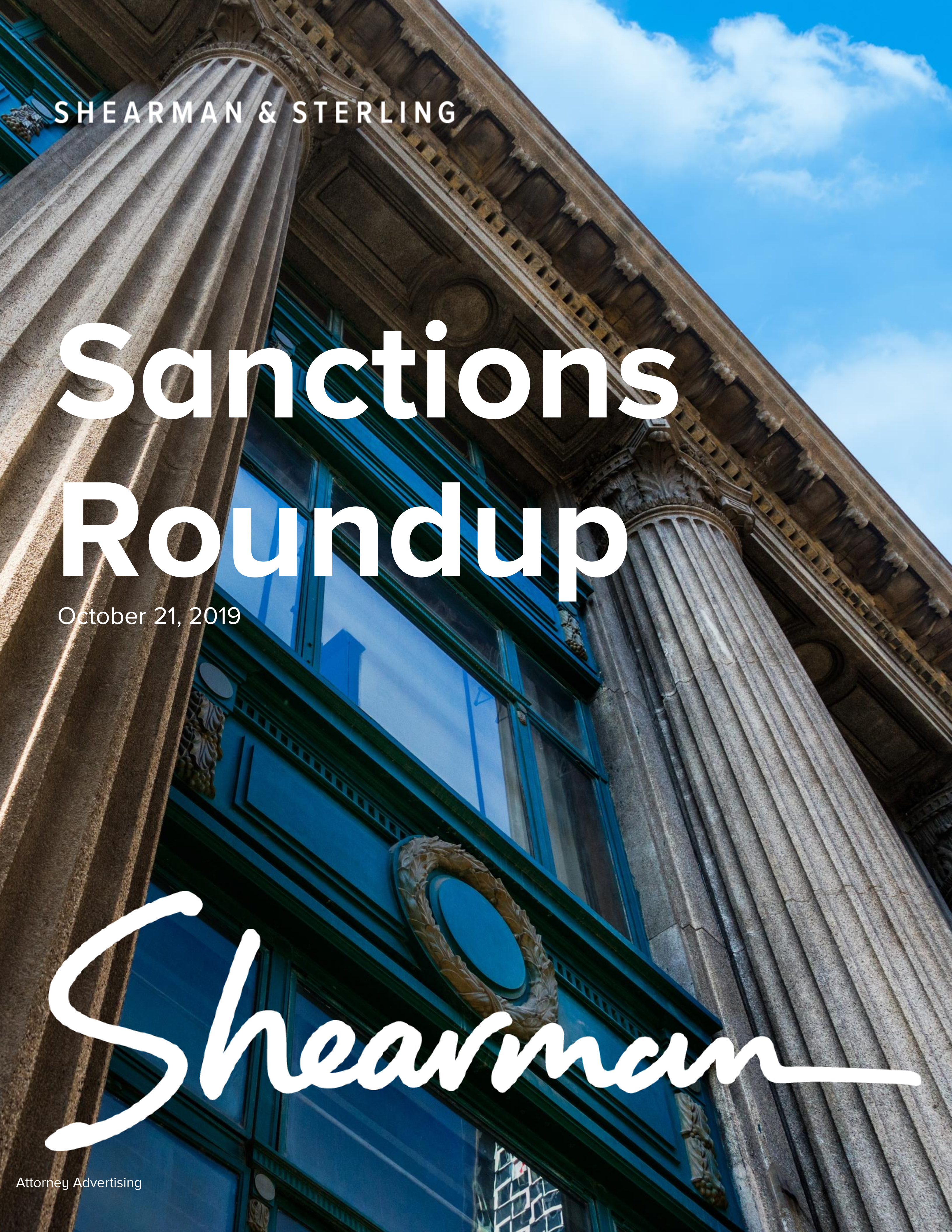

SHEARMAN & STERLING

Sanctions Roundup

October 21, 2019

Shearman

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THIRD QUARTER 2019

- US continued its "maximum pressure" campaign against Iran, and targeted a number of Chinese shipping companies for continued transport of Iranian oil exports
- OFAC targets Russian interference in US mid-term elections as 2020 draws closer
- US resumes policing of North Korean trading efforts and cyber activities, as prospects of denuclearization diminish
- In latest effort to oust President Maduro, US expands sanctions to encompass the Government of Venezuela in an attempt to further isolate the regime
- U.K. High Court recognizes contractual right to avoid payments that implicate "mandatory" US secondary sanctions
- OFAC settles potential violations of Iran and Sudan sanctions; names two US companies for insufficient responses to administrative subpoenas

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RUSSIA

This quarter, the U.S. acted pursuant to statute to punish Russia for its alleged role in the chemical weapons attack on Sergei Skipal and targeted a handful of individuals and entities for certain other malign activities. For the first time, OFAC acted pursuant to a 2018 Executive Order directed at foreign interference in U.S. elections, signaling an intent to thwart future attempts in the upcoming 2020 U.S. elections. Meanwhile, OFAC continues its effort to halt Russia's support of Syrian President Bashar al Assad.

OFAC Takes First Action Pursuant to Executive Order Targeting Election Interference

On September 30, OFAC targeted seven individuals, four entities, and the personal assets of a Russian billionaire for alleged interference in the 2018 U.S. midterm elections. This marks the first action taken pursuant E.O. 13848, the 2018 order specifically authorizing sanctions on foreign persons determined to have engaged in US election interference. OFAC's primary targets included the **Internet Research Agency** and its financier, Russian billionaire **Yevgeniy Prigozhin**, for attempting to interfere with the 2018 U.S. mid-term elections. Both targets were previously designated last year pursuant to OFAC's CAATSA authorities for alleged interference in the 2016 U.S. presidential election. According to OFAC, the IRA's activities are financed by Prigozhin, who also provided material assistance through four companies he controls. In addition to designating Prigozhin in his individual capacity, OFAC also identified three private jets and a yacht owned by the billionaire.

