

SHEARMAN & STERLING

# Sanctions Roundup

July 20, 2020

Shearman



# SECOND QUARTER 2020

- Hong Kong Security Law, coronavirus, and reported human rights abuses prompt a spate of new U.S. sanctions on China.
- Seeking to curb Venezuela's oil trade, OFAC continues to target shippers and brokers for secondary sanctions.
- OFAC targets Iran's largest steel, iron, and copper companies.
- Regulators issue industry-wide advisories related to North Korea's malicious cyber-attacks and warning maritime shippers of sanctions risks.
- Non-U.S. bank pays \$86 million to state and federal regulators for sanctions violations caused by AML/KYC failures.

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# CHINA



U.S.-China tensions sharply escalated this quarter in response to a host of actions by the People’s Republic of China towards Hong Kong and religious and ethnic minorities. In the wake of the PRC’s continued crackdown on protests in Hong Kong and new national security legislation perceived to intrude on Hong Kong’s autonomy, the U.S. authorized new sanctions on PRC officials and revoked Hong Kong’s special trade status. Meanwhile, Congress passed legislation that authorized sanctions for China’s perceived human rights abuses against the Uyghur Muslims and other minority communities, and some U.S. senators called for sanctions over China’s alleged deception related to the novel coronavirus.

## **China’s National Security Law Prompts US Sanctions Backlash**

In response to China’s perceived efforts to crack down on protests in Hong Kong, as well as new national security legislation that asserted increased PRC authority in the territory, the U.S. took dramatic action designed to punish Chinese officials for their involvement in these measures. At the second quarter’s close, President Trump signed bipartisan legislation authorizing sanctions on Chinese Communist Party officials determined to have been involved in activities perceived to threaten the autonomy of Hong Kong, as well as certain financial institutions and companies that do business with them. Titled the “Hong Kong Autonomy Act,” the legislation contemplates asset-blocking sanctions against CCP officials, as well as visa restrictions preventing their travel to the United States. The legislation further calls for sanctions on foreign financial institutions who knowingly do business with these officials, including restrictions on loans from U.S. banks, exclusion from the U.S. financial system, and executives of those financial institutions.

In May, President Trump instructed his administration to “begin the process” of revoking the special trade status Hong Kong enjoys with the U.S., which could affect the region’s viability as an international business hub. Pursuant to the Hong Kong Human Rights and Democracy Act of 2019, the U.S. State Department this quarter delivered a report to Congress certifying that Hong Kong is no longer considered sufficiently autonomous from

the PRC. The U.S. Commerce Department announced on June 29 that the U.S. had officially revoked Hong Kong's special status, creating the potential for a host of new trade and financial restrictions. These include ending Hong Kong's preferential trade treatment as compared to China, including its exemption from U.S. tariffs, currency exchange benefits, favorable export controls and licensing, and special visa provisions for students and workers. Commerce Secretary Wilbur Ross announced that the Commerce Department would suspend all export licensing exceptions afforded to Hong Kong companies and halt defense exports to the region, citing the likelihood that sensitive U.S. exports could be illegally diverted to mainland China.

Lastly, the State Department on June 26 issued a first wave of visa sanctions on current and former Chinese officials over their alleged efforts to undermine the autonomy of Hong Kong. Though the specific names were kept confidential, Secretary of State Mike Pompeo said that the unnamed officials have been involved in "eviscerating Hong Kong's freedoms," violating the terms of the 1997 pact ceding control over Hong Kong from the United Kingdom to China.

## **COVID-19 Pandemic Sparks Sanctions Threat**

As the U.S. attempts to combat the spread of COVID-19 domestically, some members of Congress called for sanctions on Chinese officials whom they believe are responsible for early attempts to conceal the severity of the virus from world health officials. In April, Senator Ted Cruz introduced legislation that would punish China and CCP officials for their alleged deception during the initial outbreak in Wuhan, China. In a statement, Senator Cruz accused China of deliberately silencing those who sought to sound the alarm and instead engaged in propaganda efforts to downplay the realities of the crisis. The legislation, tentatively titled "Ending Medical Censorship and Cover Ups in China Act of 2020," contemplates sanctions against Chinese officials "involved in the ongoing suppression of medical experts, journalists, and political dissidents, amid Chinese censorship of its citizens." The legislation, which has yet to pass either house of Congress, would impose sanctions on Chinese officials who engage in censorship through activities that:

- Prohibit, limit, or penalize the exercise of freedom of expression or assembly by Chinese citizens, including restrictions related to the use of social media;
- Penalize the spread of inaccurate medical information, including information related to emerging diseases or pathogens; or
- Limit access to print, broadcast, digital, or social media.

