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Sanctions Round-Up: Fourth Quarter 2014

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The fourth quarter of 2014 was marked by a major shift in the United States' approach to Cuban relations. While the parameters of the new relationship between the United States and Cuba have yet to be defined, President Obama has made a strong commitment to thawing relations between the two countries. In contrast, the United States and the European Union maintained strong sanctions against Russia in an effort to resolve the crisis in Ukraine. Finally, as the P5+1 was unable to reach an agreement with Iran regarding its nuclear program by the November deadline, the US and the EU have extended temporary sanctions relief until this summer.

Included in this quarter's sanctions round-up is a discussion of:

- US and EU continue sanctions against Russia for its activity in Ukraine;
- US and EU sanctions against the Crimea region;
- US makes major change in Cuban relations;
- The EU extends its sanctions programs for Syria;
- US Enforcement Actions;
- US sanctions target terrorists abroad;
- OFAC sanctions target drug-trafficking operations in Central and South America.

Russia-Related Sanctions for Q4 of 2014

This quarter saw the continuance of sanctions pressure on Russia from both the US and EU, in further attempts to dissuade Moscow from supporting rebels in eastern Ukraine. The US and EU have so far sought to coordinate their sanction regimes, but disunity may

be on the horizon. While US lawmakers appear poised to double-down on sanctions against Russia, some European leaders are more reticent, citing the economic connectedness between Russia and Europe. Russia faces an imminent recession due to depressed oil prices and western sanctions.

US Passes the “Ukraine Freedom Support Act of 2014”

On December 18, President Obama signed into law the “Ukraine Freedom Support Act of 2014” (the “UFSA”), which was unanimously passed by the US Congress. The UFSA states that it is US policy to assist the government of Ukraine in restoring its sovereignty and territorial integrity to deter the government of the Russian Federation from further destabilizing and invading Ukraine and other independent countries in Eastern Europe and Central Asia. The UFSA authorizes certain sanctions against Russia, most of which are non-mandatory, giving the President discretion over whether and how to impose a list of nine specified sanctions. The sanctions allow for additional pressure on Russian defense, energy and banking sectors.

The UFSA only *mandates* sanctions against a single entity, **Rosoboronexport**—the state agency that promotes Russia’s defense exports and arms trade. Specifically, the law directs the President to impose at least three sanctions from a list of nine outlined in the statute, which the President has yet to do as of the end of the year. The UFSA further directs the President to impose sanctions on any other Russian person he determines to be involved in the transfer of weapons from Russia into Syria, Ukraine, Georgia, Moldova and other “specified countries” without that government’s consent.

The UFSA targets Russia’s energy sector by directing the President to impose sanctions on any foreign person that knowingly makes a “significant investment” in a “special Russian crude oil project.” The UFSA also directs the President to bar investment or credit to OAO Gazprom (Russia’s state-owned natural gas company), in the event that it withholds significant natural gas supplies from NATO-member countries or from specified countries such as Ukraine, Georgia or Moldova. The UFSA authorizes the President to take other discretionary actions, such as restricting the export of items for Russia’s energy sector (i.e., oil recovery equipment). The UFSA also authorizes the President to prohibit Russian financial institutions from maintaining correspondent accounts in the US, if the President determines they have conducted significant transactions on behalf of any other sanctioned person. Notably, the law gives the President permission to waive any sanctions in the interests of US national security. The UFSA provides the President with discretion to impose the following menu of sanctions against Russian persons:¹

1. Export-import bank assistance—the President may direct the Export-Import Bank of the United States not to approve the issuance of any guarantee, insurance, extension of credit or participation in the extension of credit in connection with the export of any goods or services to the foreign person.
2. Procurement sanction—the President may prohibit the head of any executive agency from entering into any contract with the foreign person.
3. Arms export prohibition—the President may prohibit the exportation or provision of any defense article or defense service to the foreign person.
4. Dual-use export prohibition—the President may prohibit the issuance of any license and suspend any license for the transfer to the foreign person of any item covered by the Export Administration Act of 1979.