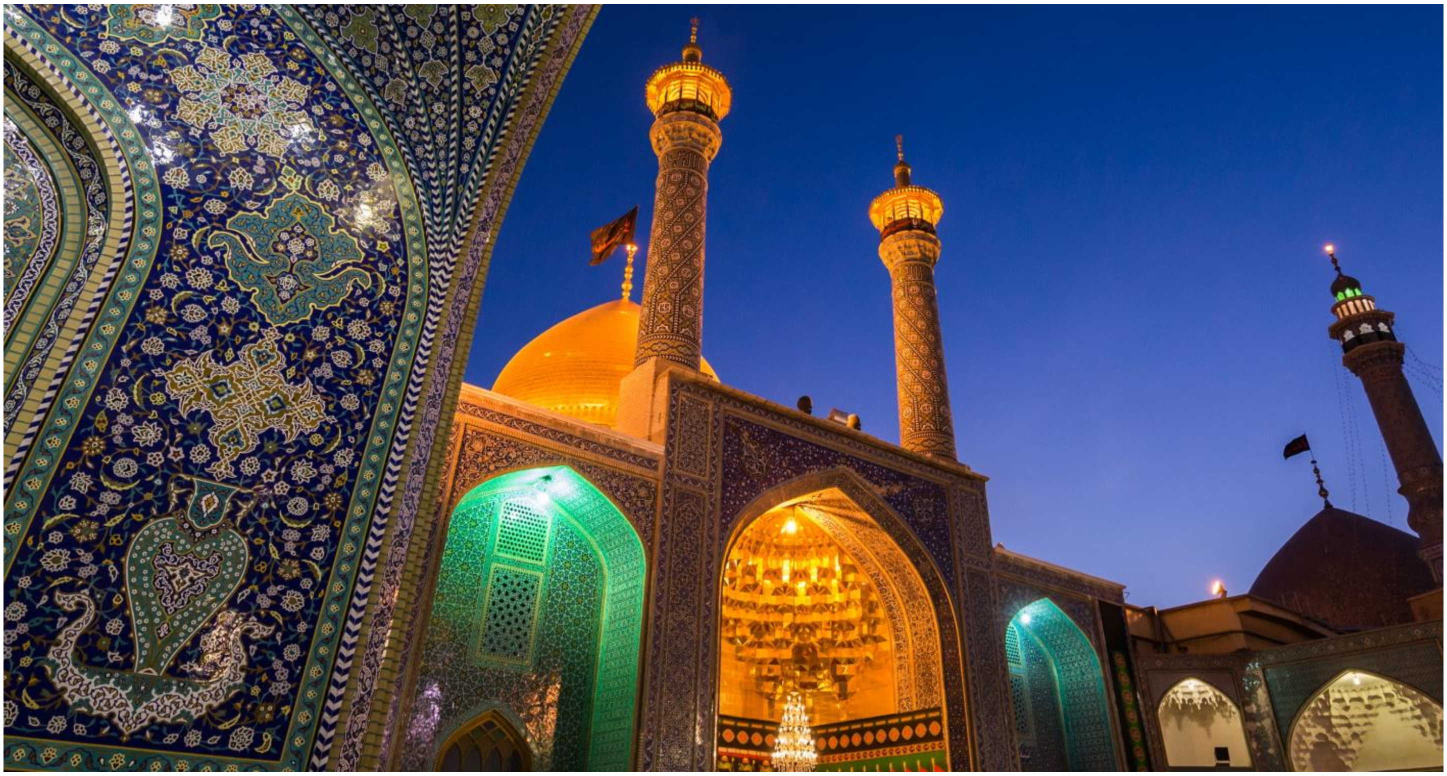
Trump Administration Imposes Sanctions for Biological Weapons Attack

On August 2, the U.S. State Department announced additional sanctions against Russia for its alleged role in the "novichok" nerve agent attack against Sergei Skripal in the U.K. last year. This is the second tranche of sanctions, which are required under the Chemical and Biological Weapons Control and Warfare Elimination Act. According to the State Department, Russia failed to provide reliable assurances that it would not engage in future chemical weapons attacks as outlined by the CBW Act, triggering a second round of mandatory sanctions. The specific sanctions were selected from a menu of available measures, and included: (i) instituting a formal policy of U.S. opposition to the extension of any loan or other assistance to Russia by international financial institutions, such as the World Bank or International Monetary Fund; (ii) prohibitions on U.S. banks from participating in the issuance of Russian sovereign debt and lending non-ruble denominated funds to the Russian government; and (iii) additional restrictions on export license applications, including a "presumption of denial policy" for licenses to export controlled dual-use chemical and biological items to Russia.

US Continues Effort to Disrupt Russian Support of Assad Regime

On September 26, OFAC targeted a sanctions evasion scheme that facilitated the supply of jet fuel to Russian forces operating in Syria to support the Assad regime. The designations, which targeted a Moscow-based front company and its three conspirator-operators, as well as five vessels, were made pursuant to E.O. 13685, which targets those operating in the Crimea region of Ukraine. The alleged orchestrators of the scheme, **Ivan Okorokov**, **Karen Stepanyan**, and **Ilya Loginov**, operate Moscow-based **Maritime Assistance LLC**, a front company of OJSC Sovfracht, a previously designated entity. According to OFAC, Maritime Assistance LLC made payments on behalf of Sovfracht, whose ability to fulfill its jet fuel sales and delivery obligations were stymied following Sovfracht's designation in 2016. U.S. authorities have alleged that Russian military aircraft conducted bombing campaigns in Syria that destroyed hospitals and schools and resulted in the death of Syrian civilians.

IRAN



This quarter OFAC continued to target senior officials of the Iranian government and took notable action to discourage continued Chinese imports of Iranian oil. Meanwhile, OFAC renewed its focus on Iran's development of nuclear weapons by targeting its global procurement networks. Despite escalating his administration's so-called "maximum pressure" campaign, President Trump signaled the potential for sanctions relief in exchange for negotiating a new nuclear accord to replace the JCPOA. However, prospects for a thawed relationship were thrown into doubt following a major drone attack on Saudi Arabian oil facilities, which the U.S. blamed on Iran.

The Trump Administration Targets Chinese Companies for Importing Iranian Oil

In May of this year, the U.S. announced it would not extend its so-called "Significant Reduction Exceptions" (SREs), which had given a handful of countries a temporary shield from the re-imposition of U.S. secondary sanctions for importing oil from Iran. Following the lapse of those waivers, the State Department this quarter demonstrated its intention to police aggressively the continued purchase of Iranian oil by non-US persons. In two separate actions, the U.S. State Department imposed sanctions on Chinese individuals and entities transacting in Iranian oil. On July 22, the State Department designated **Zhuhai Zhenrong Company Limited** and its Chief Executive Officer, **Youmin Li**, for knowingly purchasing crude oil from Iran in violation of U.S. sanctions. Two months later, on September 25, the U.S. State Department briefly rocked oil markets by announcing sanctions on a number of Chinese shipping firms and executives for transporting oil from Iran. Specifically, **China Concord Petroleum Co., Kunlun Shipping Co.**, **Pegasus 88 Ltd.**, and **COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co**. were sanctioned for "knowingly engaging in a significant transaction for the transport of oil from Iran" in violation of U.S. secondary sanctions. Additional restrictions were also imposed on five related executives, as well as **Kunlun Holding Co**. and **COSCO Shipping Tanker (Dalian) Co.**, which own or control one or more of the sanctioned entities. The sanctions, which bar U.S. persons, banks, and companies from any dealings with the targets, were described by U.S. Secretary of State Mike Pompeo as "one of the largest sanctions actions the United States has taken against entities and individuals identified as transporting Iranian oil since our sanctions were re-imposed in November 2018."

