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Sanctions Round-Up: Third Quarter 2014

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The third quarter of 2014 was marked by the issuance and then significant expansion of US and EU sanctions targeting specific sectors of the Russian economy. These sectoral sanctions complement ongoing efforts by both jurisdictions to identify and designate persons contributing to the ongoing instability in eastern Ukraine. Despite an extension in the deadline for a final agreement on Iran's nuclear negotiation, the United States continued to enforce certain sanctions targeting Iran. OFAC also issued new guidance on the so-called "50 percent" rule toward the end of the quarter that has the potential to greatly expand the application of all US sanctions programs.

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

- The Revised OFAC 50 Percent Rule
- US and EU Sectoral Sanctions Targeting Russia
- Additional US Sanctions Targeting Iran
- Sanctions Targeting Ongoing Conflicts in Syria, South Sudan, and the DRC
- Updates to Other US and EU Sanctions Programs
- US Enforcement Actions
- US Counterterrorism and Counternarcotics Designations
- Annulment of EU Sanctions

New OFAC Guidance Expands Application of the 50% Rule

On August 13, OFAC broadened the scope of its sanctions programs by revising a rule on the ownership of entities by targeted individuals. Effective upon publication, the new guidance on the so-called "50 percent rule" states that an entity is subject to OFAC sanctions if any combination of sanctioned individuals collectively owns at least 50 percent of it. For instance, if Blocked Person X owns 25 percent of Entity A and Blocked Person Y owns 35 percent of Entity A, then Entity A is blocked, because Entity A is owned 50 percent or more in the aggregate by blocked persons. Previously, the 50 percent rule required a single sanctioned person to own 50 percent or more of an entity for it also to be subject to sanctions. The change brings US sanctions into alignment with EU sanctions, which also aggregate the interests of blocked persons.

US and EU Issue and then Expand Sanctions Targeting Specific Sectors of the Russian Economy

US SSI Sanctions

In light of the ongoing conflict in Ukraine, on July 16, OFAC first issued sanctions pursuant to Executive Order (E.O.) 13662, which authorizes sanctions targeting specific sectors of the Russian economy (the SSI Sanctions). Additional entities were targeted pursuant to SSI Sanctions on July 29. Then, on September 12, OFAC amended the SSI Sanctions and expanded their scope, designating more SSI Entities in the process. The current landscape of the SSI Sanctions is detailed below. Each of the designated SSI Entities has been named pursuant to one or more of a total of four Directives, with each Directive containing specific restrictions. Overall, the SSI Sanctions effectively limit SSI Entities' access to medium- and long-term US sources of funding. However, they do not impose blocking restrictions and do not prohibit US Persons[1] from other dealings with SSI Entities; in fact, all transactions not expressly prohibited are permitted so long as no restrictions from other sanctions programs apply (e.g., if an SSI Entity has also been named as an SDN). US financial institutions are allowed to maintain correspondent accounts and process US dollar-clearing transactions for SSI Entities, insofar as those activities do not involve debt or equity transactions prohibited under SSI Sanctions. The prohibitions created by the SSI Sanctions also extend to debt and equity issued by entities that are 50 percent or more owned by SSI Entities (applying the new aggregation rule from OFAC).

Given the ongoing expansion of the scope of SSI Sanctions, OFAC has emphasized that each Directive issued pursuant to E.O. 13662 operates independently of the others. That is, if a transaction involves a person subject to multiple Directives, a US Person engaging in that transaction must comply with the requirements of each of those Directives. Exemptions in one Directive apply only to the prohibitions contained in that Directive and do not carry over to another Directive.

Directive 1

Directive 1, as amended, prohibits transactions in, provision of financing for, or other dealings in new debt of greater than 30 days maturity or new equity of the financial institutions designated as SSI Entities.[2] US Persons are also prohibited

[1] "US Person" includes both US individuals and entities and persons present within the United States.

[2] The original Directive 1, issued on July 16, prohibited transactions involving new debt or equity of longer than 90 days with the listed SSI Entities. Transacting in, providing financing for, or otherwise dealing in debt with maturity of 90 days or less issued by, on behalf of, or for the benefit of the persons identified under Directive 1 is not prohibited if such debt instruments were issued prior to September 12, 2014, and the terms of such instruments are not subsequently changed. However, rollovers of such instruments must comply with the 30-day maturity limit imposed on September 12.

from all activities related to debt or equity issued before the date of Directive 1 (as amended) that would have been prohibited by the prior version of Directive 1.[3] The six banks currently subject to these prohibitions are **Gazprombank OAO** (designated 7/16/14), **Vnesheconombank (VEB)** (7/16/14), **Bank of Moscow** (7/29/14),**Russian Agricultural Bank** (7/29/14), **VTB Bank** (7/29/14), and **Sberbank** (9/12/14).