## **US Takes Aim at Chinese Officials for Treatment of Uyghur Muslims**

In June, Congress passed, and President Trump signed into law, the Uyghur Human Rights Policy Act of 2020 in response to alleged human rights violations perpetrated against the Uyghur Muslim community and other religious and ethnic minorities in the Xinjiang Uyghur Autonomous Region. The Act condemns the use of detention centers, forced labor, and other physical abuses inflicted on the Uyghurs, and requires the President to impose blocking sanctions on Chinese officials deemed responsible for the alleged human rights abuses.

Relatedly, OFAC on July 9 sanctioned **Xinjiang Public Security Bureau**, a Chinese government entity, as well as four current or former officials pursuant to the Global Magnitsky Human Rights Accountability Act and E.O. 13818 in connection with reported serious human rights abuses in Xinjiang. The designated individuals include **Chen Quanguo**, the Party Secretary of the Xinjiang Uyghur Autonomous Region, as well as his former deputy, **Zhu Hailun**. Together, according to OFAC, Chen and Zhu are responsible for maintaining internal security and law enforcement in Xinjiang, including the construction and management of mass detention camps. Similarly, OFAC took action against the Xinjiang Public Security Bureau and its current and former leaders, including **Wang Mingshan** and **Huo Liujun**. Through artificial intelligence programs, it is believed that the Public Security Bureau used digital surveillance to track the Uyghurs' movements and activities in an effort to identify individuals perceived to pose a threat, some of whom are believed to have been sent to detention camps.



# RUSSIA



The controversial Nord Stream 2 pipeline connecting Russia to Germany returned to focus this quarter, as congressional leaders considered stronger measures to prevent the project's completion. Russia has previously vowed to finish the pipeline by the end of the year and recently dispatched its own vessels to complete construction of the project as EU contractors withdrew in the face of increasingly intense U.S. opposition.

## **US Considers Sweeping Measures as Nord Stream 2 Nears Completion**

Despite a last-ditch effort in December 2019 to halt completion of the controversial Nord Stream 2 pipeline, Russia pressed forward this quarter with plans to complete the project by year's end. In December 2019, Congress authorized sanctions on companies whose vessels are used to lay the pipes under the Baltic Sea. In the face of the sanctions threat, key pipe-laying companies, including Swiss firm AllSeas Group S.A., suspended work on the project with only six percent of the pipeline left to complete. In response, Russia dispatched state-owned vessels to complete the installation. In June, Congress signaled a willingness to further expand sanctions targeting the Nord Stream 2 and Turkstream pipelines. A proposed Senate bill would authorize sanctions against foreign companies involved in nearly all activities related to pipeline laying, including those that provide insurance, port facilities, and tethering services for pipeline laying vessels. German officials resoundingly criticized the contemplated measure, calling it an interference in Europe's sovereignty and energy policy. The proposed legislation has not yet been scheduled for a vote.

Shortly after the end of the quarter, the State Department issued guidance that, although it did not impose new sanctions, clarified that for purposes of CAATSA Section 232, the U.S. will consider investments and other activities related to Nordstream 2 and Turkstream as encompassed within the State Department's sanctions authority. The scope of potentially sanctionable activities with respect to these pipelines include financing, pipe-laying vessels, and engineering services. In announcing the updated guidance, the State Department cautioned companies to reassess their participation in Russian energy export pipelines and to take any necessary steps to mitigate their sanctions exposure.

## **OFAC Sanctions White Supremacist Groups in Russia**

For the first time, the U.S. this quarter targeted a white supremacist group as a Specially Designated Global Terrorist. On April 7, the U.S. State Department designated the **Russian Imperial Movement**, a noted white supremacist group operating out of Russia, as well as three of its leaders. According to the State Department, RIM provides paramilitary-style training to white supremacists and neo-Nazis throughout Europe and operates two training facilities there. RIM allegedly trained two Swedish individuals who later committed a series of bombings in Sweden targeting refugees and asylum seekers. The individuals designated in this action were **Stanislav Anatolyevich Vorobyev**, **Denis Valiulloevich Gariyev**, and **Nikolay Nikolayevich Trushchalov**.