OFAC Again Warns Civil Aviation Industry of Transacting with Sanctioned Iranian Airlines

On July 23, OFAC issued an "Iran-Related Civil Aviation Industry Advisory" to alert the civil aviation industry to Iran's deceptive practices with respect to aviation matters. Since 2018, OFAC has sanctioned ten entities for activities in support of a single Iranian airline, Mahan Air, which was designated in 2011 for its support of the Islamic Revolutionary Guard Corps Qods Force ("IRGC-QF"). The Advisory warned that a variety of civil aviation industry participants could be subject to sanctions, including general sales agents, airline ground services, aircraft equipment procurers, and providers of aircraft maintenance. OFAC noted that Iran has increasingly used an assortment of deceptive tactics to acquire U.S.-origin aircraft and related goods, technology, or services, exposing U.S. and non-U.S. persons alike to potential sanctions penalties. The Advisory encouraged all participants in the civil aviation industry to remain vigilant and aware of common deceptive practices employed by Iran, including:

- Use of front companies and pass-through entities in third-countries to conceal that Iran is the ultimate beneficiary of U.S.-origin aviation products and services.
- Sourcing U.S.-origin aircraft parts from third-party suppliers operating from non-sanctioned jurisdictions in Europe, Asia, and the Middle East.
- Misrepresenting that applicable Iran-related sanctions have been lifted, or otherwise claiming that certain activities are authorized by OFAC licenses that have not been granted.
- Conducting prohibited activities from countries known to have weak export control and sanctions enforcement capabilities.

A full copy of the Advisory can be found at:
https://www.treasury.gov/resource-center/sanctions/Programs/Documents/20190723_iran_advisory_aviation.pdf

OFAC Disrupts Global Procurement Networks Tied to Weapons Programs and Terrorism

OFAC targeted two global procurement networks that allegedly facilitate Iran's development of nuclear weapons and support its terrorist activities. First, on July 18, OFAC targeted a network of Iranian, Chinese, and Belgian front companies and individual agents that allegedly facilitated delivery to Iran of materials intended for use in sanctioned elements of its nuclear weapons program. Specifically, Iranian firms **Bakhtar Raad Sepahan** and **Sabz Co.**, along with their employees and offices worldwide, allegedly assist Iran's Centrifuge Technology Company ("TESA") in obtaining the metals components necessary for Iran's uranium enrichment program, including some items controlled by the Nuclear Suppliers Group ("NSG"). Pursuant to an U.N. Security Council resolution, transactions in NSG-controlled items require advance, case-by-case approval from the UNSC.

The following month, on August 28, OFAC sanctioned two weapons procurement networks linked to military organizations in Iran. **Hamed Dehghan**, whose network (the "Dehghan Network") is alleged to have facilitated the procurement of tens of millions of dollars' worth of U.S. technology, electronic components, and export-controlled military end-use equipment for use by the Islamic Revolutionary Guard Corp. and in Iran's missile development program. According to OFAC, members of the Dehghan Network, including at least one Hong Kong-based front company, deployed its web of intermediary entities to procure the military-grade goods for a variety of clients, including entities and individuals already subject to U.S. sanctions. Second, OFAC designated **Asre Eshragh Company** and its owner, **Seyed Hossein Shariat** (the "Shariat Network"). OFAC alleges that the Shariat Network procured export-controlled aluminum alloy products, which are commonly used to manufacture nuclear weapons. As with the Dehghan Network, the products were procured for a host of Iranian entities, many of which were previously designated for their support of Iran's Ministry of Defense Armed Forces Logistics.

US Continues to Target Senior Officials in Iran

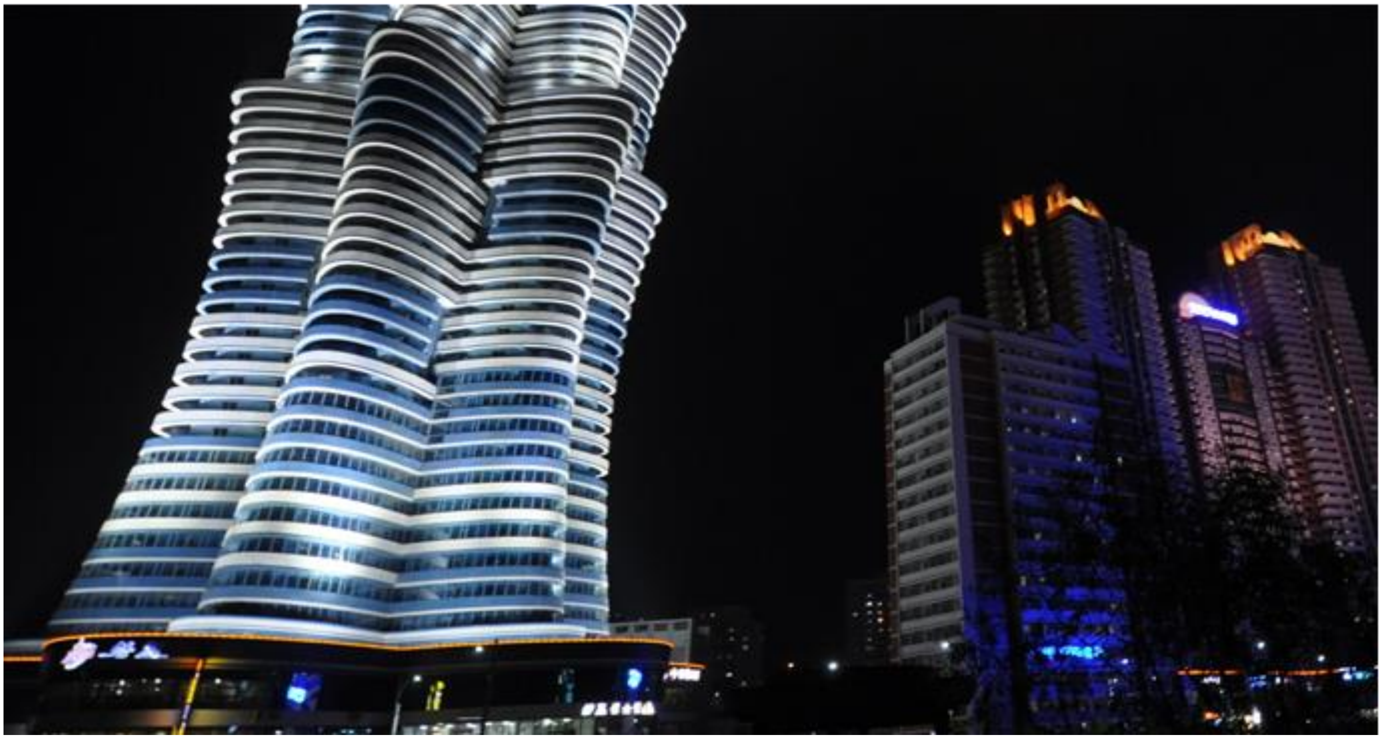
OFAC continued to target Iran's leadership ranks pursuant to Executive Order 13876, issued last quarter. In the first round of sanctions, OFAC designated the Supreme Leader of Iran and other high-ranking officials. On July 31, Iran's Foreign Minister, **Mohammad Javad Zarif,** was designated. OFAC noted that, as Foreign Minister and Iran's primary spokesperson around the world, Javad Zarif implements the "reckless agenda" of Iran's

