

Sanctions Alert

A monthly summary of sanctions news and events

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Iran News

EU extends Iran human rights sanctions

The sanctions against those responsible for human rights violations in Iran have been renewed until 13 April 2017. This will continue the existing travel ban and asset freeze on certain individuals and groups identified by the EU as responsible for “serious human rights violations” in Iran. It also extends the ban on exports of goods into Iran that have the potential to be used for monitoring communications or internal repression.

The [Implementing Regulation](#) and [Decision](#) also de-list Hossein Hamedani (who has died), delete the duplicate listing of Malek Ajdar Sharifi and update the listings for 22 other individuals.

These sanctions are not affected by the Joint Comprehensive Plan of Action (JCPOA), which relates only to Iran’s nuclear sanctions.

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ECJ rejects re-listing appeals

The European Court of Justice (ECJ) has recently rejected appeals challenging the re-listing of Iranian entities. The cases challenged the listing criteria, discussing the threshold to which the EU must evidence that the entity provides support to the Government of Iran.

In a [judgment](#) on 7 April 2016, the ECJ rejected an appeal by Central Bank of Iran. The ECJ held that its role as the Central Bank was a sufficient reason to be listed; there was no need to further show that it was providing financial support to the Government. The ECJ noted that its listing would not disproportionately impact upon Iran’s economy as the sanctions targeted only EU assets.

In a [judgment](#) on 3 May 2016, the ECJ rejected an appeal by Iran Insurance Company. The ECJ rejected the argument that to be a listed entity, the EU must show that the entity provides direct support to nuclear proliferation or support to the government in the

implementation of nuclear proliferation. The ECJ stated that the criterion for listing “does not require the Council to establish a link, direct or indirect, between the activities of the person or entity”, but relies on the presumption that the Government of Iran “relies on the resources and facilities of a financial or logistical nature” in order to continue such nuclear proliferation.

In another [judgment](#) on 3 May 2016, the ECJ rejected an appeal by Post Bank Iran. The ECJ has interpreted the criterion for listing an entity if, “regardless of any link, direct or indirect, established with nuclear proliferation [the entity] is capable, by its quantitative or qualitative significance, of encouraging that proliferation, by providing the Government of Iran with support... of a material, financial or logistical nature which allow it to pursue nuclear proliferation”. Accordingly, the link between the provision of such support and the pursuit of nuclear proliferation is presumed by the ECJ.

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In a [judgment](#) (currently only available in French) on 12 May 2016, the ECJ rejected an appeal by Bank of Industry and Mine. The ECJ held that the criterion of

providing “support” to the Government of Iran did not violate the principle of legal certainty.

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ECJ upholds decision to annul the original listing of Bank Saderat Iran

In a [judgment](#) on 21 April 2016, the European Court of Justice (ECJ) upheld the [decision](#) of the General Court of the EU (the “General Court”) of 5 February 2013, to annul the original listing of Bank Saderat Iran on the EU’s list of nuclear sanctions against Iran.

The ECJ agreed with the General Court that the Council of the EU did not provide sufficient reasoning for its listing; the provision of financial services to entities who may be acting on behalf of Iran’s nuclear platform was cited as too vague a reason. The ECJ also agreed that, as an emanation of a non-Member state, Bank Saderat Iran was entitled to enjoy EU rights of defence and judicial protection.

Bank Saderat Iran tried to argue that the annulment of measures should have immediate effect, rather than following the expiration of the appeal. The ECJ dismissed this cross-appeal, noting that sanctions

measures are regulations rather than decisions so should be analysed as such.

Additionally, the statement of reasons for the re-listing of Bank Saderat Iran and its UK subsidiary has been [amended](#) until 22 October 2016, due to Bank Saderat Iran’s violation of UN sanctions through its business dealings with defence industry organisations during March 2009.

Bank Saderat Iran will remain listed under the Joint Comprehensive Plan of Action (JCPOA) until 18 October 2023 or until such a time that Iran’s nuclear programme is deemed safe by the UN and International Atomic Energy Agency. For more details on the JCPOA, please see [Issue 41](#) and the [Client Update](#) of 17 July 2015.

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OFAC provides additional Iran sanctions guidance, including guidance to US directors and officers of non-US companies

On 8 June 2016, the US Treasury Department’s Office of Foreign Assets Control (OFAC) added 11 new questions and answers to its Frequently Asked Questions regarding the scope of US sanctions on Iran. A number of the FAQs seek to clarify the scope of Iran General License H, which authorizes foreign entities owned or controlled by US persons to engage in certain

Iran-related activities; to clarify the rules regarding US banks’ operation of correspondent accounts for non-US banks; and to outline how US persons who sit on the boards of directors or serve as senior managers of third-country entities should conduct themselves with regard to Iran-related transactions.

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In particular, the new guidance confirms that US persons generally must be walled off from Iran-related business, and recommends that foreign entities with US directors or managers consider instituting a “blanket recusal policy” (as opposed to relying on case-by-case abstentions) to segregate US persons from Iran-related business.

Further details, including a copy of the newly added Frequently Asked Questions, can be found in the [Client Update](#) of 14 June 2016.

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OFAC clarifies application of sanctions to Iran overflight payments

On 27 April 2016, the US Treasury Department’s Office of Financial Control (OFAC) updated [Frequently Asked Question 417](#), which discusses the payment or facilitation of payments to Iranian civil aviation authorities for overflights of Iran or landing in Iran, to reflect the lifting of secondary sanctions under the Joint Comprehensive Plan of Action (JCPOA). The updated FAQ clarifies that payments or facilitation of payments to Iranian civil aviation authorities for overflights of Iran or landing in Iran

are not prohibited by US law if the transactions do not involve the US financial system or any US person, and the aircraft is registered outside the US and not owned by a US person.

The FAQ warns, however, that involvement of a Specially Designated National in the transaction could result in exposure to secondary sanctions.

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US Treasury considering easing US dollar restrictions on Iran

In a [speech](#) at the Carnegie Endowment for International Peace on 30 March 2016, US Treasury Secretary Jack Lew remarked that the Obama administration is considering easing the prohibitions on the use of the US banking system for transactions with Iran to remove obstacles to the use of US currency for Iran-related transactions. The Associated Press [reports](#) that officials have prepared a general licence that would provide offshore financial institutions with access to dollars in support of business with

Iran that is not itself prohibited by the US sanctions. At one time, the Office of Foreign Assets Control allowed US banking institutions to engage in “U-turn” transactions involving Iranian parties, but that authorisation was [revoked](#) in 2008. It appears that the new general licence under consideration by the Treasury Department could restore that authority.