## NORTH KOREA



### OFAC Issues Guidance Regarding DPRK's Cyber Activities

On April 15, OFAC, in conjunction with the U.S. State Department, Homeland Security, and the Federal Bureau of Investigation, issued an advisory on the malicious cyber threat posed by North Korea. In recent years, OFAC has imposed sanctions on malicious cyber-actors with increased regularity. The advisory provides recommended steps for businesses to mitigate cyber risks, respond to security breaches, and identify resources for businesses to strengthen their compliance programs. In particular, the Advisory highlights the DPRK's cyber tactics that target financial institutions, including:

- Cyber-enabled theft and money laundering in which cyber actors steal from international financial institutions and then launder the stolen currencies through multiple jurisdictions to conceal its origins;
- Cyber-enabled extortion campaigns in which malicious cyber actors infect a third-country entity's network and then threaten to shut down its operations unless a ransom is paid; and
- Cryptojacking schemes in which a target's computer networks are infiltrated to mine digital currencies to fund the DPRK.

The advisory outlines a number of risk mitigation measures, which include raising organizational awareness, sharing technical information with regulators and industry peers, and implementing cybersecurity best practices, among others. The full advisory can be accessed on [OFAC's website](#).



# IRAN



This quarter, OFAC took significant action against some of Iran's largest companies operating in Iran's metals industry in an apparent effort to cut off funding for the regime's paramilitary forces. In addition, the U.S. imposed sanctions against officials in Iran involved in Iran's nuclear development program. Finally, OFAC designated captains of several Iranian vessels for delivering gasoline shipments to Venezuela.

## OFAC Targets Iran's Largest Metals Manufacturers

OFAC continued targeting Iran's largest metals companies, including the global operations of Iran's largest steel manufacturer. On June 25, OFAC acted pursuant to E.O. 13871 to target a number of steel, aluminum, and iron companies operating in Iran. Among those designated are entities connected to Mobarakeh Steel Company, Iran's largest steel manufacturer, including its foreign and domestic sales agents and subsidiaries. According to OFAC, Mobarakeh Steel Company alone accounts for one percent of Iran's gross domestic product, and its global subsidiaries provide millions of dollars to their parent company, which allegedly remits money to entities closely linked to Iran's paramilitary forces. The targeted subsidiaries include **Tara Steel Trading GmbH**, **Pacific Steel FZE**, **Better Future General Trading Co LLC**, **Metil Steel**, and **Tuka Metal Trading DMCC**. OFAC also sanctioned three other aluminum, steel, and iron producers in Iran: **South Aluminum Company**, **Sirjan Jahan Steel Complex**, and **Iran Central Iron Ore Company**.

## Human Rights Abusers Sanctioned Pursuant to CAATSA

On May 20, OFAC designated nine individuals and three entities for alleged human rights abuses in Iran. The targets included Iran's Interior Minister, **Abdolreza Rahmani Fazli**, seven senior officials of Iran's Law Enforcement Forces, and a provincial commander of Iran's Islamic Revolutionary Guard Corps. In addition, OFAC designated the **Bonyad Taavon NAJA**, its director, and members of the board of trustees. Bonyad Taavon NAJA (also known as Law Enforcement Forces of the Islamic Republic of Iran Cooperative Foundation), is a LEF-controlled economic collaborative involved in Iran's energy, construction, services, technology, and banking industries. According to OFAC, the LEF plays a key role in suppressing protests in Iran, operating unlawful

detention centers, and coercing Afghani migrants to join Iranian proxy militias in Syria. See the [full list of entities and individuals designated in this action](#).

## **US Sanctions Officials of Iran's Nuclear Program**

On May 27, the U.S. State Department sanctioned **Majid Agha'i** and **Amjad Sazgar** pursuant to E.O. 13382 for engaging in activities that contribute to the proliferation of weapons of mass destruction. Sazgar currently serves as the Managing Director of Iran's Atomic Energy Organization, an entity responsible for producing enriched uranium gas centrifuge machines. According to OFAC, Sazgar oversaw the installation of the centrifuges at a plant in Iran. Agha'i heads a subsidiary of Iran's Atomic Energy Organization and is responsible for research and development of advanced centrifuges. The designations were made in conjunction with the U.S.'s end of the sanctions waiver covering all remaining JCPOA-originating nuclear projects in Iran. The waiver will go into effect following a 60-day wind-down period allowing companies and entities involved in these activities to cease their operations.