Supreme Leader. In addition, OFAC noted Javad Zarif's close ties to the IRGC-QF, itself a designated entity. European Union officials vowed to continue meeting with Foreign Minister Javad Zarif despite the new sanctions, in an effort to preserve the JCPOA nuclear accord

Iran's Space Program Targeted for Circumventing Prohibitions on Iran's Development of Ballistic Missiles

On September 3, the U.S. State Department designated the Iran Space Agency and two of its research institutes. This action marks the first time Iran's civilian space program has been the target of U.S. sanctions. Pursuant to E.O. 13382, which authorizes sanctions on proliferators of mass destruction, the State Department targeted the **Iran Space Agency**, the **Iran Space Research Center**, and the **Astronautics Research Institute**. These three entities develop space launch vehicle technologies, which are virtually identical to technologies used in the development of ballistic missiles. According to the State Department, Iran's development of space technologies is a means of circumventing restrictions on its missile development program, a target of U.S. sanctions.

NORTH KOREA



After relative quiet in the first half of 2019, the Trump Administration renewed sanctions pressure against North Korea, taking aim at the country's trade in natural resources and malicious cyber activities. The latest sanctions were imposed despite President Trump's historic visit to the demilitarized zone in June, and despite public remarks by U.S. and DPRK officials that the two countries remain engaged in de-nuclearization talks. The prospect for a negotiated resolution has waned in recent months, however, as North Korea conducted a number of short and long-range missile launch tests, and announced a recent failure by diplomats to make progress on a potential agreement.

OFAC Names Targets in Vietnam and Taiwan in Renewed Focus on Restricting North Korea's Imports/Exports

On July 29, OFAC designated North Korean national **Kim Su Il** for his ties to the Workers Party of North Korea ("WPK"). Based in Vietnam, Kim Su Il is an employee of North Korea's Munitions Industry Department ("MID"), a WPK subsidiary already subject to U.S. and U.N. sanctions for its involvement in North Korea's missile development programs. According to OFAC, Kim Su Il was assigned to Vietnam in 2016 to conduct economic, trading, mining, and shipping activities for the MID. From his post in Ho Chi Minh City, Kim Su Il is allegedly responsible for a variety of prohibited trade transactions, including the export of coal and titanium ore concentrate, as well as other North Korean domestic products on behalf of the MID.

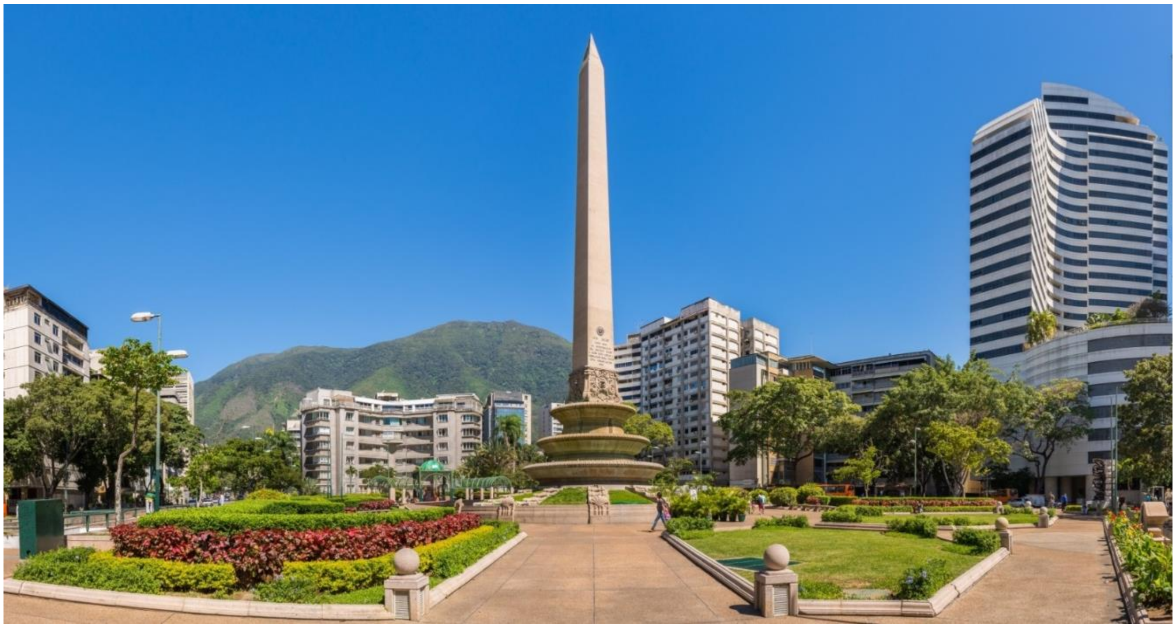
On August 30, OFAC designated two individuals and three entities for conducting ship-to-ship transfers of oil, in evasion of U.S. and U.N. sanctions that restrict the import of petroleum products into North Korea. Pursuant to E.O. 13810, which targets the import to or export from North Korea of any goods, services, or technology, OFAC designated Taiwan-based individuals **Huang Wang Ken** and **Chen Mei Hsiang**, the Taiwan-based entities **Jui Pang Shipping Co. Ltd.** and **Jui Zong Ship Management Co. Ltd.**, as well as Hong Kong-based **Jui Cheng Shipping Company Limited**. According to OFAC, Huang Wang Kan, the CEO of Jui Pang, worked with the other individuals and entities to use a Panama-flagged vessel to transfer petroleum products to a DPRK-flagged vessel already subject to U.S. and U.N. sanctions.

OFAC Sanctions North Koreans for Alleged Hacking Activities

On September 13, OFAC designated three state-sponsored hacking groups connected to North Korea's malicious cyber activities. Pursuant to E.O. 13722, OFAC identified **Lazarus Group**, **Bluenoroff**, and **Andariel** as agencies, instrumentalities, or controlled entities of the Government of North Korea, based on their relationship to North Korea's primary intelligence bureau, the Reconnaissance General Bureau ("RGB"). The RGB is a U.S. and U.N.-designated entity. According to OFAC, these cyber groups orchestrated a broad range of malicious cyber-attacks affecting financial institutions, government institutions, and critical infrastructure, including some of the more notorious hacks in recent years.