¹ “Persons” includes individuals and entities.

5. Property transactions—the President may prohibit any person from acquiring, holding, withholding, using, transferring, withdrawing, transporting or exporting any property that is subject to the jurisdiction of the United States and with respect to which the foreign person has any interest.
6. Banking transactions—the President may prohibit any transfers of credit or payments between financial institutions to the extent that such transfers or payments are subject to the jurisdiction of the United States and involve any interest of the foreign person.
7. Prohibition on investment in equity or debt of a sanctioned foreign person—the President may prohibit any United States person from transacting in, providing financing for or otherwise dealing in—
 - a. debt of longer than 30 days maturity with respect to the foreign person.
 - b. equity of the foreign person.
8. Exclusion from the United States and revocation of visa or other documentation.
9. Sanctions on principal executive officers—the President may impose on an entity’s principal executive officers any of the aforementioned sanctions.

Additionally, UFSA authorizes (but does not require) providing lethal assistance to Ukraine’s military and makes provisions for the support of internally displaced persons in Ukraine. Russia’s Foreign Ministry described the law as “overtly confrontational” and said that the recent widening of US sanctions could hamper joint negotiations on Iran’s nuclear program and the crisis in Syria. President Obama had intimated that he did not want the US to get “too far ahead” of its European allies regarding sanctions against Russia; however, the White House said that UFSA gives the President wide discretion to maneuver. The administration reached out to EU allies after the bill’s passage, assuring them that the new legislation does not signal a change in the overall sanctions policy of the US.

So far, none of the sanctions authorized by UFSA have been implemented by the President, who has signaled his intention to keep US sanctions against Russia closely aligned with those of the EU. We expect UFSA’s mandatory sanctions against Rosoboronexport to be forthcoming.

US and EU Impose New Comprehensive Sanctions Against Crimea Region

On December 18, the EU adopted Council Regulation (EU) No. 1351/2014, expanding its sanctions against the Crimea region in Ukraine. The new sanctions ban all European “investment” in Crimea, widely defined to include the purchase of real estate or entities, financing Crimean companies and providing supply-related services. The regulation also bans the sale of energy exploration products and travel to Crimea.

On December 19, President Obama signed new executive order, **E.O. 13685**, entitled “Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine.” The order prohibits new investment in the Crimea region of Ukraine by US persons; while “new investment” is not defined in the order, OFAC has elsewhere defined “new investment” as “(a) a commitment or contribution of funds or other assets; or (b) a loan or other extension of credit.”² The order also prohibits the importation of any goods, services or technology from the Crimea region of Ukraine into the United States; the exportation, re-exportation, sale, or supply of any goods, services or

² For example, sanctions against Iran and Syria also contain “new investment” prohibitions. See 31 C.F.R. § 542.311 (Syria); 31 C.F.R. § 560.316 (Iran).

technology from the United States to the Crimea region of Ukraine; and any approval, financing, facilitation or guarantee by a US person of any such transaction by a foreign person. The new order provides OFAC with the authority to block assets of persons found to be operating in Crimea by designating them as SDNs. Simultaneously, OFAC issued General License 4, authorizing the humanitarian exportation of agricultural commodities, medicine and medical supplies into Crimea. On December 30, OFAC issued General License 5, which allows for transactions in Crimea that are incident and necessary to the winding down or divestiture of transactions and investments in the country. The license authorizes such wind-down activity until February 1, 2015.

US and EU Maintain Sanctions Targeting Specific Sectors of the Russian Economy

This summer, OFAC first issued sanctions pursuant to Executive Order (E.O.) 13662, which authorizes sanctions targeting the banking, energy and defense sectors of the Russian economy (the “SSI Sanctions”). This quarter, the landscape of the SSI Sanctions remained unchanged.

On October 6, OFAC issued Ukraine General License Number 3, authorizing transactions with **DenizBank, A.Ş.** (based in Turkey), which would otherwise be prohibited under Directive 1. Specifically, the United States exempted DenizBank from the sectoral sanctions, despite its Russian ownership. DenizBank is owned by Sberbank, Russia’s largest bank, which was designated as a SSI Entity on September 12.