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US federal government urges US states to lift Iran debarment and divestment rules

On 8 April 2016, Stephen Mull of the US State Department sent letters to the governors of all 50 US states and to some local officials urging them to reconsider state and local laws restricting dealings with companies that do business with Iran. These letters follow through on remarks that Secretary of State John Kerry previously made to Congress that the states should drop restrictions.

The US State Department letter has no binding legal effect. Rather, it urges state and local governments to voluntarily reconsider their restrictions on contracting with businesses that deal with Iran or investing state funds, including pension funds, in businesses that deal with Iran. Congress authorized state and local rules

of that type in Title II of the [Comprehensive Iran Sanctions and Divestment Act](#) of 2010, which remains in effect.

The State Department expressed concern that maintaining investment and contracting restrictions regarding foreign companies that trade with Iran would interfere with the full implementation of the Joint Comprehensive Plan of Action (JCPOA). The JCPOA, which became effective in January 2016, relaxed some sanctions on Iran in exchange for restrictions on Iran's nuclear programme. The head of Iran's Central Bank [has complained](#) that Iran has yet to receive the full economic benefits of the JCPOA.

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OFAC hires new licensing staff to deal with flood of Iran-related applications

Various news sources have [reported](#) that the Office of Foreign Assets Control (OFAC) is hiring additional staff to help process the applications of businesses who hope to trade with Iran. Officials from Iran have complained that they were not seeing the economic benefits of the Joint Comprehensive Plan of Action (JCPOA), which hoped to provide economic incentives to Iran by lifting various sanctions and encouraging

commercial business. John Smith, the OFAC Acting Director, noted that since the JCPOA implementation day, his office has received hundreds of applications seeking permission to trade with Iran. The additional staff would assist in processing these applications and issuing licenses where appropriate.

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US Supreme Court rejects challenge to statute targeting Iranian Central Bank

In a [decision](#) released on 20 April 2016, the Supreme Court of the United States rejected the Iranian Central Bank's challenge to a law passed by Congress that had singled out the bank's assets for use to satisfy claims. The case, titled *Bank Markazi v Peterson*, addressed the question of whether Congress had unconstitutionally invaded the powers of the judiciary by allowing over \$2 billion in blocked Iranian assets to be used to satisfy the claims in a particular case identified by docket number in the statute. The plaintiffs were over 1,000 victims and family members of victims of a terrorist attack that had been linked to Iran. In 2007, the plaintiffs were awarded over \$2 billion by a US federal district court.

As court battles deliberated on how damages were going to be paid, Congress passed the [Iran Threat Reduction and Syria Human Rights Act of 2012](#), which made \$2 billion of blocked Iranian funds available for execution of the judgment. The majority opinion, written by Justice Ruth Bader Ginsburg for six members of the court, held that this statute was within Congress's powers. Chief Justice John Roberts, joined by Justice Sonia Sotomayor, filed a dissenting opinion.

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Iran sues US at ICJ over designation as State Sponsor of Terrorism

On 14 June 2016, Iran instituted proceedings at the International Court of Justice (ICJ) against the US, alleging that the consequences of the US designation of Iran as a State Sponsor of Terrorism violate a 1955 Treaty of Amity between the two countries.

According to Iran's [Application Instituting Proceedings](#), this designation has resulted in enforcement proceedings under US law against Iranian entities, including Iran's Central Bank, for acts they did not commit, and US courts thus far have awarded over \$56 billion in compensatory and punitive damages

against Iran. Iran argues that the failure to respect Iranian state-owned entities' corporate separateness, among other things, violates the 1955 treaty and that the US has submitted to mandatory ICJ jurisdiction under the terms of the treaty.

As discussed [above](#), the US Supreme Court recently upheld the enforcement of a terrorism-related judgment against assets of Iran's central bank, Bank Markazi.

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US car audio company loses challenge to OFAC Iran penalty, takes an appeal

On 7 March 2016, a US court rejected a challenge brought by Epsilon Electronics, Inc., a small California car audio company, against a civil penalty of over \$4 million imposed by the Office of Foreign Assets Control (OFAC). After losing its challenge, Epsilon filed an appeal on 6 May 2016.

OFAC imposed the penalty on Epsilon for exporting goods with knowledge they would be re-exported to Iran. Epsilon's action seeking judicial review, previously reported in Issues [34](#) and [38](#), is virtually unprecedented, as nearly all recent OFAC enforcement actions have been resolved by settlement rather than through contested imposition of a penalty, and none appear to have sought review in court.

In the [decision](#), Judge Reggie Walton of the US District Court in Washington D.C. rebuffed Epsilon's

contention that the so-called "inventory exception" allowed Epsilon to sell to a third-country company. The court found ample evidence that Epsilon knew the goods were destined for Iran. The court also upheld the penalty amount, concluding that (i) OFAC acted within its discretion in finding some of the violations "egregious" and properly weighed any mitigating factors and; (ii) the penalty did not violate the Excessive Fines Clause of the US Constitution. In addition, the court turned aside a due-process challenge, finding that OFAC had given Epsilon sufficient notice of the proposed penalty and an opportunity to be heard.

Epsilon's appeal will now go to the US Court of Appeals for the District of Columbia Circuit.

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Indonesia extradites Singapore national accused of exporting US bomb parts to Iran

On 4 April 2016, the US Attorney's Office for the District of Columbia issued a [press release](#) announcing that Yong Nam (Steven) Lim had been extradited to the US to stand trial on charges of violating US sanctions against Iran and related offenses, including making false statements to US government officials. Lim, a Singapore national, had been detained in Indonesia

since October 2014 as he contested the US extradition request. Lim is accused of exporting over 6,000 radio frequency modules from the US to Iran. According to the US government, some of the modules ended up in improvised explosive devices found in Iraq.

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US resident pleads guilty for his role in illegal Iran export scheme

On 14 June 2016, the US Attorney's Office for the Middle District of Pennsylvania [announced](#) that Asim Fareed, of North Brunswick, New Jersey, had pleaded guilty as part of a plea agreement to one count of conspiracy to provide false statements in connection with illegal export to Iran. Fareed allegedly prepared false invoices as part of a scheme

to export merchandise to customers in Iran through third countries. The merchandise, however, did not reach Iran. Fareed will be sentenced at a date to be determined in the future.