- The **Lazarus Group** allegedly targets institutions such as government, military, financial, manufacturing, publishing, media, entertainment, and international shipping companies, as well as critical infrastructure, using cyber espionage, data theft, monetary heists, and destructive malware operations. The Lazarus Group is also alleged to have orchestrated the 2017 "WannaCry 2.0" ransomware attacks that affected 150 countries and corrupted the operations of the U.K.'s National Health Service.
- **Bluenoroff**, a subgroup of Lazarus Group, was reportedly formed to help North Korea earn revenue in response to U.S. sanctions. According to OFAC, Bluenoroff conducts cyber-enabled heists against foreign financial institutions to finance, in part, the DPRK's nuclear weapons and ballistic missile programs.
- **Andariel** allegedly conducts cyber operations on foreign businesses, government agencies, financial services infrastructure, private corporations, and businesses, as well as the defense industry.

VENEZUELA



Pressure on the Maduro regime mounted this quarter, as President Trump issued a new Executive Order extending sanctions to encompass the entire Government of Venezuela, including its Central Bank and state-owned oil company. The escalation marks a dramatic shift and brings Venezuela closer, although not completely, to being a country subject to a comprehensive U.S. embargo, such as Iran and North Korea. Meanwhile, the U.S. further sought to cut off the Maduro regime's funding by targeting government corruption and oil exports to Cuba.

President Trump Expands Sanctions to Include the Government of Venezuela

On August 5, President Trump issued Executive Order 13884, "Blocking Property of the Government of Venezuela." The E.O. escalates the financial pressure against the regime of President Nicolás Maduro and blocks all property and interests in property of the Government of Venezuela under U.S. jurisdiction and prohibits any dealings between U.S. persons and Venezuelan state-owned entities or government officials. Importantly, the E.O. also authorizes blocking sanctions on non-U.S. persons determined to have assisted or supported the Government of Venezuela, including through the direct or indirect provision of goods and services, effectively threatening restrictive measures in response to any financial or commercial dealings by any person with the Government of Venezuela or any of its political subdivisions, agencies, or instrumentalities, including the Central Bank of Venezuela and the state-owned oil company, Petróleos de Venezuela, S.A. The new order was accompanied by a number of general licenses establishing "wind-down" periods for various categories of activities and carving out specific transactions.

OFAC Targets Corruption within the Government of Venezuela

On July 25, OFAC designated twenty-three entities and individuals allegedly involved in an expansive corruption scheme involving a food assistance program administered by Venezuelan government agencies. Specifically, OFAC targeted Colombian national **Alex Nain Saab Moran**, the alleged mastermind behind a scheme to corrupt Government of Venezuela contracts. In one noteworthy example, Saab's corrupt actions deprived Venezuelan people of food rations from the Local Committees for Supply and Production, or Los Comités Locales de Abastecimiento y Producción, or "CLAP." Saab, a close associate of Venezuelan government officials and family members of Nicolás Maduro, allegedly paid bribes and kickbacks to government officials to obtain no-bid and overvalued CLAP-related contracts and created a corporate structure to import food ration boxes intended for Venezuelans at highly profitable rates. OFAC further alleges that Saab then laundered profits out of Venezuela through a worldwide network of shell and front companies. At many levels of the elaborate scheme, Saab and his co-profiteers transacted with individuals and entities already subject to U.S. sanctions. On September 17, OFAC designated an additional three individuals and sixteen entities connected to the scheme, including Saab's brothers, **Amir Luis Saab Moran** and **Luis Alberto Saab Moran**. In total, over forty individuals and entities have been designated for their involvement in the corruption schemes.

OFAC Continues to Cut Off Oil Revenues

This quarter OFAC continued to target Venezuelan entities for facilitating trade in oil between Venezuela and Cuba. On September 24, OFAC designated four entities pursuant to E.O. 13850, which targets, in part, those operating in the oil sector of the Venezuelan economy. OFAC also identified four vessels as blocked property of the designated entities. Specifically, OFAC designated **Caroil Transport Marine Ltd.**, T**rocana World Inc., Tovase Development Corp**., and **Bluelane Overseas SA**. In this and other recent designations, OFAC noted that exports of oil from Venezuela to Cuba are critical to the financial survival of the Maduro regime and enable Venezuela's "repressive security and intelligence apparatus."

OFAC Targets Individual Venezuela Military Commanders

This quarter OFAC designated Venezuela's **General Directorate of Military Counterintelligence** and four DGCIM officials in response to their alleged role in the arrest and death of Rafael Acosta Arévalo, a captain in the Venezuelan Navy. The four DGCIM officials included **Rafael Ramón Blanco Marrero**, **Hannover Esteban Guerrero Mijares**, **Alexander Enrique Granko Arteaga**, and **Rafael Antonio Franco Quintero**. According to OFAC, the DGCIM arrested Captain Arévalo on June 21, 2019 upon allegations that he was involved in a failed assassination attempt of President Nicolás Maduro. Arévalo showed signs of physical abuse when he appeared in court a week later, and he died the next day. Arévalo's death occurred just a month after the United Nations Office of the High Commissioner for Human Rights released a report exposing the brutal interrogation tactics employed by the DGCIM, including methods commonly associated with torture.

UK HIGH COURT UPHOLDS CONTRACTUAL RIGHT TO AVOID PAYMENTS THAT PRESENT RISK OF 'MANDATORY' US SECONDARY SANCTIONS

A recent decision by the English High Court upheld a defendant bank's attempt to avoid paying interest on a loan to a plaintiff whose beneficial owner had come under U.S. sanctions. *Lamesa Investments Ltd v Cynergy Bank Ltd* [2019] EWHC 1877 (Comm). 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. Lamesa's beneficial owner, Russian billionaire Vikter Vekselberg, was designated in April 2018 as an SDN pursuant to OFAC's CAATSA authorities. Under U.S. law, Vekselberg's SDN status extends to Lamesa and all other entities of which he owns fifty percent or more. The designation not only prohibits U.S. persons from any dealings with Vekselberg and his companies, but also provides for secondary sanctions against non-U.S. financial institutions that "facilitate a significant transaction" with a blocked entity. Under CAATSA, U.S. authorities have discretion to apply a menu of restrictive measures that range in severity, some of which would effectively cut off banks from the U.S. financial system. The statute also provides no definition of what constitutes a "significant transaction," which gives OFAC considerable latitude to determine which activities will trigger secondary sanctions.