OFAC provided additional guidance about the SSI Sanctions program throughout this quarter. On November 18, OFAC clarified its definition of “shale projects” in Directive 4 of the sectoral sanctions. Specifically, OFAC explained that as long as the projects in question are neither deepwater nor Arctic offshore projects, the prohibitions do not apply to exploration or production through shale to extract oil or gas in reservoirs.

On December 11, OFAC provided additional guidance on several of the Directives:

- OFAC clarified that although US persons may engage in commercial transactions with SSI Entities, the terms of those transactions must conform to the 30-day and 90-day debt prohibitions under Directives 1, 2 and 3. For the sale of goods and services, payment terms should not exceed the 30- or 90-day limitation.
- OFAC clarified the meaning of the term “production” in Directive 4. Specifically, “production” refers to the lifting of oil to the surface and the gathering, treating, field processing and field storage of such oil. Accordingly, “production” ends once the extracted oil is transported from the field production site. Therefore, US persons may enter transactions with SSI entities relating to transportation, refinement and other post-production processes.
- OFAC clarified the meaning of the term “Arctic offshore projects” in Directive 4. Specifically, the term applies to projects that have the potential to produce oil in areas that (1) involve offshore drilling operations and (2) are located above the Arctic Circle. The term does not refer to horizontal drilling projects originating onshore, even if such operations extend below the seabed to areas above the Arctic Circle.

In October, the EU announced that it will also maintain its current sectoral sanctions regime targeting Russia, having previously promised to review and reconsider the restrictions. In late December, three major Russian banks filed an appeal with the European Court of Justice, challenging the legality of the EU sanctions imposed on them.

US and EU Continue to Issue Blocking Sanctions to Target Russian Individuals and Entities

Pursuant to E.O. 13660, on December 19, OFAC designated twenty-four Ukrainian- and Russian-backed separatists and the militias or entities they support. The designated persons were described as being responsible for “actions or policies

that threaten the peace, security, stability, sovereignty or territorial integrity of Ukraine.” Among the designated persons was the Russian-nationalist biker group, the **Night Wolves**, and its high-profile leader, **Aleksandr “the Surgeon” Zaldostanov**. Zaldostanov is said to have developed a close friendship with President Putin in recent years, and the Night Wolves have been affiliated with separatists’ activities in eastern Ukraine and Crimea.

On November 29, the EU imposed new sanctions on thirteen Ukrainian separatists individuals and five related entities accused of organizing “rogue” elections in the eastern Ukrainian regions of Donetsk and Luhansk, issuing asset freezes and travel bans on the individuals and their organizations.

US Makes New Magnitsky Act Designations

On December 29, OFAC imposed sanctions against four individuals under the Magnitsky Act, the first such sanctions since May 2014. The Magnitsky Act, passed in 2012, was originally intended to punish Russian officials responsible for the death of Russian lawyer Sergei Magnitsky in a Moscow prison after he exposed political corruption in the country. The Magnitsky Act directs the Treasury Department to impose sanctions against persons determined to be responsible for extrajudicial killings, torture, or other gross human rights violations committed against individuals seeking to expose political corruption in Russia. Individuals sanctioned under the Act are prohibited from entering the US and are blocked from accessing assets in US banks. The four individuals sanctioned under the Act in December are **Apti Kharonovich Alaudinov**, **Magomed Khozhakhmedovich Daudov**, **Victor Yakovlevich Grin** and **Andrei Alexandrovich Strizhof**. Mr. Grin and Mr. Strizhof were described as Russian officials who were implicated in the death and subsequent cover-up of the death of Sergei Magnitsky, himself. Alaudinov and Daudov are Chechen officials who were allegedly implicated in the kidnapping, torture, and later framing of a noted Chechen activist—a “Mr. Kutayev”—earlier this year.