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Canadian-Iranian national sentenced to 3 years in prison for exports from US to Iran

On 23 May 2016, the US Attorney's Office for the Southern District of New York [announced](#) that Ali Reza Parsa, a dual Canadian-Iranian national residing in Canada, had been sentenced to three years in prison for conspiracy to violate US sanctions against Iran. Parsa allegedly conspired to purchase high-tech electronic

components from American companies for delivery to Iran through Canada, carrying out this scheme even while in jail awaiting trial. Parsa entered a guilty plea on 20 January 2016.

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CEO of US company pleads guilty to conspiring to export specialty metals to Iran

On 14 June 2016, the US Attorney's Office for the Eastern District of New York [announced](#) that Erdal Kuyumcu, the chief executive officer of Global Metallurgy LLC of Woodside, Queens, New York, pleaded guilty to one count of conspiracy to violate the US sanctions against Iran. As reported in [Issue 47](#), Kuyumcu was charged with exporting a metallic cobalt-nickel powder from the US through

Turkey to Iran without a licence. According to the US government, the powder has nuclear, missile, aerospace and industrial applications and is export-controlled for non-proliferation and national-security reasons. Kuyumcu will be sentenced at a date to be determined in the future.

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Russia and Ukraine News

Russia abandons Eurobond plan

On 18 April 2016, [Bloomberg News reported](#) that Russia was abandoning its plans to issue Eurobonds, giving in to pressure from the US and EU in the form of sanctions and informal discussions. Russian Finance Minister Anton Siluanov stated that although it was clear that the government would not find sufficiently prominent banks to underwrite the bonds, he said the government “isn’t closing the window of possibility to sell them”.

On 5 February 2016, the finance ministry of Russia had invited 23 banks, including major banks in the US, Western Europe, China, Japan and Canada, to submit proposals for organising the placement of Russian sovereign bonds on international capital markets. The contemplated deal [was reported](#) to involve the placement of \$3 billion in Eurobonds.

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Canada extends sanctions against Russia and Ukraine

Canada has extended its Russian and Ukrainian sanctions. The Special Economic Measures (Russia) Regulations have been [amended](#) to include ten additional entities and two additional individuals. The sanctions impose an asset freeze on banks and individuals said to be responsible for Russia’s military action in Ukraine.

Canada has also [amended](#) its Sanctions Special Economic (Ukraine) Resolution, to include four additional entities and three additional individuals.

In both cases, the additional entities and individuals are subject to an asset freeze and dealings prohibition.

The Canadian press release can be found [here](#).

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EU Advocate General delivers opinion on Rosneft’s judicial review

Rosneft Oil Company has sought judicial review in the UK to challenge the [Export Control \(Russia, Crimea, and Sevastopol Sanctions\) \(Amendment\) Order 2014](#) which gives effect to EU sanctions against Russia in the UK.

Following the UK High Court’s refusal to grant Rosneft’s application to stay the UK implementation

of the sanctions, on 9 February 2015, the matter was referred to the European Court of Justice (ECJ) (please see [Issue 35](#) for more information).

On 31 May 2016, Advocate General Wathelet delivered a [non-binding opinion](#) in response to the request for a preliminary ruling on the lawfulness of the UK’s implementation of sanctions against Russia.

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Advocate General Wathelet concluded that (i) the ECJ does have jurisdiction to give a preliminary ruling under Article 267 TFEU on the validity of Council Decision [2014/512/CFSP](#) concerning restrictive measures; (ii) the provisions under Regulation 833/2014 and Decision 2014/512 are valid, apart from Article 3(5) of [Regulation 833/2014](#), which allows a Member State to authorize certain transactions arising out of contracts concluded before 1 August 2014, which he considers contradictory to Decision 2014/512 on which it was based (which does not affect contracts concluded before 1 August 2014); and (iii) Regulation 833/2014 was not too vague to mean that criminal penalties for breach of sanctions could not be imposed.

He also clarified the interpretation of the term “financial assistance” under Article 4(3) of Regulation No 833/2014 to include “the processing by a bank or other financial institution of payments relating to an underlying transaction covered by Article 3(1) of the regulation”. He explained the term “waters deeper than 150 metres” in Articles 3(3) and 3a (1)(a) of Regulation No 833/2014 is to be taken vertically from the point of drilling and clarified that global depository receipts in respect of shares in listed entities are to be prohibited as from 12 September 2014 regardless of the date on which those shares were issued – the approach taken by the Council of the EU.

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EU likely to extend sanctions against Russia

On 21 June 2016, ambassadors of the 28 member states unanimously agreed to extend sanctions against Russia until 31 January 2017. This decision still needs to be approved by council ministers, but is not expected

to be altered. For more information, please see the European Council's [timeline](#) of restrictive measures in response to the crisis in Ukraine.

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North Korea News

EU implements UN North Korea sanctions

Following the adoption of [Resolution 2270](#) by the UN Security Council on 2 March 2016 (see [Issue 47](#) for more information), on 31 March 2016 the EU implemented new sanctions against North Korea.

The sanctions include closing the EU to North Korean Banks, including by prohibiting the opening of new branches or subsidiaries of North Korean Banks and closing all existing North Korean Banks, a ban on the import of certain raw materials from North Korea and a

requirement that any North Korean nationals who are acting in a governmental capacity and are engaged in illicit activities are expelled from Member States.

On 27 May 2016, the EU expanded its sanctions on North Korea. The new measures include a ban on the import of luxury goods and petroleum products and prohibit additional dual-use goods. The additional measures also place cargo liable for inspection, particularly if it originates from, or is destined for

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North Korea. The sanctions also prohibit investment in commercial activity where the investment is made by entities or persons connected with the North Korea government or North Korean nationals. Transfers of funds to and from North Korea and access to ports within the EU are also prohibited.

For more information please see [Regulation 2016/841](#) amending [Regulation 329/2007](#) and [Decision 2016/476](#) and [Decision 2016/849](#), which consolidates and replaces [Decision 2013/183/CFSP](#).

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EU adds 18 individuals and 1 entity to its sanctions listing against North Korea

On 27 April 2016, the EU added Korea National Insurance Corporation to its North Korea sanctions list, so that an asset freeze now applies to the entity. Additionally, KNIC GmbH has been removed from the list. The identifying information for six individuals has also been amended.