The dispute in *Lamesa* arose when Cynergy Bank ceased making interest payments to Lamesa following Vekelsberg's SDN-listing. The bank argued that stopping payments did not put it in violation of the loan agreement, pointing to an exclusion clause under which the bank would not be in default for refusing to make payments "in order to comply with any mandatory provision of law." Cynergy argued that U.S. secondary sanctions constituted a "mandatory provision of law" because U.S. authorities could view the payments as a "significant financial transaction" with a blocked entity, which would expose the bank to potentially devastating restrictive measures from the U.S. Lamesa countered that U.S. secondary sanctions cannot be "mandatory" because U.S. law did not clearly prohibit the repayments, which would—at most—merely expose the bank to the risk of sanctions. Lames also argued that U.S. secondary sanctions could not be "mandatory" because they have no legal effect in England. The High Court agreed with Cynergy, broadly interpreting the exclusion clause to encompass both primary and secondary sanctions.

The *Lamesa* case is a positive development for many non-U.S. companies seeking to avoid the increasingly common dilemma posed by ever-expanding U.S. secondary sanctions. The decision is also a reminder that non-U.S. entities should proactively consider the potential for U.S. sanctions implications at the outset of a transaction, and should include robust protections addressing the potentiality for future sanctions exposure, even when those risks are unforeseeable. Note, however, that the result in *Lamesa* might have been different had the secondary sanction risk been related to U.S. sanctions on Iran or Cuba, as the EU Blocking Statute—and the UK's domestic law implementing that statute—explicitly holds that such sanctions are not enforceable in the EU members' courts and, to the contrary, a company that causes financial loss to another as a result of complying with U.S. secondary sanctions may be liable for that loss.

OFAC TARGETS HUMAN RIGHTS ABUSERS IN IRAQ AND UGANDA

On July 18, OFAC designated two Iraqi militia figures, **Rayan al-Kildani** and **Waad Qado**, and two former Iraqi governors, **Nawfal Hammadi al-Sultan** and **Ahmed al-Jubouri**, pursuant to the Global Magnitsky Act. Each designated person is alleged to have engaged in corrupt schemes or perpetrated human rights abuses in Iraq. For example, al Kildani and Qado, commanders of Brigade militias in Iraq, allegedly committed physical abuse, intimidation, extortion, and other violent crimes against minority groups, including women. Al Sutan and al-Jubouri, both former Iraqi government officials, allegedly engaged in a variety of corrupt schemes, including misappropriation of state assets, corruption of government contracts, and bribery.

On September 13, OFAC designated **Kale Kayihura**, the former Inspector General of Police of the Ugandan Police Force. Kayihura was designated pursuant to the Global Magnitsky Act and E.O. 13818 for his alleged role in serious human rights abuse against Ugandan citizens and other corrupt activities. For example, Kayihura led individuals from the UPF's Flying Squad Unit, whose members OFAC alleges to have physically abused detainees with sticks, rifle butts, and other blunt instruments. Kayihura is also alleged to have engaged in numerous acts of corruption, including efforts to strengthen his political position within the Government of Uganda through bribery, stealing funds intended for official Ugandan government business, and using third parties to smuggle illicit goods out of Uganda, including drugs, gold, and wildlife.

COUNTER-TERRORISM DESIGNATIONS

On September 10, an update to Executive Order 13224, OFAC's primary counter-terrorism authority, became effective. In statement, OFAC noted that the updated E.O. "moderniz[es] sanctions to combat terrorism." The updates implement a host of changes. Specifically, the updated E.O. allows U.S. authorities to designate terrorist groups and their associated entities without having to connect them to specific terrorist acts and provides authority to impose secondary sanctions on foreign financial institutions that knowingly provide financial assistance to designated terrorists. Upon issuance of the new Executive Order, the following nine individuals were designated for their roles in leading or supporting terrorist groups or sympathizing with terrorists: **Muhammad Sa'id Izadi**, **Zaher Jabarin, Marwan Mahdi Salah Al-Rawi**, **Ismael Tash**, **Muhamad Ali al-Hebo**, **Mohamad Ameen**, **Mohamed Ahmed Elsayed Ahmed Ibrahim**, **Almaida Marani Salvin**, and **Muhammad Ali Sayid Ahmad**. The following six entities were also designated for assisting, sponsoring, or providing support to terrorist groups: **Redin Exchange**, **SMART Ithalat Ihracat Dis Ticaret Limited Sirketi**, **Saksouk Company for Exchange and Money Transfer**, **Al Haram Foreign Exchange Co. Ltd.**, **Al-Khalidi Exchange**, and **Al-Hebo Jewelry Company**.

On July 2, the State Department designated the **Balochistan Liberation Army** and **Husain Ali Hazzima**, a member of Hizballah, as Specially Designated Global Terrorists ("SDGTs") pursuant to E.O. 13224. The BLA is a Pakistan-based armed separatist group which allegedly targets security forces and civilians. In the past year, for example, BLA is allegedly responsible for attacks against Chinese engineers in Balochistan, the Chinese consulate in Karachi, and a luxury hotel in Balochistan. Hazzima, a Lebanese national, is the chief of Hizballah's intelligence unit. The Department of State seeks to deny BLA and Hazzima resources needed to plan and execute terrorist attacks.

Those who facilitate the operations of terrorist groups remained a focus of OFAC. On July 9, OFAC acted to disrupt Hizballah's illicit financial activity by designating three members of Hizballah—**Amin Sherri**, **Muhammad Hasan Ra'd**, and **Wafiq Safa**. Sherri and Ra'd, both Lebanese nationals, are members of the Lebanese Parliament. OFAC alleges that Sherri has been exploiting his political position to advance the objectives of Hizballah, including threatening Lebanese financial institutions, bank employees, and their families. Similarly, Ra'd allegedly prioritize the activities of Hezbollah over economic solutions that would benefit his constituents. According to OFAC, Ra'd also serves on Hizballah's Shura Council, which decides religious and strategic matters, including overseas military and terrorist attacks. Safa, a Lebanese national, leads Hizballah's security apparatus and has allegedly smuggled contraband through Lebanon's ports and across borders on its behalf.