Cuban Related Sanctions for Q4 of 2014

While the future of relations between the United States and Cuba remains unclear, President Obama’s announced commitment to thawing relations between the two countries marks a major policy shift. Regulations, necessary to the implementation of many of the President’s goals, should be drafted and published by the Department of Treasury and the Department of Commerce in the next several months.

US Announces major Shift in Cuban Relations

On December 17, President Obama announced a major change in US policy with respect to Cuba. The President announced that the US will reestablish diplomatic relations and incrementally loosen travel and economic prohibitions regarding Cuba, and further announced that the White House will ask Congress to lift the 54-year-old embargo entirely. Specifically, the White House said that it will adjust regulations to facilitate the expanded permission of travel licenses, remittances, import/export of goods, financial transactions, telecommunication infrastructure and other areas. The White House also announced that it will begin measures to reopen the US embassy in Havana, and ask the State Department to review Cuba’s current designation as a state sponsor of terrorism.

None of the announced changes will take effect until new regulations are issued. OFAC stated that it will implement the Treasury-specific changes via amendments to its Cuban Asset Control Regulations in the “coming weeks.” The Department of Commerce will implement the remainder of the changes.

Proposed changes to Cuban / US Relations

President Obama has asked Secretary of State Kerry to review, and possibly remove, Cuba’s designation as a “state sponsor of terrorism.” Removal of this designation would allow for a loosening of the strict export controls currently in place towards Cuba, and may soften the ban on US economic aid to Cuba. Additionally, OFAC has been directed to make

some transactional changes to certain exports including (i) permitting certain US correspondent accounts with Cuban banks, (ii) permitting US credit cards to be used in Cuba during authorized travel and (iii) permitting the exportation of communications infrastructure, equipment and services. The President has also instructed OFAC to expand the categories of general licenses for travel to Cuba.

Expanding Opportunities in Cuba

Due to the thawing relationship between the United States and Cuba, upcoming opportunities may exist in the commercial goods, financial services, travel, hospitality, and telecom sectors. President Obama stated that three categories of commercial goods “will be authorized for export” including: certain building materials for private residential construction, goods for use by private sector Cuban entrepreneurs and agricultural equipment for small farmers. It has also been proposed that correspondent accounts at Cuban financial institutions be permitted, and individuals selling products under a OFAC license will no longer be required to have “cash in advance” when selling to Cuba but instead “cash before transfer in titles.” This change will allow for more efficient financing of authorized trade in Cuba.

President Obama has directed OFAC to expand the categories which are subject to general travel licenses to include: public performances, support for the Cuban people, humanitarian projects, activities of private foundations or institutes and travel incident to publishing. Additionally, those subject to general licenses “will be able to make arrangements through any service provider that complies with OFAC regulations governing travel services to Cuba.”³ Finally, in an effort to combat the low level of internet access in Cuba, the President has ordered internet and telecom providers be “allowed to establish the necessary mechanisms” for telecommunications and internet services.

Syrian Related Sanctions for Q4 of 2014

On October 16, OFAC sanctioned thirteen individuals and entities from various countries for acting for, providing support to or for being senior officials of, the Syrian regime. **Qusay Mihoub**, a brigadier general in the Syrian Air Force Intelligence, was targeted pursuant to E.O. 13572 for his role in human rights abuses in Syria and as a Syrian senior official. **Piruseti Enterprises Ltd.** and **Frumineti Investments Ltd.**, two Cyprus-based companies, and their directors, along with Lebanon-based **DK Group Sari**, and its general manager, were designated pursuant to E.O. 13582 for their material support to the Syrian regime. Four banks were designated for being owned or controlled by the Government of Syria. Finally, two individuals, **Khodr Orfali** and **Kamal Eddin Tu'ma**, were designated pursuant to E.O. 13573 for being senior officials in the Syrian government.