Directive 2

Four Russian energy companies — **Novatek** (7/16/14), **Rosneft** (7/16/14), **Gazprom Neft** (9/12/14) and **AK Transneft OAO** (9/12/14) — have been designated as SSI Entities subject to Directive 2, which prohibits transactions in, provision of financing for, or other dealings in new debt of greater than 90 days maturity. No changes were made to Directive 2 on September 12.

Directive 3

OFAC issued Directive 3 on September 12 to target persons operating within Russia's defense and related material sector. Directive 3 prohibits transactions in, provision of financing for, and other dealings in new debt of greater than 30 days maturity issued by SSI Entities subject to the Directive. OFAC then designated **Rostec** as an SSI Entity subject to Directive 3.

Directive 4

On September 12, OFAC issued a new Directive 4, which prohibits the exportation of goods, services (not including financial services) or technology to designated SSI Entities in support of exploration or production for Russian deepwater,[4] Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation. The prohibition on the exportation of services includes, for example, drilling services, geophysical services, geological services, logistical services, management services, modeling capabilities, and mapping technologies. The prohibition does not apply to the provision of financial services such as clearing transactions or providing insurance related to such activities. Five Russian energy companies were designated as SSI Entities subject to Directive 4 on September 12 — **Lukoil OAO**, **OJSC Gazprom Neft**, **Gazprom**, **Surgutneftegas**, and **Rosneft**.[5]

OFAC simultaneously issued General License 2 to authorize for fourteen days all services and activities prohibited by Directive 4 that are necessary to wind down operations, contracts, or other agreements involving these SSI Entities. In order to qualify under this General License, a transaction must have (1) occurred prior to 12:01 am EDT September 26, 2014, and (2) been related to operations, contracts, or agreements that were in effect prior to September 12, 2014. US Persons participating in transactions authorized by General License 2 were required, within 10 business days after the

[3] More generally, OFAC has clarified that "sanctions effective date" means the date a person is determined to be subject to the prohibitions of the relevant Directive. When a person has been previously determined to be subject to a Directive and the prohibition in the Directive is subsequently amended, the sanctions effective date for the prohibitions of the original Directive remains the date on which the person was identified as subject to the prohibitions of that Directive, and the sanctions effective date for the amended Directive is the date of the amendment or other date specified in the amended Directives.

[4] A deepwater project is defined as one involving underwater activities at depths of more than 500 feet.

[5] OFAC previously named Rosneft as an SSI Entity subject to Directive 2 on July 17, 2014.

wind-down activities concluded, to file a detailed report, including the parties involved, the type and scope of activities conducted, and the dates of the activities, with the OFAC Licensing Division.

Directive 4 complements the August 6 final rule published by the Department of Commerce's Bureau of Industry and Security, which implemented a new restrictive licensing policy governing certain dual-use items to be used in Russian deepwater, Arctic offshore, or shale oil and gas projects. A license is now required to export, re-export, or transfer certain items when the exporter "know[s] that the item will be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (i.e., greater than 500 feet) or Arctic offshore locations or shale formations in Russia, or [is] unable to determine whether the item will be used in such projects." Among the items identified in the rule for export restrictions are drilling rigs, subsea processing equipment, fracking software, high-pressure pumps, valves, and risers. Notably, any restricted products that were in transit and would require a license as of August 6 under this new policy may give rise to violations if they are delivered on or after that date, even if they were originally exported under a license exception or did not require a license at the time. The Commerce Department also added a Russian shipbuilder to its Entity List, further restricting its access to US exports.

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OFAC has continued to update its answers to frequently asked questions about the SSI Sanctions program throughout this quarter. Amongst other clarifying statements, OFAC noted that Directives 1 and 2 prohibit US persons from dealing in debt of longer than 30 or 90 days maturity, respectively, issued on or after the effective date in cases where the new debt is issued by the SSI entity. However, Directives 1 and 2 do not prohibit US Persons from dealing with an SSI entity as counterparty to transactions involving debt issued on or after the effective date by a non-sanctioned party. For example, US Persons are not prohibited from dealing in a loan exceeding 30 or 90 days that is issued after the effective date of sanctions provided by an SSI Entity to a non-sanctioned third-party, dealing with an SSI Entity who is the underwriter on new debt of a non-sanctioned third party exceeding 30 or 90 days, or accepting payment under a letter of credit with terms exceeding 30 or 90 days that is issued, advised, or confirmed by an SSI Entity, so long as the SSI Entity is not the borrower. Likewise, US Persons are not prohibited from dealing in new equity with an SSI Entity sanctioned under Directive 1 if the SSI Entity is not the issuer of the equity.