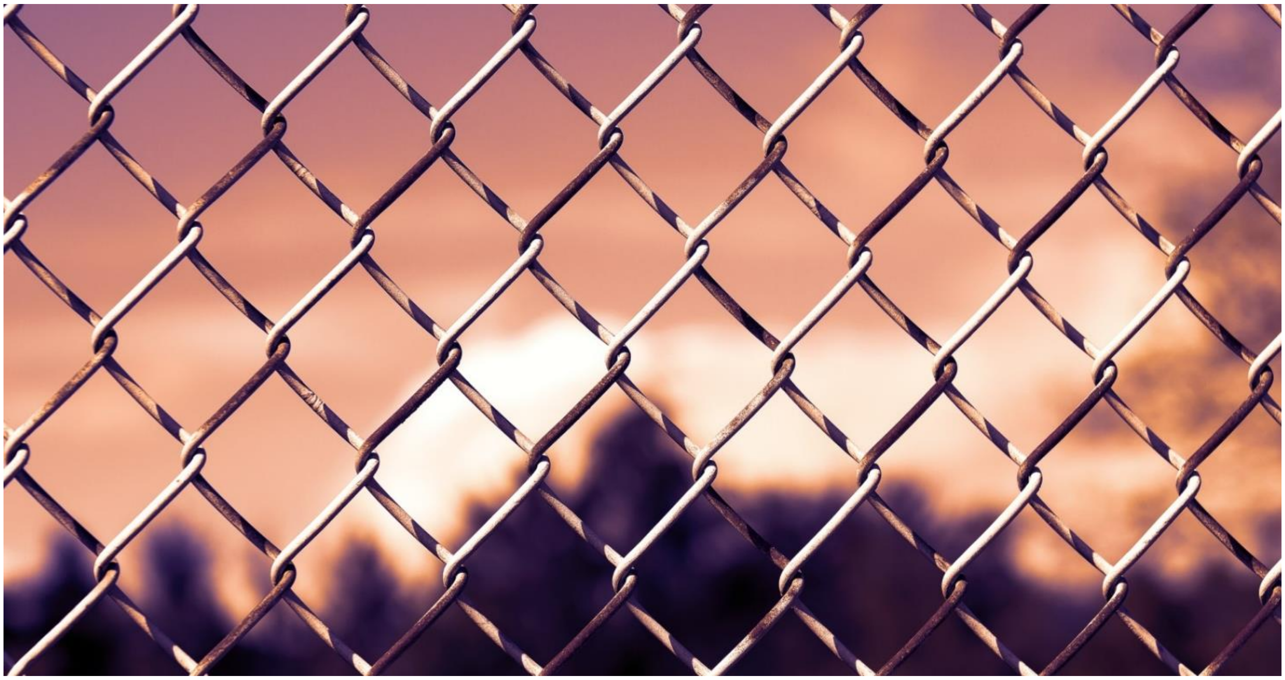
Additionally, on July 19, OFAC designated **Salman Raouf Salman** for acting on behalf of Hizballah. OFAC alleges that Salman, a senior member of Hizballah's External Security Organization (ESO), planned and executed a terrorist attack against the largest Jewish center in Buenos Aires, Argentina twenty-five years ago. Salman was previously designated as a SGDT in 2001. According to OFAC, the designation serves as a reminder that Hizballah has an ongoing operational presence in South America and poses a threat to the region. On September 4, OFAC further designated a vast network of facilitators and their vessels that allegedly moved hundreds of millions of dollars' worth of oil for the IRGC-QF's support of Syrian President Bashar al-Assad and Hizballah. In total, OFAC designated sixteen entities and vessels, and nine individuals in this action. According to OFAC, the IRGC-QF uses this complex network to mask the sale of Iranian oil and uses a network of Hizballah officials and front companies to broker contracts.

Similarly, OFAC targeted those who provide support for Hamas. On August 29, OFAC, in coordination with the Sultanate of Oman, designated four individuals for their alleged financial, material, and technological support to, or in support of, Hamas. The designated individuals included **Muhammad Sarur**, **Kamal Abdelrahman Aref Awad**, **Fawaz Mahmud Ali Nasser**, and **Muhammad Kamal al-Ayy**. According to OFAC, Sarur, Awad, Nasser, and al-Ayy are responsible for funneling tens of millions of dollars from Iran's Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) to Hamas's operational arm, the Izz-Al-Din Al-Qassam Brigades in the Gaza Strip. Sarur, a Lebanese national, is believed to be at the center of the financial scheme and has worked for Bayt al-Mal, Hizballah's bank and itself a designated entity. Awad, Nasser, and al-Ayy are financial associates and auditors based in Gaza, who coordinated with Sarur's associates to transfer funds to Hamas.

On July 16, OFAC, in collaboration with the State Department, designated **Bah Ag Moussa** for his alleged support to Jama'at Nusrat al-Islam wal-Muslimin, an al Qa'ida-supported West African terrorist organization. Moussa, a Malian national, allegedly carried out attacks across northern Mali. For instance, in March 2019, Moussa attacked the Malian Armed Forces, killing at least twenty-one soldiers. **Ali Maychou**, a Moroccan national, was also designated.

On August 30, OFAC designated Iranian oil tanker **Adrian Darya 1** and its captain, **Akhilesh Kumar**, an Indian national for allegedly transporting 2.1 million barrels of Iranian crude oil for the benefit of the IRGC-QF. The designation is the culmination of a months-long dispute among the U.S., Great Britain, and Iran. In July, Adrian Darya 1 (formerly called Grace 1), was detained by British authorities off the coast of Gibraltar on suspicion of transporting Iranian oil to Syria in violation of EU sanctions. In retaliation, Iran seized a British-flagged tanker in the Strait of Hormuz. Upon Iran's assurances that the ship was not destined for Syria, Britain released Adrian Darya 1. According to authorities, the ship then charted course towards Lebanon, but "went dark" after making an abrupt turn northwards towards Syria, raising the prospect of a ship-to-ship transfer of cargo. Satellite images later confirmed that the vessel was posted off the coast of Syria, near the port of Tartus.

OFAC TARGETS NARCOTICS TRAFFICKERS & CRIMINAL ORGANIZATIONS



On August 20, OFAC, in coordination with the Drug Enforcement Administration and the Federal Bureau of Investigation, designated **Cesar Emilio Peralta** and the **Peralta Drug Trafficking Organization** as significant foreign narcotics traffickers under the Kingpin Act. Peralta, a Dominican national, allegedly coordinates the shipment of significant quantities of cocaine through Peralta DTO from the Dominican Republic to the U.S., Puerto Rico, and Europe. Proceeds from the drug trafficking operations are then laundered through a number of nightclubs in Santo Domingo, including clubs that allegedly employ women trafficked from Colombia and Venezuela. According to OFAC, Peralta and his organization were specifically targeted as part of an effort to disrupt the drug traffickers and cartels behind the opioid epidemic. OFAC also designated nine Dominican nationals for their support of drug trafficking and six entities owned for controlled by Peralta.

On August 21, the OFAC, in cooperation with the Financial Crimes Enforcement Network, designated **Fujing Zheng** and the **Zheng Drug Trafficking Organization** as significant foreign narcotics traffickers. According to OFAC, Zheng runs an international drug trafficking operation that manufactures and ships opioids and other narcotics to at least thirty-seven states in the U.S. and twenty-five countries. OFAC coordinated closely with the U.S. Attorney's Office for the Northern District of Ohio, which unsealed an indictment against Zheng and his father in August 2018 that contained forty-three counts of conspiracy. OFAC also designated **Guanghua Zheng**, the father of Fujing Zheng, for his alleged support of his son and the Zheng DTO. In addition, OFAC designated **Xiaobing Yan** and **Qinsheng Pharmaceutical Co. Ltd.**, an entity that Fujing Zheng owns or controls.