On October 20, the European Union voted to extend sanctions targeting Syria's government to include an additional sixteen people and two companies. This includes **Pangates International Corp.**, a UAE-based oil-trading firm and its Syria-based parent company; twelve Syrian government ministers whose appointments were announced in late August; two Syrian energy company executives; and two Syrian military officers. The majority of newly designated persons are alleged to have been involved in the violent repression of civilians. These new sanctions took effect October 21 upon publication of the designated persons' names in the EU's official journal. The European Union also removed from its sanctions list Syria's former economy and trade minister, **Mohammad Nidal**. These changes bring the total number of individuals on the subject to EU sanctions against Iran to 211 and the number of entities to 63.

³ Prior to the proposed changes, individuals seeking travel to Cuba, subject to a OFAC general or specific license, were required to use service providers selected by OFAC.

In November, the EU announced its intention to impose new sanctions measures against Syria in the form of an export ban on jet fuel and relevant additives (as well as related financing activities). A draft regulation is currently under discussion, but it has not yet been adopted and has therefore not entered into force.

On December 17, OFAC designated five individuals and six related companies as SDNs pursuant to E.O. 13582, alleging that they provided specialty fuels and oils for use by the Syrian government to carry out its military campaign. Officials described an elaborate scheme in which the companies—based in Syria, the UAE, Switzerland and the Netherlands—sought to avoid penalties by falsifying records and mislabeling cargo bound for Syria.

Iranian Related Sanctions for Q4 of 2014

On October 16, OFAC removed **Deutsche Forfait AG** and its US subsidiary from the SDN List; the two entities were designated in February 2014 for allegedly facilitating oil deals for the National Iranian Oil Co. OFAC stated that Deutsche Forfait had taken extensive remedial steps to rectify the basis for its designation.

On November 4, OFAC provided additional guidance in a FAQ regarding payments to Iranian civil authorities for overflights or emergency landings by aircraft that are owned by non-US persons and registered outside the United States. Specifically, OFAC clarified that US persons and US-controlled foreign entities cannot participate in transactions related to the payment of overflight or emergency landing fees to the Government of Iran, nor can such transactions transit the US financial system, unless OFAC has issued a license for the transaction.

On November 25, the US Department of Treasury and the US Department of State published guidance on the temporary sanctions relief to implement the joint plan of action (“JOPA”) reached by the P5+1 and the Islamic Republic of Iran. JOPA will be extended through June 30, 2015. The guidance relates to Iranian sanctions in the petrochemical, auto, precious metal, civil aviation, and crude oil industries. On the same day, the Council of the European Union also extended JOPA as to Iranian sanctions.

On December 11, OFAC published *Iran: US Economic Sanctions and the Authority to Lift Restrictions*. This legislative guidance identified the various sources of authority for imposing and easing economic sanctions on Iran. Two tables categorize the legislation and executive orders which grant the President extensive authority over Iranian sanctions.

On December 30, OFAC designated five individuals and one entity pursuant to E.O. 13622 for their alleged assistance in helping the Government of Iran purchase US bank notes. Additionally, OFAC designated two entities for supporting human rights abuses in Iran: **Douran Software Technologies**, a technology firm that allegedly contracted with the Iranian government to monitor and censor internet activity and **Abysec**, a firm alleged to have contracted with the Islamic Revolutionary Guard Corps to provide cyber training.

US Authorities Continue to Pursue Enforcement Actions Both Big and Small

US authorities, including OFAC and the New York Department of Financial Services (NY-DFS), continued to enforce the full range of its sanctions programs this quarter, resulting in multiple settlements, including a significant revision of a 2013 settlement between NY-DFS and Bank of Tokyo, Mitsubishi UFJ, Ltd.

On October 29, OFAC announced a \$128,704 settlement agreement with **Bupa Insurance Company (BIC)**, **Bupa Worldwide Corporation (BWW)**, and **USA Medical Services Corporation (USAMED)**—all of which are Florida corporations located in Miami, Florida, and affiliates of an international healthcare group headquartered in the United Kingdom. The companies admitted to 39 apparent violations of US sanctions targeting narcotics traffickers and Cuba between March 26, 2008 and March 2011. Specifically, BWW and USAMED provided insurance services for healthcare

policies providing coverage to persons on the SDN list and processed and paid reimbursement claims made by a policyholder for medical treatments in Cuba in apparent violation of the Cuban Assets Control Regulations. BIC also issued health insurance policies or otherwise provided health insurance coverage to certain beneficiaries designated as SDNs. The companies allegedly did not monitor or screen health insurance policyholders, dependents, or providers against the SDN List.