For more information please see [Commission Implementing Regulation \(EU\) 2016/659](#) amending [Council Regulation \(EC\) 329/2007](#).

On 19 May 2016, the EU added 18 individuals and 1 entity to its list of persons and entities subject to

restrictive measures. The listings include high ranking military officials involved in supporting North Korean nuclear programmes.

For more information please see [Commission Implementing Regulation 2016/780](#) amending [Regulation 329/2007](#) and [Council Decision \(CFSP\) 2016/785](#) amending [Decision 2013/183/CFSP](#).

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Switzerland tightens sanctions against North Korea

On 18 May 2016, the Federal Council of Switzerland imposed tighter sanctions on North Korea, implementing [Resolution 2270](#) of the UN Security Council (see [Issue 47](#) for more information).

The revised ordinance extends financial sanctions to a wider group of persons and blocks funds connected with North Korea's nuclear and missile programmes, except funds required for the activities of diplomatic representations. It prohibits Swiss banks from opening branches, subsidiaries or agencies in North Korea. Existing branches and bank accounts in North Korea

and North Korean banks in Switzerland must be closed by 2 June 2016.

The ban on the export of luxury goods has been expanded to include additional products. All imports and exports will now be checked by customs to ensure that they do not contain any prohibited products. The export of goods to North Korea must be authorized in advance by the State Secretariat for Economic Affairs. The sale and supply of certain aviation fuels and raw materials is prohibited.

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China begins implementation of new sanctions against North Korea

Following the new sanctions agreed by the UN Security Council's [Resolution 2270](#) (see [Issue 47](#) for more details), on 5 April 2016, China's Ministry of Commerce published a list of banned exports and imports from North Korea. The list includes fuel,

natural resources and any goods that could support nuclear or ballistic missile programmes.

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EU News

EU General Court dismisses Mehdi Ben Ali's challenge

The General Court of the EU (the "General Court") has rejected an application made by Mehdi Ben Ali opposing his re-listing on the EU's Tunisian sanctions list. The list has frozen the EU assets of individuals deemed responsible for misappropriating Tunisian state funds since 2011.

Ben Ali originally won his challenge in 2014, successfully arguing that money laundering accusations are not always misappropriation of state funds. He was re-listed after Tunisian authorities investigated him

for misappropriation of public money, misuse of public office and exerting wrongful influence over a person in public office.

The General Court rejected Ben Ali's grounds for annulment, which included right of defence, errors of fact and his claim for damages and costs.

The court's judgment is available [here](#) (currently only in French).

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EU extends sanctions against Egypt

The EU has renewed its targeted sanctions imposing an asset freeze on 19 individuals said to have "been identified as responsible for misappropriation of Egyptian State funds", until 22 March 2017.

The measures are renewed by [Decision \(CFSP\) 2016/411](#), amending [Decision 2011/172/CFSP](#). The EU's notice to those listed can be found [here](#).

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EU extends sanctions against Syria

The EU has extended its sanctions on Syria until 1 June 2017. In its [press release](#), the EU said it would continue sanctions against Syria “as long as the repression continues”.

Two individuals – Mohamed Farahat and Muhammad Khayrbik were de-listed. Mohamed Farahat was listed due to “his senior position in Tri-Ocean Energy, he [was] responsible for the activities of

the entity in supplying oil to the regime”. Muhammad Khayrbik was the deputy vice-president for security affairs in Syria. He died in June.

For more information please see [Regulation 2016/840](#) implementing [Regulation 36/2012](#) and [Decision 2016/850](#) amending [Decision 2013/255/CFSP](#).

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ECJ dismisses Tarif Akhras’ appeal

Tarif Akhras appealed to the European Court of Justice (ECJ) following the decision of the General Court of the EU (the “General Court”) not to annul his EU Syria sanctions designation.

The ECJ held that his designation was justified, because the Council of the EU was entitled to rely on the presumption that Akhras, as a successful Syrian businessman, bolstered or benefited the Syrian regime.

In 2011, Akhras was listed on the EU’s sanctions against Syria. He was re-listed in 2012 and 2013 for benefitting and/or supporting the regime in Syria. The ECJ noted that Akhras’ prominent position in Syria constituted sufficient evidence to establish that he was

providing economic support to, or benefitting from, the Syrian regime.

In 2012 Akhras successfully challenged his listing, with the General Court upholding his application on the basis that although he is the founder of the Akhras group, this does not necessarily lead to the conclusion that he is providing financial support for the regime. The restrictive measures were superseded by further listings in 2012 and 2013 so had little practical effect (see [Issue 35](#) for more information).

The court’s judgment is available [here](#).

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EU finds against assumption that Syrian businessmen support the Syrian regime

On 2 June 2016 in *HX v Council*, the General Court of the EU (the “General Court”) held that the Council of the EU (the “EU Council”) could not make the assumption that prominent Syrian businessmen support or benefit from the Syrian regime. In the case, the EU Council lacked any evidence that HX supported

or benefitted from the Syrian regime so the listing was annulled.

For more information please see the [judgment](#) (currently only available in French).

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EU amends sanctions against Central African Republic

The EU has amended its sanctions against the Central African Republic. [Regulation 2016/555](#) amends [Regulation 224/2014](#), adding that supplies of non-lethal equipment, and assistance or training intended for security sector reform in keeping with the UN's peacekeeping operation, shall not be prohibited providing that the Sanctions Committee has received advance notification.

The designation criteria for targeted asset freezes and travel bans has also been amended, revising the criteria of persons involved in activities that undermine the peace, stability or security of the Central African Republic. The examples of such acts have also been amended.

See [Decision \(CFSP\) 2016/564](#), amending [Decision 2013/798/CFSP](#), for more information.

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EU extends sanctions against Bosnia and Herzegovina

The EU [has extended](#) sanctions against Bosnia and Herzegovina until 31 March 2017. The sanctions include measures against individuals and entities that threaten the security or undermine the sovereignty, territorial integrity, constitutional order and international personality of Bosnia and Herzegovina.

See [Decision 2016/477](#), amending [Decision 2011/173/CFSP](#), for more information.

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EU extends sanctions against Burma/Myanmar

The EU has extended sanctions against Burma/Myanmar until 30 April 2017. The current sanctions impose an arms and goods embargo.