## **Ship Captains Designated for Delivering Fuel to Venezuela**

On June 24, OFAC imposed sanctions on five individual ship captains employed by Islamic Republic of Iran Shipping Lines and National Iranian Tanker Company, both designated entities, for facilitating the delivery of Iranian gasoline to Venezuela. In announcing the sanctions, OFAC stated that Iran dispatched five tankers carrying over 1.5 million barrels of gasoline and gasoline components for sale to Venezuela, despite imposing strict domestic rationing measures that deprived the Iranian people of oil supplies. The following five captains were designated for working at IRISL and NITC, in command of U.S.-sanctioned vessels: **Ali Danaei Kenarsari**, **Mohsen Gohardehi**, **Alireza Rahnavard**, **Reza Vaziri**, and **Hamidreza Yahya Zadeh**.

# VENEZUELA



This quarter saw continued efforts by OFAC to disrupt exports of Venezuelan oil cargoes, a key source of funding to the regime of Venezuelan President Nicolás Maduro. In addition, OFAC targeted a Mexico-based network for brokering sales of Venezuelan oil under the guise of an “oil for food” program. Finally, at least two major U.S. oilfield service providers signaled an intent to abandon their Venezuelan assets after OFAC declined to extend their license to conduct drilling operations there.

## OFAC Continues to Target Shipping Companies

On June 2, OFAC designated four companies and blocked their vessels for operating in the oil sector of the Venezuelan economy. The action continues the U.S.’s aggressive efforts to disrupt the Maduro regime’s trade in oil, one of its few financial lifelines. In announcing the designations, the Treasury Department reiterated that the Maduro regime “has enlisted the help of maritime companies and their vessels to continue the exploitation of Venezuela’s natural resources for the regime’s profit.” Pursuant to E.O. 13850, which targets, in part, those operating in Venezuela’s oil sector, OFAC designated the following four companies and their vessels for continuing to lift oil cargoes from Venezuelan ports:

- **Franav Maritime Ltd.** and its vessel ***Athens Voyager***;
- **Seacomber Ltd.** is based in Greece and is the registered owner of the vessel ***Chios I***;
- **Adamant Maritime Ltd.** is based in the Marshall Islands and owns the vessel ***Seahero***; and
- **Sanibel Shiptrade Ltd.** is based in the Marshall Islands and owns the vessel ***Voyager I***.

On June 18, OFAC designated three individuals, eight entities, and two vessels for their alleged efforts to evade U.S. sanctions targeting Venezuela’s oil sector. Taken pursuant to E.O. 13850, the action targets primarily Mexico-based individuals and entities involved in a scheme designed to benefit state-owned oil company Petróleos de Venezuela. Those designated included **Joaquin Leal Jimenez** and **Olga Maria Zepeda Esparza**, and **Veronica Esparza Garcia**, the owners of **Libre Abordo, S.A. de C.V.** and **Schlager Business Group S. de R.L. de C.V.**, respectively, as well as additional entities that they own or control. According to OFAC, the evasion scheme worked to exploit a so-called “oil for food” program to broker sales of Venezuelan oil abroad. Under



the alleged scheme, Mexico City-based Libra Abordo signed a contract with Venezuela's foreign trade corporation, CORPOVEX, to supply corn and water to Venezuela in exchange for brokering the sale of PdVSA oil. According to OFAC, Libre Abordo and Schlager lifted and sold crude oil valued in excess of \$300 million but failed to deliver the food shipments to Venezuela. OFAC also noted that Libre Abordo effectively acted as a substitute broker for two Rosneft entities, which abandoned PdVSA dealings after being sanctioned by OFAC in March 2020. OFAC stated, for example, that Libre Abordo marketed the oil to the same oil buyers in Asia and followed identical shipping routes. Schlager, meanwhile, took charge of the chartering contracts needed to lift the crude oil.