On October 29, US District Judge Richard Leon again expressed skepticism over Dutch aerospace firm **Fokker Services BV**'s proposed \$21 million settlement with US authorities, stating that he believes the firm may have received too good of a deal and asking the parties to consider whether there is an alternative resolution that might be acceptable to the court. Fokker Services BV has pled guilty to hundreds of alleged violations of US sanctions laws over a period of several years.

On October 30, the Department of Justice, New York District Attorney's Office and NY-DFS announced that they are all reopening their initial investigations into **Standard Chartered Bank** to determine whether the bank intentionally withheld information from regulators before negotiating settlements with the various US authorities in 2012. Standard Chartered agreed in August 2012 to pay \$340 million to the New York Department of Financial Services, and subsequently an additional \$327 million to federal authorities, for its alleged role in hiding or disguising the identity of Iranian clients in billions of dollars' worth of wire transfers.

On October 31, OFAC announced a \$44,850 settlement agreement with **Indam International, Inc.** (Houston, Texas) for violations of the Iranian Transactions and Sanctions Regulations between 2006 and 2008. According to OFAC, Indam attempted to export, or did export, nine shipments of goods (valued at almost \$28,000) from the United States to the United Arab Emirates, with reason to know that the shipments were intended for supply, transshipment, or reexportation to two oil drilling rigs located in Iranian waters.

On November 13, OFAC announced a settlement with **ESCO Corporation** of Portland, Oregon. ESCO agreed to pay over \$2 million to settle claims that it violated Cuban Asset Control Regulations when its subsidiary purchased nickel briquettes made or derived from Cuban-origin nickel between 2007 and 2011. OFAC announced that ESCO had conducted large-volume and high-value transactions in products made or derived from Cuban-origin nickel, which were ultimately sourced from Specially Designated Nationals. According to OFAC, ESCO acted with "reckless disregard" for the Cuba sanctions program by failing to avoid the prohibited transactions despite numerous "red flags."

On November 18, NY-DFS announced a revised settlement with the **Bank of Tokyo-Mitsubishi UFJ, Ltd.** ("BTMU"). The revision concerned a 2013 settlement between the agency and BTMU, wherein BTMU had agreed to pay a civil penalty of \$250 million and retain an independent consultant for clearing thousands of US dollar transactions on behalf of sanctioned Sudanese, Iranian, and Burmese parties. In new allegations, NY-DFS claimed that BTMU had knowingly misled regulators regarding the facts underlying the previous settlement. Specifically, NY-DFS alleged that BTMU knowingly made false statements to regulators during the investigation and pressured its independent consultant (PriceWaterhouseCoopers) to withhold damaging information from its report to regulators. For its alleged role, PriceWaterhouseCoopers settled with NY-DFS in August, paying a \$25 million penalty. The new settlement with BTMU imposes an additional civil penalty of \$315 million and imposes new disciplinary action for several top-level employees, including the termination of the BTMU's Compliance Manager.

US Uses Sanctions to Target Terrorists Abroad

On October 21, the State Department designated **Khan Said** (Pakistan) and **Ramzi Mawafi** (Egypt) as SDGTs under E.O. 13224, which targets terrorists and those providing support to terrorists. Khan Said is said to be a leader of Thrik-e

Taliban in Pakistan and has been involved in activities such as the attack on a Naval base in Karachi, Pakistan and a 2012 jailbreak in which the Taliban freed 400 inmates in Bannu, Pakistan. Ramzi Mawafi is an Egyptian national and al-Qaida operative, most commonly known for being the former doctor of Osama Bin Laden. He is also said to have been an explosives expert for al-Qaida. After escaping from an Egyptian prison in 2011, Mawafi is now believed to be supporting terrorist activity from the Sinai Peninsula.