Previously the EU has placed trade and financial sanctions on Burma/Myanmar, but these were lifted in April 2013 after 22 years.

The EU Council's decision is given effect by [Council Decision \(CFSP\) 2016/627](#), amending [Council Decision 2013/184/CFSP](#).

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EU extends sanctions against Crimea and Sevastopol

The EU has extended sanctions against Crimea and Sevastopol until 23 June 2017 as the EU “continues to condemn the illegal annexation of Crimea and Sevastopol by the Russian Federation and will remain committed to fully implement its non-recognition policy”.

The current sanctions prohibit tourism services, importing products of Crimean origin and exporting

certain goods, technology or technical assistance to the region.

For more information, please see the EU Council’s [Decision 2016/982](#) amending [Decision 2014/386/CFSP](#), the [press release](#) and the [Client Update](#) of 8 January 2016.

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EU lifts sanctions against Liberia

The EU has lifted its remaining sanctions against Liberia, implementing the UN resolution in May ([see below](#)). The EU lifted its travel bans and asset freezes against Liberia in October last year (see [Issue 44](#)).

Please see [Regulation \(EU\) 2016/983](#) repealing [Regulation \(EC\) 234/2004](#) and [Decision \(CFSP\) 2016/994](#) repealing [Common Position 2008/109/CFSP](#).

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EU de-lists International Sikh Youth Federation

Following the UK’s decision in March 2016 to remove the International Sikh Youth Federation (ISYF) from its list of terrorist organizations under the Terrorism Act 2000 (see [Issue 47](#) for more details), the Council of the EU (“EU Council”) has de-listed ISYF from its terrorist asset freezing sanctions.

The EU Council’s decision is given effect by [Council Implementing Regulation \(EU\) 2016/620](#) implementing [Regulation \(EC\) 2580/2001](#).

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EU General Court rejects Sharif University of Technology’s annulment application

The General Court of the EU (the “General Court”) has rejected the application made by Sharif University of Technology to have its re-listing on the EU’s nuclear sanctions on Iran list annulled.

A previous listing of Sharif University of Technology was successfully annulled due to lack of evidence that it provided direct support to Iranian nuclear activities (see [Issue 23](#) for more information). It was re-listed for

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benefitting the Iranian government through military research and technology development.

In the [judgment](#), the General Court held that support for the government does not have to be financial and

can include providing research or examining military technology.

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EU adds to ISIL/Al Qaida sanctions

The EU Commission has added 5 individuals to its ISIL (Da'esh) and al-Qaida sanctions. With immediate effect, the individuals will be subject to freezing of funds and economic resources.

The individuals were also added to the UN Security Council's [ISIL and al-Qaida sanctions list](#).

The individuals are Turki Mubarak Abdullah,

Faysal Ahmed Bin Ali-Zahrani, Tuah Febriwansyah, Husayn Juaythini and Muhammad Sholeh.

For more information please see [Commission Implementing Regulation 2016/647](#) implementing [Council Regulation 881/2002](#).

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US News

Blocking of alleged Panamanian money laundering organisation affects significant Central American businesses

On 5 May 2016, the Office of Foreign Assets Control (OFAC) announced in a [press release](#) that it has designated under its Narcotics Trafficking Kingpin programme a number of individuals and entities associated with the Waked Money Laundering Organization, a group of enterprises centred in Panama and said to be associated with Panamanian businessmen Nidal Ahmed Waked Hatum and Abdul Mohamed Waked Fares. The recent [designations](#) targeted the leadership of the organisation, six of their associates and over sixty related companies, including the Wakedes themselves, two of their lawyers, and several seemingly legitimate businesses.

The designated companies include, among others, First Vida Panama (Zona Libre) S.A., an import/export company; Grupo Wisa S.A., a holding company whose businesses include the La Riviera chain of duty-free stores in Latin America; Soho Panama S.A., a luxury mall and real estate development in downtown Panama City; and Balboa Bank and Trust, a Panamanian bank.

OFAC issued several new general licences under the Foreign Narcotics Kingpin Designation Act (the "Kingpin Act") authorizing certain transactions with merchants operating at the designated shopping malls, with two Panamanian newspapers that are owned by designated entities, with Balboa Bank and Trust and

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Balboa Securities Corporation, which have been seized by Panamanian regulators, and with Importadora Maduro and related companies, which also have been subject to action by the Panamanian government.

Specifically, on 5 May 2016, OFAC issued [General License 2](#) authorizing certain transactions related to the wind down of operations of the hotel (the Four Points Sheraton Colon) operating at the Millenium Plaza in Panama; General License 3 (replaced on 3 June by [General License 3A](#)) authorizing certain transactions necessary to maintain the existing operations of the Panamanian newspapers La Estrella and El Siglo; and General License 4 (replaced on 13 May by General License 4A and on 10 June by [General License 4B](#)) authorizing certain transactions and activities involving Soho Mall in Panama. On 13 May, OFAC issued [General License 5](#) (replaced 10 June by [General License 5A](#)) and [General License 6](#) (replaced 10 June by [General License 6A](#)) authorizing

certain transactions necessary for the Panamanian authorities' administration of Balboa Bank & Trust and Balboa Securities Corporation respectively.

On 14 June, OFAC issued [General License 7](#), authorizing certain transactions with regard to the operations or sale of Importadora Maduro, S.A.; Maduro Intemacional, S.A.; and Lindo & Maduro, S.A., based on actions taken by the Panamanian government to remove those entities from the control of narcotics traffickers. Previously, on 1 June, OFAC had issued a [statement](#) clarifying that it supported the Panamanian government's efforts and would not impose sanctions on non-US persons that transact business with those three entities.

OFAC also has issued new [Frequently Asked Questions 470 through 471 and 478](#) explaining the new general licences.

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OFAC extends authorisation for transactions with Honduran Bank in liquidation

On 10 June 2016, the Office of Foreign Assets Control (OFAC) issued Foreign Narcotics Kingpin Designation Act (the "Kingpin Act") [General License 1B](#), extending to 12 December 2016 the authorisation to engage in certain transactions with Banco Continental S.A., a bank based in Honduras. The bank had been designated

under the Kingpin Act because of alleged ties to narcotics traffickers and is currently in liquidation under the supervision of the Honduran banking authorities.