## **US Oil Companies to Wind Down Venezuelan Operations**

After months of extensions, OFAC this quarter de-authorized a number of large U.S. oil companies from engaging in further drilling activities in Venezuela. On April 21, OFAC issued General License 8F, authorizing certain U.S.-based petroleum companies to continue limited transactions related to Venezuelan state-owned oil company PdVSA. Specifically, GL 8F authorizes, until December 1, 2020, Chevron Corporation, Halliburton, Schlumberger Limited, Baker Hughes, and Weatherford International, PLC, to continue all transactions and activities that are ordinarily incident and necessary to the limited maintenance of existing operations, contracts, or other agreements related to the safety or preservation of assets in Venezuela that involve PdVSA. Notably, however, the amended general license no longer authorizes drilling, transporting, or providing equipment to each company's operations. In response, at least two of the companies—Chevron and Halliburton—announced that they would suspend their operations in Venezuela and likely abandon their infrastructure following the wind down period.

# OFAC ISSUES ADVISORY ON ILLICIT SHIPPING AND SANCTIONS EVASION PRACTICES



On May 14, the U.S. Department of Treasury issued a joint global advisory with the Department of State and the U.S. Coast Guard to offer a detailed set of compliance “best practices” for the maritime industry to reduce exposure to sanctions risk. Issued in response to the proliferation of evasive shipping practices, which sought to conceal transportation of goods in high-risk sectors, such as energy and metals, the advisory offers guidance to a diverse set of industry players: from ship owners and managers to freight forwarders and financial institutions.

The advisory notes that a variety of high-risk actions have been employed to evade U.S. sanctions in recent years, including (1) the manipulation of vessel Automatic Identification Systems (AIS), (2) the physical alteration of vessel identification on the ships’ hulls, (3) the forging of cargo and vessel documents, (4) ship-to-ship transfers, (5) disguising ultimate destination or origin by using indirect routing or unscheduled detours, (6) the flying of false flags, or flag hopping to avoid detection, and (6) the use of complex ownership structures to disguise the ultimate beneficial owner of a vessel or cargo.

The advisory emphasizes that the onus of addressing these red flags rests firmly with the private sector entities conducting business in the industry. Appropriate due diligence and risk-based compliance programs should be aimed at detecting and abolishing such practices, including investigating AIS transponder manipulation for third-party vessels and continuously monitoring ships and the supply chain through all stages of the transaction. KYC diligence should be utilized by insurers and financial institutions, as well as other relevant actors, to determine the beneficial owner of a vessel.

Guidelines for an effective compliance program appended to the May 14th advisory (mirroring requirements in OFAC’s 2019 framework for compliance commitments) set out five essential components for such a program: (1) management commitment, (2) risk assessment, (3) internal controls, (4) testing and auditing, and (5) training. The advisory also includes information for the separate industry sub-sectors. Finally, the guidance encourages industry members to provide and widely share relevant information related to suspicious conduct and new tactics to help foster industry-wide awareness of evolving challenges and risk mitigation strategies.

The full advisory is available [on OFAC’s website](#).

# UK COURT OF APPEAL AFFIRMS CONTRACTUAL RIGHT TO SUSPEND PAYMENTS TO COMPLY WITH US SANCTIONS



In June, a U.K. Court of Appeal left in place a previous court ruling that authorized a defendant bank's attempt to avoid paying interest on a loan to a U.S.-sanctioned entity. *Lamesa Investments Ltd v. Cynergy Bank Ltd* [2020] EWCA Civ 281. As we reported in our [Third Quarter 2019 Roundup](#), in 2017, U.K.-based Cynergy Bank borrowed £30 million from Cyprus-based Lamesa Investments, under which Cynergy was required to make periodic interest payments. Cynergy Bank ceased making interest payments following the SDN-designation of Lamesa's beneficial owner, Russian billionaire Viktor Vekselberg. When Lamesa sued, the English High Court ruled that Cynergy could rely on a clause in its contract with Lamesa allowing it to miss payments without defaulting on the loan if a law, regulation, or court order prevented it from transferring the money. In this case, Cynergy argued that making payments to an SDN entity risked the imposition of mandatory secondary sanctions by OFAC under its CAATSA authorities.

Writing for a unanimous three-judge panel, Chancellor of the High Court Geoffrey Vos determined that the U.S. legislation requiring the president to impose sanctions on a foreign financial institution that conducts a significant transaction with a sanctioned person was indeed a "mandatory provision of law." Among other reasons, the court pointed to the fact that the parties chose contractual language that closely tracked the EU Blocking Regulation, which itself regards U.S. secondary sanctions as imposing a "requirement or prohibition" on EU entities (although the court noted that the blocking statute did not apply to the specific US sanctions provision at issue). Chancellor Vos also found compelling that the Facility Agreement clause relied on by Cynergy to avoid interest payments was a standard contractual clause and that the drafters of the agreement would have been aware of, and thus informed by, U.S. secondary sanctions at the relevant time.