On December 18, the State Department designated **Ibrahim al-Rubaysh**, a Saudi Arabian national, and one Egyptian entity, **Ajnad Misr** (a.k.a. “Soldiers of Egypt”) as SDGTs. Al-Rubaysh is suspected to be a senior leader of al-Qaida in the Arabian Peninsula (“AQAP”), who is allegedly directly responsible for planning and orchestrating terror attacks by the organization. In his role as a religious authority within AQAP, he has made numerous public statements urging Muslims to wage war against the US. Ajnad Misr is an Egyptian extremist group that splintered last year from Ansar Bayt al-Maqdis (ABM), a designated foreign terrorist organization. Since becoming independent, Ajnad Misr has claimed responsibility for numerous terrorist attacks in Egypt.

On October 17, the Treasury Department and State Department hosted a meeting of the International Working Group on Sanctions Targeting ISIL, Al-Nusra Front, and the Assad Regime. Over 20 countries and organizations gathered to discuss strategies to financially isolate and degrade the extremist groups and Assad regime. Officials remarked that the meeting “led to a greater commitment to decrease the flow of funding and material to ISIL and ANF, and also to further degrade Assad’s access to resources.”

OFAC Uses Sanctions to Target Drug-Trafficking Operations in South and Central America

OFAC made several designations under the Foreign Narcotics Kingpin Act this quarter, listing several individuals and entities from Colombia and Mexico. Individuals and entities designated under the Kingpin Act are prohibited from transacting with US persons, and their US-based assets are frozen.

On November 6, OFAC designated two Colombian nationals and one Colombian entity under the Act. **German Alberto Perez Ocampo** is alleged to be a “significant international narcotics trafficker” with strong ties to Mexico’s Sinaloa Cartel. His brother, **Santiago Perez Ocampo**, was also designated for assisting in narcotics trafficking. Additionally, German Alberto Perez Ocampo’s business, **Compra Venta Gerpez**, was designated. The entity is described as an import and article resale company operated in Colombia, and is used in the narcotics trafficking activities of the Ocampo brothers.

On November 19, OFAC designated ten Colombian nationals and fourteen Colombian entities under the Act. The designated parties were alleged to be active financial supporters of narcotics trafficking, money laundering and other illegal activities of the previously-designated group La Oficina de Envigado (La Oficina). Among the individuals designated are persons directly involved in violence, extortion and trafficking, as well as financial supporters of the cartel, including the majority owners of a professional soccer team, **Envigado Futbol Club S.A.** The team’s owner, **Juan Pablo Upegui Gallego**, is said to be a key financier of La Oficina who used his position to launder money for the cartel. Other entities targeted include an event promotion company, **Enfarrados Company** (partially owned by Upegui Gallego) and a beauty salon and spa, **Carytes Encanto y Belleza**, owned by **Adriana María Ruiz Madrid** — a financial manager for La Oficina who was also designated.

On December 18, OFAC designated **Alejandra Araujo Uriarte**, a Mexican national, under the Act. Araujo Uriarte is the mother-in-law of Juan Jose Esparragoza Morena (a.k.a. “El Azul”), a formerly designated leader of the Sinaloa Cartel. Araujo Uriarte allegedly held and concealed assets in her name on behalf of her son-in-law.

On December 23, OFAC designated, under the act, a “prolific cocaine supplier to Mexico’s Sinaloa Cartel” **Cesar Gastelum Serrano**, along with three of his brothers: **Alfredo Gastelum Serrano**, **Guadalupe Candelario Gastelum Serrano** and **Jaime Gastelum Serrano**. Cesar Gastelum Serrano and his brothers are alleged to move tons of cocaine per week through Honduras and Guatemala into the hands of the Sinaloa Cartel in Mexico.

Shearman & Sterling has long advised financial institutions and commercial businesses on the most complex sanctions issues. If you have any questions, please feel free to contact one of our partners or counsel.

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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