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OFAC updates Cuba FAQs

On 21 April 2016, the Office of Foreign Assets Control (OFAC) updated its [Frequently Asked Questions regarding Cuba](#). Specifically, question 62 was updated to reflect the recently added general licence in [31 CFR § 515.584\(d\)](#) authorizing US banking institutions to engage in so-called “U-turn transactions” originating and ending outside the US involving Cuba. Question 62 was updated to explain the due diligence process expected of US banking institutions when processing such U-turn transactions.

Questions 67 and 68 were updated to explain the continued restrictions on imports and exports of Cuban goods.

Question 80 was updated to note that the provision of insurance related services incidental to authorized activity in Cuba is permitted if the underlying insured

activity is authorized by a general or specific licence. Question 81 was updated and discusses the payment of insurance claims arising from such activity.

Question 93 clarifies that educational, humanitarian and other grants authorized in the Cuban Assets Control Regulations may be awarded to Cuban state-owned entities.

Finally, a new question 97 was added clarifying that persons subject to US jurisdiction generally may not purchase or lease real property in Cuba without a specific licence, with the exception of transactions incidental to establishing an authorized business presence in Cuba, and the leasing of accommodations by authorized travellers in Cuba.

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FinCEN issues new rule requiring identification of beneficial owners

On 11 May 2016, the US Treasury Department’s Financial Crimes Enforcement Network (FinCEN) published in the Federal Register a final rule expanding customer due diligence requirements for certain “covered financial institutions”. The final rule will impose two new, and significant, requirements on covered financial institutions. First, it will require covered financial institutions to establish procedures to identify, and verify the identity of, the beneficial owners of entities that open new accounts, unless there is an exception. Second, it will add a “fifth pillar” to existing anti-money laundering (AML) programme requirements. The existing four pillars are (i) policies and procedures; (ii) a designated

AML compliance officer; (iii) testing and; (iv) training. The final rule will add to these requirements by mandating risk-based procedures for conducting on-going customer diligence to understand the nature and purpose of the customer relationship.

The final rule is part of a larger package of reforms introduced by the Obama Administration to respond to issues such as money laundering, tax evasion and foreign corruption, highlighted by the so-called Panama Papers. These efforts include proposed amendments to the Bank Secrecy Act that would require all US companies to report beneficial ownership information to the federal government, and changes to

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Internal Revenue Service regulations to mandate that certain companies, particularly single-owner limited liability companies, receive an employer identification number and submit to tax assessments. In addition, the US Justice Department has proposed amendments to existing laws to enhance the ability of law enforcement

to pursue money laundering and corruption cases. For a discussion of the new requirements see the [Client Update](#) of 16 May 2016. The final rule will take effect on 11 May 2018.

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Justice Against Sponsors of Terrorism Act passes in US Senate, moves to House

On 17 May 2016, the US Senate passed by voice vote the [Justice Against Sponsors of Terrorism Act](#). This Bill would allow civil claims against a foreign country or official for injuries, damage or death resulting from an international terror plot and would authorize US courts to impose liability on a person who commits, aids, abets or conspires to commit international terror against a US national.

Josh Earnest, Press Secretary for the White House, [stated](#) that this Bill could have “unintended

consequences” and that President Obama harbours “serious concerns that this legislation would make the United States vulnerable in other court systems around the world.” He also stated it was difficult to imagine the President signing the Bill. The Bill is currently in the House of Representatives, where it has been referred to the Committee on the Judiciary.

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US extends suspension of sanctions against blocked Belarusian entities

On 29 April 2016, the Office of Foreign Assets Control (OFAC) issued [Belarus General License 2A](#), which extends the validity of General License 2 until 31 October 2016. Like its predecessor, the new general licence authorizes all transactions that would otherwise be prohibited involving Belarusian Oil Trade House, Belneftekhim USA Inc, Belshina OAO, Grodno Azot OAO, Grodno Khimvolokno OAO, Lakokraska OAO,

Naftan OAO, Polotsk Steklovokno OAO and companies owned or controlled by them.

However, US persons engaging in transactions with those entities having a value exceeding \$50,000 must report the transactions to OFAC.

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OFAC further relaxes sanctions on Burma, de-lists 3 Burmese state-owned banks

On 17 May 2016, the Office of Foreign Assets Control (OFAC) issued an [announcement](#) that it was amending the [Burmese Sanctions Regulations](#), 31 C.F.R. Part 537, and making corresponding changes to the Specially Designated Nationals (SDN) list, to facilitate trade with Burma, also known as Myanmar.

Although most import, export, financial and investment transactions with Burma have already been licensed, these changes are intended to remove some of the remaining barriers to trade with Burma, to “demonstrate the [US] Administration’s support for continued political reforms and broad-based economic growth in Burma.” OFAC also updated its [Frequently Asked Questions regarding Burma](#) to reflect these changes.

In particular, OFAC has removed three Burmese state-owned banks (Myanmar Economic Bank, Myanmar Foreign Trade Bank, and Myanmar Investment and

Commercial Bank) and seven Burmese state-owned enterprises from its SDN list. OFAC also expanded an existing general licence, which allows most banking transactions with certain SDN banks, to include two additional banks (Innwa Bank and Myawaddy Bank).

In addition, OFAC extended a general licence authorizing transactions with Burmese SDNs that are incidental to exports to and from Burma, and added new general licences authorizing transactions involving movement of goods within Burma and transactions for living expenses of US persons resident in Burma. However, six companies that were owned 50% or more by Steven Law or Asia World Co. Ltd. have been newly added to the SDN list - these companies were already treated as automatically blocked because they were 50% or more owned by an SDN.

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OFAC implements new Hizballah sanctions law

On 15 April 2016, the Office of Foreign Assets Control (OFAC) issued the [Hizballah Financial Sanctions Regulations](#) implementing the [Hizballah International Financing Prevention Act of 2015](#), which was adopted by the US Congress and signed by President Obama in December 2015. The Act prohibits or restricts the opening or maintaining of correspondent accounts or payable-through accounts in the US by a foreign financial institution determined to be knowingly engaged in facilitating transactions or financing for Hizballah. The new regulations

implement the Act by requiring US financial institutions to implement these restrictions, subject to a general licence, authorizing certain transactions needed to wind down and close existing accounts.

At the same time, OFAC updated its Specially Designated Nationals list to reflect that dealings with Hizballah-linked individuals and entities could lead to imposition of secondary sanctions under the new law.