The dismissal of the appeal brings clarity to efforts by non-U.S. companies seeking to avoid financial payments that pose a risk of secondary sanctions, an increasingly vexing area many non-U.S. companies must now navigate. Non-U.S. entities must be mindful of any U.S. sanctions implications at the outset of a transaction and should consider including protections designed to address the potentiality for future sanctions exposure.



# COUNTERTERRORISM DESIGNATIONS



On May 1, OFAC designated Iranian and Iraqi dual-national **Amir Dianat** and his company **Taif Mining Services LLC** pursuant to E.O. 13224 for actions related in support of Iran’s Islamic Revolutionary Guard Corps-Qods Force. OFAC alleges that Dianat, who was indicted by the U.S. government in May 2020 on charges related to violations of sanctions and money laundering laws, supported IRGC-QF’s efforts to destabilize the region and to smuggle weapons abroad. He is further alleged to have developed business opportunities for IRGC-QF by using his company to procure an oil tanker for the designated Iranian entity.

On May 19, OFAC designated Chinese-based **Shanghai Saint Logistics Limited** pursuant to E.O. 13224 for its involvement with Iranian airline Mahan Air, itself a designated entity for providing support to IRGC-QF. Shanghai Saint Logistics Limited allegedly acted as a general sales agent for Mahan Air, which OFAC alleges has transported terrorists and lethal cargo throughout the Middle East. Shanghai Saint Logistics Limited allegedly provided freight booking services and other administrative support to the Iranian airline, which led to OFAC’s designation. This action is the seventh designation of a GSA linked to Mahan Air.

# ENFORCEMENT ACTIONS



On May 6, **BIOMIN America, Inc.**, a Kansas-based animal nutrition company, agreed to pay \$257,862 to settle its potential civil liability for apparent violations of the Cuban Assets Control Regulations. Specifically, between July 2012 and September 2017, BIOMIN America and its owned or controlled foreign entities made thirty unauthorized sales of agricultural commodities produced outside the United States to Cuba-based Alfarma S.A. The sales resulted in forty-four apparent violations of the CACR. According to OFAC, BIOMIN America processed purchase orders from Alfarma on behalf of BIOMIN America's foreign affiliates, which in turn fulfilled the orders to Alfarma. BIOMIN America then received commissions on the sales executed by its foreign affiliates. In doing so, both BIOMIN American and its foreign affiliates dealt in blocked property in apparent violation of the CACR. OFAC noted that BIOMIN America could have obtained authorization from OFAC by means of a general or specific license but failed to take the steps necessary to do so. Instead, BIOMIN America, which at the time did not have an OFAC compliance program in place, attempted to devise a transaction structure that it incorrectly determined would be consistent with U.S. sanctions requirements. In setting the penalty amount, OFAC determined that BIOMIN America voluntarily disclosed the apparent violations and that they constituted a non-egregious case.

On April 20, **Industrial Bank of Korea (IBK)** and its New York branch (**IBKNY**) reached settlements with the U.S. Attorney's Office for the Southern District of New York (USAO) and the New York State Department of Financial Services (NYDFS), agreeing to pay a combined \$86 million to resolve investigations into its anti-money laundering compliance program, which the USAO and NYDFS claimed led to the bank processing over \$1 billion worth of transactions in violation of U.S. sanctions against Iran. According to the settlement agreements, IBK failed to establish, implement, and maintain an adequate AML program at IBKNY from 2011 to 2019. Specifically, the USAO and NYDFS claimed that IBK and IBKNY failed to implement a properly functioning automated transaction review program; failed to properly staff, train, and provide resources to IBKNY's compliance program; and failed to institute required Know-Your-Customer policies and procedures. For example, authorities noted that until 2014, IBKNY employed just one compliance officer who had to manually review financial transactions for suspicious activities, and bank managers ignored the compliance officer's requests for additional resources. Understaffed and working without automated screening tools, IBKNY fell behind on transaction reviews required under U.S. law and failed to detect illicit conduct. The USAO and NYDFS emphasized that IBKNY was on notice of its deficient AML program from both internal whistleblowers and from regulator admonitions before the improper transactions went undetected.

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