On September 12, OFAC issued General License 1A, which authorizes certain transactions involving derivative products that would otherwise be prohibited pursuant to Directives 1, 2, or 3 (replacing and superseding General License 1, which allowed such transactions otherwise prohibited under Directives 1 and 2).

EU Sectoral Sanctions

Expanded EU sanctions targeting Russia also went into effect on September 12, becoming more closely aligned with those imposed by the United States.[6] Accordingly, the European Union now prohibits the direct or indirect purchase, sale, provision of services, assistance in the issuance of, or any other dealing with bonds, equity, or similar financial instruments with a maturity exceeding 30 days, where such equity is issued by, or loans (subject to narrowly drawn exemptions) are issued to, five major Russian financial institutions or six entities in the Russian defense and oil sectors.[7]

6 EU Member States may enact measures that are stricter than EU rules.

7 Dealings with debt or equity for these institutions that was issued after August 1, 2014 and before September 12, 2014 are limited to a maturity of less than 90 days.

The five banks affected by this new measure are **Sberbank**, **VTB Bank**, **Gazprombank**, **VEB**, and **Russian Agriculture Bank**. The affected defense and energy companies are **Rosneft**, **Transneft**, **Gazprom Neft**, **Opk Oboronprom**, **United Aircraft Corporation**, and **Uralvagonzavod**. Payment services and deposit business with (otherwise) sanctioned entities remain outside the scope of the financial sectoral restrictions.

Further, EU sanctions now prohibit the sale, supply, or transfer of arms-related material and dual-use items, including the provision of financial assistance in connection with such goods, to certain named entities, which currently include **JSC Sirius**, **OJSC Stankoinstrument**, **OAO JSC Chemcomposite**, **JSC Kalashnikov**, **JSC Tula Arms Plant**, **NPK Technologii Maschinostrojenija**, **OAO Wysokototschnye Kompleksi**, **OAO Almaz Antey** and **OAO NPO Bazalt**. EU sanctions also prohibit the provision of services necessary for deep water oil exploration and production, arctic oil exploration and production, or shale oil projects.

Earlier this quarter, the European Union instructed the European Investment Bank (EIB) to suspend new financing in Russia; in 2013, the EIB provided roughly EUR 1 billion to projects in Russia. EU Member States also declared that they will use their positions with the Board of the European Bank for Reconstruction and Development to work to suspend financing new operations in Russia.

US and EU Also Issue Traditional Blocking Sanctions to Target Russian Individuals and Entities

On July 16, OFAC imposed traditional blocking sanctions under E.O. 13661 against eight Russian arms firms for operating in the arms or related material sector in Russia. Additionally, two entities and one individual were sanctioned pursuant to E.O. 13660 for threatening the peace, security, stability, sovereignty and territorial integrity of Ukraine. This included the "**Luhansk People's Republic**" and the "**Donetsk People's Republic**," which have asserted governmental authority over parts of Ukraine without authorization, and **Aleksandr Borodai**, the self-declared "prime minister" of the Donetsk People's Republic. **Feodosiya Enterprises**, a key shipping facility in the Crimean peninsula, was designated for its alleged complicity in the misappropriation of Ukrainian state assets. Finally, OFAC added four Russian officials, including **Sergey Beseda**, a senior Russian Federal Security Service official, to the SDN List. OFAC separately added **OJSC United Shipbuilding Corporation** to the SDN List pursuant to E.O. 13661 for operating in the arms or related material sector in Russia. United Shipbuilding Corporation is a Russian state-owned company that designs and constructs ships for the Russian Navy.

On September 12, pursuant to E.O. 13661, OFAC designated and blocked the assets of five Russian state-owned defense technology firms — **Almaz Antey GSKB**, **JSC NIIP**, **Kalinin Machine Plant JSC**, **Mytishchinski Mashinostroitelny Zavod OAO**, and **OAO Dolgoprudny Research Production Enterprise** — for operating in the arms or related material sector in Russia.