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OFAC issues regulations to implement Burundi sanctions, designates additional individuals

On 14 April 2016, the Office of Foreign Assets Control (OFAC) issued [regulations](#) to implement [Executive Order No. 13,712](#) of 23 November 2015, which blocked the property of individuals—including several senior officials of the Government of Burundi—designated as contributing to the instability of Burundi or committing acts of violence against civilians or other human rights violations in Burundi. The new Burundi Sanctions Regulations do not add any new substantive prohibitions or significant new exceptions to Executive Order No. 13,712, but add some standard definitions and interpretations, as well as general licences for transfers of blocked funds to interest-bearing accounts, certain legal services, and emergency

medical services similar to the general licences included in OFAC's other sanctions programmes.

On 2 June 2016, OFAC added Marius Ngendabanka, Edouard Nshimirimana and Ignace Sibomana to the Specially Designated Nationals list under Executive Order 13,712. According to an [OFAC press release](#) explaining the new designations, Ngendabanka and Sibomana, who are leaders of Burundian government security forces, are alleged to have participated in human rights violations against political opponents. Nshimirimana is a leader of an armed opposition group.

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US targets new sanctions against Libyan opponents of unity government

On 21 April 2016, President Obama signed [Executive Order 13,726](#), which imposes new sanctions with respect to Libya. This supplements the existing Libya sanctions programme, which targeted members of the family of the late Libyan leader Moammar Qadhafi. The new sanctions target individuals found to be responsible for, complicit in, or engaged in activities that undermine the peace, security, or stability of Libya, obstruct Libya's new [Government of National Accord](#), or exploit Libya's oil resources.

To date, the property of two individuals has been blocked under the new sanctions: [Khalifa Mohamed](#)

[Ahmed Ghawil](#), the president of the unrecognized Libyan government in Tripoli, who was listed on 19 April 2016; and [Agila Saleh Issa](#), the leader of the Libyan House of Representatives based in Tobruk, who was listed on 13 May 2016. Both were designated for their efforts to obstruct the implementation of the UN-brokered Libyan Political Agreement establishing the new unity government.

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US arrests Chinese national for export control violations

According to a [press release](#) issued by the US Attorney's Office for the Southern District of New York, Chinese national Fuyi (Frank) Sun was arrested in April 2016 in New York, where he was seeking to purchase a specialized high-grade carbon fibre used primarily for military and aerospace applications. Allegedly, Sun identified the Chinese military as the ultimate customer

for the fibre, which may not be exported from the US without a licence. Sun contacted an entity that he believed was a distributor of the fibre, which in fact was an undercover operation staffed by investigators for the Department of Homeland Security.

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OFAC sanctions additional narcotics traffickers

Los Cuinis: On 4 April 2016, the Office of Foreign Assets Control (OFAC) [announced](#) that it was blocking the property of additional individuals and enterprises linked to Mexico's Los Cuinis narcotics trafficking organisation, led by Abigael Gonzalez Valencia, under the Foreign Narcotics Kingpin Designation Act (Kingpin Act). The new [designations](#) include Agricola Boreal S.P.R. de R.L., Agricola Tavo S.P.R. de R.L., Desarrollo Agricola Organico S.P.R. de R.L., Desarrollo Agricola Verde de Sayla S.P.R. de R.L., Status Administrativo S. de R.L. and Step Latinamedica S.A. de C.V.

Laredo Organisation: On 14 April 2016, OFAC [announced](#) that it was designating the Laredo Drug Trafficking Organization and several individuals linked to it under the Kingpin Act. In addition to the organisation itself, the new [designations](#) include Job Laredo Donjuan, Ishmael Laredo Donjuan and Ruben Laredo Donjuan (three brothers who are alleged to head the enterprise), as well as Mercedes Barrios Hernandez, Daniela Gomez Velazquez, Andres Laredo Estrada, Antonio Marcelo Barragan, and Ismael Reyna Felix. The group are said to be involved in the manufacture, importation and distribution of heroin from Mexico to the US and money laundering related to these activities.

La Oficina de Envigado: On 3 May 2016, OFAC [announced](#) that it was designating Jose Bayron Piedrahita Ceballos, described as a "Colombian crime boss," under the Kingpin Act. According to OFAC, Ceballos has provided material support to La Oficina de Envigado, which was designated by OFAC under the Kingpin Act in June 2014. At the same time, OFAC also [designated](#) several entities said to be controlled by Piedrahita Ceballos, notably Subasta Ganadera de Caucasia S.A. and Frigorifico del Cauca S.A.S., which operate in Colombia's cattle industry, as well as several members of his immediate family and two business partners.

Caro Quintero Organisation: On 11 May 2016, OFAC [announced](#) that it had designated Mexican national Diana Espinoza Aguilar under the Kingpin Act for transactions she took on behalf of her alleged common-law husband, Rafael Caro Quintero. Caro Quintero was previously designated under the Kingpin Act in 2000 and is accused of having murdered an agent of the US Drug Enforcement Administration. OFAC characterized Espinoza Aguilar to be a "key enabler and facilitator" for Caro Quintero's "global drug trafficking and money laundering regime".

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SDNT and SDNTK De-listings: On [4 April 2016](#) and [3 May 2016](#), OFAC deleted a number of individuals and entities and one vessel from its Specially Designated Narcotics Trafficker and Kingpin Act lists. A majority of the deleted individuals and entities were based in

Colombia, Lebanon or Mexico, though a few were located in other countries including Spain and Panama. OFAC did not explain the reasons for the deletions.

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OFAC adds new terrorism designations

Paris Terrorist Attacks: On 5 April 2016, the Office of Foreign Assets Control (OFAC) [designated](#) Salah Abdeslam, a Belgian-born French citizen, under the Specially Designated Global Terrorism (SDGT) programme. Abdeslam [has been charged by the French authorities](#) with participating in the Paris attacks of 13 November 2015. According to a [State Department press release](#), Abdeslam is an operative of ISIL.

Fundraisers and Supporters of Middle Eastern Terrorist Groups: On 31 March 2016, OFAC [announced](#) that it had blocked a number of individuals and organisations under the SDGT programme in connection with their fundraising for and support of al-Qaida, the Taliban and Lashkar-e-Tayyiba (LT). The new [designations](#) include James Alexander McLintock, Abdul Aziz Nuristani, Naveed Qamar, Muhammad Ijaz Safarash, the Al Rahmah Welfare Organization and the Jamia Asariya Madrassa.

