an Iranian parastatal organization that seeks to aid Hizballah's global terror support network. OFAC designated three Lebanon—based individuals and twelve Lebanon—based entities linked to the Foundation. According to OFAC, **Jawad Nur-al-Din** and **Sheikh Yusuf Aasi**, both of whom work as officials of the Martyrs Foundation, oversee payments to the families of Hizballah fighters killed in action. OFAC designated **Mirath S.A.L.** because it is owned or controlled by Nur-al-Din. Similarly, **Atlas Holding**, which is owned by the Martyrs Foundation, and Atlas Holding's senior official **Kassem Mohamad Ali Bazzi** allegedly funneled money to Hizballah to further its military activities. OFAC further designated **Al Kawthar**, **Amana Fuel Co**., **Amana Plus Co**., **Amana Sanitary and Paints Company L.T.D**., **Capital S.A.L**., **City Pharma SARL**, **Global Touristic Services SAL**, **Medical Equipment & Drugs International Corporation**, **Sanovera Pharm Company SARL**, and **Shahed Pharm** because the companies are owned or controlled by Atlas Holding.

Also on February 26, OFAC designated **Ahmad al-Hamidawi** for his alleged leadership role in Kata'ib Hizballah, an Iran—backed terrorist group. Al-Hamidawi now serves as the Secretary General of the terrorist group, which has claimed responsibility for sniper and rocket attacks on U.S. forces in Iraq.

On March 18, OFAC designated **Amir Muhammad Sa'id Abdal-Rahman al-Mawla**, pursuant to E.O. 13224, for his involvement in ISIS. Following the death of former ISIS leader Abu Bakr al-Baghdadi, al-Mawla succeeded him to become the leader of ISIS. Al-Mawla helped lead the slaughter of Yazidi religious minorities in northwest Iraq and now oversees the terrorist group's global operations.

OFAC TARGETS NARCOTICS TRAFFICKERS & CRIMINAL ORGANIZATIONS



Pursuant to the Kingpin Act, OFAC designated on March 11 four Mexican businesses for their links to two Mexican drug cartels—CJNG and Los Cuinis. According to OFAC, CJNG and Los Cuinis funnel fentanyl and other deadly drugs into the U.S. and launder their drug proceeds through multiple entities. To disrupt these money laundering efforts, OFAC designated **International Investments Holdings S.A. de C.V.** and **GBJ de Colima, S.A. de C.V.** for their direct ties to the leader of Los Cuinis. Likewise, OFAC designated **Master Reposterias y Restaurantes**, **S.A. de C.V.** and **Corporativo Sushi Provi S. de R.L. de C.V.**, two companies which allegedly serve as new management fronts for already—designated restaurants connected to Los Cuinis' money laundering operations.

ENFORCEMENT ACTIONS

On January 21, OFAC entered into a settlement agreement with New York-based lobbying firm **Park Strategies, LLC** to settle its potential civil liability for apparent violations of the Global Terrorism Sanctions Regulations. Specifically, between August 2017 and November 2017, Park Strategies signed a contract with Al-Barakaat Group of Companies Somalia Limited, a Specially Designated Global Terrorist, and then received payment for its services from Al-Barakaat. Under the contract, Park Strategies was to provide lobbying services for Al-Barakaat to various levels of the U.S. government in exchange for three installment payments totaling $30,000. According to OFAC, despite having actual knowledge of Al-Barakaat's SDGT status, senior executives at Park Strategies nevertheless actively participated in signing the contract. Further, the lobbying services were outside the scope of generally authorized activities under the GTSR, including the GTSR general license permitting legal services. Upon receipt of the first $10,000 payment, Park Strategies commenced work under the contract, but later contacted its financial institution to place the payment into a blocked account, suspended work, and commenced an investigation into the conduct. Park Strategies agreed to pay $12,150, after OFAC determined that Park Strategies voluntarily disclosed the apparent violations and that they were deemed non-egregious under OFAC's enforcement guidelines.