ENFORCEMENT ACTIONS

On August 6 OFAC entered into a settlement agreement with Bellevue, Washington-based **PACCAR Inc.** to settle potential liability arising from sixty-three apparent violations of Iran sanctions by its Netherlands-based subsidiary, DAF Trucks N.V. According to OFAC, from October 2013 to February 2015, DAF sold or supplied sixty-three trucks to its dealers throughout Europe, including dealers in Germany, the Netherlands, and Bulgaria. Those local dealers, in turn, sold the trucks to end-users in Iran. Based on the truck specifications and purchase order paperwork, DAF or its various European dealers knew, or should have known had they conducted an adequate investigation, that the trucks were intended for buyers in Iran. For example, OFAC noted that in one instance, one of the company's dealers in Germany received invoices referencing buyers in Iran. PACCAR's settlement agreement included a fine totaling $1,709,325. In determining the penalty level, OFAC noted that PACCAR voluntarily disclosed the apparent violations and that they did not constitute an egregious case.

On August 8, OFAC issued a Finding of Violation to Virginia-based **DNI Express Shipping Company** for violations of the Reporting Procedures and Penalties Regulations. According to OFAC, DNI exhibited reckless disregard of its obligation to provide OFAC thorough and accurate information in responding to OFAC investigatory requests. Of specific concern were DNI's responses to OFAC's administrative subpoenas seeking information related to the sale of farm equipment to Sudan, in violation of the U.S.'s Sudanese sanctions program. In each of DNI's subpoena responses, OFAC determined that the information submitted contained contradictory, false, or misleading information, despite DNI's actual knowledge that it had engaged in conduct that violated U.S. sanctions. OFAC also noted that DNI failed to amend or correct its misleading responses after being asked to do so.

On August 8, OFAC issued a Finding of Violation to Florida-based **Southern Cross Aviation, LLC** for failing to provide complete information to OFAC in response to an administrative subpoena. According to OFAC's finding, OFAC issued a first administrative subpoena seeking documents related to Southern Cross's sale of helicopters destined for Iran, which was to be handled by an Iranian businessperson based in Ecuador. In its first response, the President of Southern Cross denied knowing the Iranian businessperson or otherwise dealing with Iran in any way. Southern Cross later delivered a supplemental response, correcting its previous denial to state that a Southern Cross sales representative located in Ecuador sent technical details to a group in Ecuador related to a potential sale of helicopters to an Iranian customer. Southern Cross provided no documentation of the new information except for a copy of its Export Management Manual. In response to a second administrative subpoena, Southern Cross submitted correspondence related to the helicopter sales, including direct exchanges with the Iranian businessman, which indicated with specificity the details of the potential sale. OFAC noted that Southern Cross failed to submit this information in response to its first subpoena.

On August 16, Maryland-based **Atradius Trade Credit Insurance, Inc.**, a trade credit insurer, agreed to remit $345,315 to settle its potential civil liability for two apparent violations of the Foreign Narcotics Kingpin Sanctions Regulations. ATCI is a subsidiary of Atradius N.V. According to OFAC, a U.S.-based cosmetics company assigned to ATCI the right to collect on a debt owed by Grupo Wisa S.A., a Panama-based company that was added to OFAC's SDN List in 2016 for violations of the Kingpin Act. During liquidation proceedings of Grupo

Wisa, ATCI filed a claim in Panama to collect the debt on behalf of its U.S. customer. ATCI received a payment totaling over $4 million from the liquidation of Grupo Wisa's Panamanian assets. By accepting the assignment of Grupo Wisa debt, and receiving the payment from the liquidation, ATCI allegedly dealt in property or interests of a specially designated narcotics trafficker. OFAC determined that ATCI did not make a voluntary self-disclosure of the apparent violations and that they constituted a non-egregious case.

On September 17, U.K.-based commercial bank **British Arab Commercial Bank PLC**, agreed to pay $4 million to settle its potential civil liability arising from seventy-two apparent violations of the Sudanese Sanctions Regulations. Between September 2010 and August 2014, BACB processed seventy-two bulk-funding payments, totaling $190,700,000, related to Sudan. Specifically, BACB operated U.S. dollar accounts for at least seven Sudanese financial institutions, including Sudan's Central Bank. BACB solicited U.S. dollar business from these Sudanese entities and processed U.S. dollar transactions via an internal book transfer process involving a *nostro* account maintained at a non-U.S. financial institution. According to OFAC, although these transactions were not processed through the U.S. financial system, the funding of the *nostro* account did involve transactions processed through U.S. financial institutions in apparent violation of OFAC's Sudan Regulations. The settlement agreement is noteworthy because OFAC agreed, after consulting with U.K. regulators, that BACB would remit only $4 million in penalties, far short of the proposed penalty of $228,840,000, in view of the BACB's limited "operating capacity."

Helms-Burton Act Litigations Proceed Through Federal Courts

Earlier this year, the Trump Administration announced it would end the practice, followed by the past three Administrations, of waiving Title III of the Helms-Burton Act, which creates a private right of action for U.S. citizens and companies whose property was appropriated by the Cuban government after 1959 to bring suit for monetary damages for companies that now own or have used the expropriated property. Some experts predicted a wave of lawsuits against large, multinational corporations who have made use of confiscated property during the intervening decades. However, thus far only a handful of cases have been brought under Title III, mostly against Cuban state-owned entities and U.S.-based companies. In September, Carnival Cruise Lines, the first major U.S. company to face suit for its use of several Cuban ports formerly owned by the plaintiffs, lost its motion to dismiss when the judge found the plaintiff sufficiently established his ownership claim to port facilities in Cuba. It remains an open question, however, whether that preliminary factual finding will lead to a finding of liability.

This quarter, two major U.S. corporations American Airlines and Amazon.com, Inc. became the latest targets of Title III claims. American Airlines and Chile-based Latam Air were sued by plaintiff José Ramon López Reguiero, who claims to be the rightful owner of Cuba's José Martí International Airport prior to its expropriation by the Castro regime. Reguiero alleges that the two airlines have been trafficking in stolen property without permission from or compensation to his family. American Airlines previewed its affirmative defense in a public statement, claiming that all travel to the airport in Havana was authorized by the U.S. government, potentially bringing its activity into the Act's "lawful travel" exception. It is unclear whether a similar defense can be employed by Latam Air, who is unlikely to have sought the required travel licenses from U.S. authorities for its Cuba-based routes. In September, Miami resident Daniel A. Gonzalez filed suit against Amazon, Inc. for trafficking in the sale of charcoal produced on Cuban farmland that the plaintiff alleges was seized from his family in the 1960s.

We will continue to monitor litigation developments.

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