McLintock was accused of running Al-Rahmah Welfare Organization, based in Pakistan, as a front organisation for al-Qaida and providing funds for al-Qaida, the Taliban and LT. Nuristani and the Pakistan-based Jamia Asariya Madrassa, controlled by him, were accused of providing material aid to LT training camps and organisations backing LT, and Nuristani also was accused of providing funds to al-Qaeda and the Taliban. Qamar and Safarash were described as acting on behalf of or in support of LT.

Separately, on 19 May 2016, the Treasury [announced](#) it had designated as SDGTs a number of individuals alleged to be fundraisers or facilitators for al-Qaida, Al-Nusrah Front, al-Qaida in the Arabian Peninsula, and ISIL. OFAC also specifically added ISIL-Libya, ISIL-Saudi Arabia and ISIL-Yemen to the Specially Designated Nationals (SDN) list. The [newly listed](#) individuals are Abdallah Hadi 'Abd al-Rahman Fayhan Sharban Al-'Anizi, Abd al-Muhsin Zabin Mutib Naif Al-Mutayri, Nayif Salih Salim Al-Qaysi, Ghalib Abdullah Al-Zaidi, Salmi Salama Salim Sulayman Ammar and Mostafa Mahamed.

Jama'at Ul Dawa Al-Qu'ran and Tariq Gidar Group: On 25 May 2016, OFAC [added](#) two organisations, Jama'at Ul Dawa Al-Qu'ran (JDQ) and the Tariq Gidar Group (TGG), to the SDN list under the SDGT programme. According to a [State Department press release](#), TGG is a Pakistani Taliban group, and JDQ is a terrorist group based in Pakistan and Afghanistan that was loyal to the deceased Taliban leader Mullah Omar and has ties to al-Qaida and LT.

Yarmouk Martyrs Brigade, Syria: On 9 June 2016, OFAC [added](#) Yarmouk Martyrs Brigade (YMB) to the SDN list under the SDGT programme. According to a [State Department press release](#) explaining the designation, YMB is a Syrian terrorist group that has carried out kidnapping operations targeting United Nations personnel, was formerly linked to al-Nusrah Front, and is currently loyal to ISIL.

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SDGT and IRAQ2 De-listings: On 19 May 2016, OFAC [deleted](#) Samir Kuntar (also listed under several other variant spellings) from the SDGT programme. This appears to be merely a housekeeping measure, as Kuntar, a Hizballah leader, [was reported](#) to have been killed in an airstrike in Syria in 2015. Additionally,

on 4 April 2016, Nabil Abdullah Al-Janabi, the former Iraqi ambassador to Lebanon, was [removed](#) from the second Iraq sanctions programme. OFAC did not give reasons for Al-Janabi's de-listing.

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UN News

UN lifts Côte d'Ivoire sanctions

[Resolution 2283](#) has lifted all sanctions against Côte d'Ivoire. This ends the arms embargo, travel bans and targeted asset freezes on people considered a threat to the peace by the Security Council's Sanctions Committee.

The Resolution also extends the mandate of the peacekeeping mission, the United Nations Operation in Côte d'Ivoire (UNOCI), until 30 June 2017.

For more information, please see the Secretary-General's [press release](#).

The EU has implemented this decision and repealed the remainder of its Côte d'Ivoire sanctions.

Please see [Regulation 2016/907](#), repealing [Regulation 174/2005](#) and [Regulation 560/2005](#), and [Decision \(CFSP\) 2016/917](#) repealing [Decision 2010/656/CFSP](#) for more information.

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UN lifts remaining Liberia sanctions

[Resolution 2288](#) has terminated the UN's remaining sanctions against Liberia by lifting the arms embargo on non-state actors.

UN sanctions against Liberia have been gradually

lifted to reflect the country's progress. See [Issue 44](#) for more details.

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UK News

Office of Financial Sanctions Implementation publishes guidance

The Office of Financial Sanctions Implementation published its [Guidance on Financial Sanctions](#) on 5 April 2016. The guidance will provide direction as to its intended approach when issuing licenses and considering compliance with EU and UK sanctions. The guidance includes an FAQ section which addresses some of the issues encountered by businesses when dealing with persons subject to asset freezes.

The guidance applies to UK nationals, UK incorporated companies (wherever they may be located), any business conducted in the UK and to any individuals in the UK of any nationality. While the guidance is not binding on UK and EU courts, it is likely to be pervasive. Please see the [Client Update](#) of 27 April 2016 for more information.

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UK Financial Conduct Authority publishes new guidance

The UK Financial Conduct Authority (FCA) has published new guidance (the “Guide”) on how to prevent sanctions violations. The Guide aims to “enhance understanding of FCA expectations and help firms to assess the adequacy of their financial crime system and controls and remedy deficiencies.”

The Guide is available in two parts. [Part 1](#) is a guide to preventing financial crime and [Part 2](#) reviews sanctions practices.

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UK publishes new Open General Export Licences

As part of a government commitment to “introduce better and more flexible open licencing”, the Export Control Organisation (ECO) has introduced new Open General Export Licences to permit the export of circuit boards and associated components that could be used in dual-use or military goods. Please see this [notice](#) for more information.

In order to obtain these licenses, exporters need to keep accurate records, be subject to compliance audits by the ECO and register for the licences.

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Sanctions Alert

Sanctions Alert is a publication of
Debevoise & Plimpton LLP

919 Third Avenue
New York, New York 10022
+1 212 909 6000
www.debevoise.com

Washington, D.C.
+1 202 383 8000

London
+44 20 7786 9000

Paris
+33 1 40 73 12 12

Frankfurt
+49 69 2097 5000

Moscow
+7 495 956 3858

Hong Kong
+852 2160 9800

Shanghai
+86 21 5047 1800

For further information in relation
to any of the above, please email
sanctions@debevoise.com or call:

Satish Kini
Partner, Washington
+1 202 383 8190
smkini@debevoise.com

David O'Neil
Partner, Washington
+1 202 383 8040
daoneil@debevoise.com

Carl Micarelli
Counsel, New York
+1 212 909 6813
cmicarelli@debevoise.com

Alex Parker
International Counsel, London
+44 20 7786 9130
aparker@debevoise.com

Konstantin Bureiko
Associate, London
+44 20 7786 5484

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regarding topics covered in
this publication to the editors.

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