On January 27, OFAC entered into a $1,125,000 settlement agreement with **Eagle Shipping International (USA) LLC** to settle its potential civil liability arising from thirty-six apparent violations of the Burmese Sanctions Regulations. Eagle Shipping carries out commercial and strategic management of vessels owned by subsidiaries of its parent company, Marshall Islands—incorporated Eagle Bulk Shipping Inc. According to OFAC, between June 2011 and May 2012 Eagle Shipping violated OFAC's sanctions against Burma by shipping sand from Burma to Singapore for Myawaddy Trading Limited, an entity on OFAC's SDN List. Specifically, in June 2011, Eagle Shipping's Singapore—based affiliate entered into a chartering agreement with a sand buyer in Singapore to carry sea sand from Burma to Singapore on an Eagle Vessel. Initially, the Singaporean buyer sent the affiliate shipping documents that listed Myawaddy as the shipper. When the Singapore affiliate demanded clarification as to the identity of the shipper, the buyer sent amended documents that removed Myawaddy as the shipper, and Eagle Shipping management ordered the affiliate to sign the documentation and execute the shipment. The captain of the affiliate's vessel refused to sign the documents upon information and belief that the actual shipper remained Myawaddy, including information from a port officer that Myawaddy is the only shipper of sea sand from Burma.

The Singaporean buyer then contacted Eagle Shipping, warning that failure to execute the shipment would result in negative repercussions from the Burmese government and noting that Burmese officials had confiscated the passports of the vessel's crewmembers. Though Eagle applied for a specific license from OFAC, before receiving a response, and citing concerns for crew safety, Eagle Shipping signed the shipping documents and the shipment was delivered. Eagle then submitted a new license request that would authorize additional shipments. While that license was pending, Eagle carried out additional shipments of sea sand from Burma to Singapore. When OFAC eventually denied the license application, Eagle failed to forward the denial within Eagle, and the affiliate continued to transport sea sand on behalf of Myawaddy. The total value of the transactions totaled over $1.7 million. In determining the penalty figure, OFAC noted that Eagle Shipping voluntarily disclosed the conduct, but that the violations constituted an egregious case.

On February 26, 2020, OFAC announced a $7,829,640 settlement agreement with **Société Internationale de Télécommunications Aéronautiques SCRL** (SITA) to settle its potential civil liability for 9,256 apparent violations of the Global Terrorism Sanctions Regulations. SITA is a Swiss company that provides telecom and IT services to the civilian air transportation industry. SITA's membership includes civil aviation industry operators and organizations worldwide, and its services are provided to member and non-member customers. SITA's services include flight reservation services, networking and connectivity services, and flight planning and dispatch services. The company violated the GTSR between April 2013 and February 2018 when it provided commercial services and software that were subject to U.S. jurisdiction, and provided a benefit to GTSR—designated airlines such as Mahan Air, Syrian Arab Airlines, and Caspian Air.

The settlement illustrates OFAC's broad view of its jurisdiction to enforce U.S. primary sanctions, even in contexts that lack a clear U.S. connection. As a non-U.S. person, SITA is not directly subject to the GTSR, but OFAC nonetheless determined that the company's provision of services to the designated airlines was "subject to U.S. jurisdiction" because it involved services and software that "were provided from, or transited through, the United States or involved the provision of U.S. origin software." The services SITA provided to the sanctioned airlines included: (1) Type B messaging (TBM) services; (2) Maestro DCS Local ("Maestro"); and (3) WorldTracer. The TBM messaging services, for example, allowed users to communicate with others in the industry to order aircraft maintenance, refuel planes, and book passengers, all of which were routed through a central hub located in Atlanta, Georgia.

Although SITA maintained a compliance program, OFAC noted that it was primarily "reactive," and SITA knowingly continued to provide certain services to designated airlines despite stopping the provision of other services. In determining the penalty, OFAC noted that SITA did not voluntarily disclose the violations and that they constituted a non-egregious case.

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