On July 11, the European Union imposed asset freezes and travel bans on 11 people accused of fomenting unrest in eastern Ukraine. An additional 15 people and 18 entities were targeted on July 25, including several senior Russian officials and the president of the Republic of Chechnya. In August 2014, the EU added a further eight individuals and three entities to its blacklist, followed by more people—including leading members of President Vladimir Putin's inner circle—on

September 12,[8] resulting in a total of 119 designated individuals since the introduction of measures targeting Russia in March 2014.

US Enforces Non-Suspended Iranian Sanctions Despite Ongoing Negotiations

On July 19, the P5+1 (the US, UK, Germany, France, Russia, and China) and Iran affirmed that they will continue to implement their commitments under the Joint Plan of Action (JPOA). Accordingly, the United States and European Union extended through November 24, 2014, the sanctions relief provided for in the JPOA as the two sides work towards concluding a long-term agreement on Iran's nuclear program. In addition to extending the suspension of sanctions targeting Iran's civil aviation, automotive, petrochemical, and precious metal sectors, the United States and European Union will continue to temporarily halt their efforts to further reduce Iran's crude oil exports. They have also agreed to permit Iran to access an additional $2.8 billion in restricted funds.

Despite extending the JPOA deadline, OFAC emphasized that it will continue to vigorously enforce non-suspended sanctions against Iran, including by taking action against those who attempt to evade or circumvent such sanctions. Accordingly, on August 29, OFAC targeted 28 entities and individuals under various Iran-related sanctions authorities, including those aimed at Iran's missile and nuclear programs, sanctions evasion efforts, and support for terrorism.

Specifically, OFAC designated:

- Four individuals and two entities pursuant to E.O. 13382, which targets proliferators of weapons of mass destruction and their supporters. The named persons are **Mohammad Javad Imanirad**, **Arman Imanirad**, **Nefertiti Shipping**, **Sazeh Morakab**, **Ali Gholami**, and **Marzieh Bozorg**. OFAC also identified two aliases used by Shahid Hemat Industrial Group, a previously sanctioned key Iranian missile proliferator—**Sahand Aluminum Parts Industrial Company** and **Ardalan Machineries Company**.

- Two entities, three individuals, and six vessels involved in Iran's energy industry pursuant to E.O. 13645, which implemented certain sanctions set forth in the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) and introduced additional sanctions targeting Iran. The newly designated persons include **Faylaca Petroleum**, **Abdelhak Kaddouri**, **Muzzafer Polat**, **Seyedeh Hanieh Seyed Nasser Mohammad Seyyedi**, and **Lissome Marine Services LLC**, which owns the six identified vessels. Lissome Marine Services is alleged to have facilitated ship-to-ship transfers of crude oil to circumvent sanctions. The other designated persons are accused of acting for, on behalf of, or otherwise being affiliated with the Government of Iran, including the National Iranian Oil Company and Naftiran Intertrade Company.

- **Asia Bank** (formerly Chemeximbank) pursuant to E.O. 13622 for its provision of material support to the Central Bank of Iran in connection with the purchase or acquisition of US dollar notes by the Government of Iran. Amongst other provisions, E.O. 13622 authorizes sanctions on any person determined to have materially assisted or provided support for the Central Bank or Iran or the purchase or acquisition of US bank notes by the Government of Iran. OFAC alleges that Asia Bank changed its name in order to facilitate the delivery of more than $13 million worth of US

[8] The EU also expanded the listing criteria for inclusion in targeted sanctions to include "natural or legal persons, entities or bodies conducting transactions with the separatist groups in the Donbass region of Ukraine."

banknotes from Russia into Iran. This is the first time that OFAC targeted a bank for supplying US banknotes into Iran.

- Five Iranian banks subject to sanctions under E.O. 13599, which blocks the property and interests of property of the Government of Iran and Iranian financial institutions. The now-designated banks are **Khavarmianeh Bank**, **Ghavamin Bank**, **Gharzolhasaneh Resalat Bank**, **Kish International Bank**, and **Kafolatbank**.
- Four entities and one individual pursuant to E.O. 13224 in connection with Iran's support for terrorist activities. **Meraj Air**, **Caspian Air**, **Sayyed Jabar Hosseini**, **Pioneer Logistics**, and **Asian Aviation Logistics** were allegedly involved in ferrying cargo and/or personnel into Syria and elsewhere to help the Assad regime or terror groups. OFAC also identified the alias **Pouya Air** as being used by Yas Air, an Iranian airline previously sanctioned under this authority.

The Department of State simultaneously announced additional actions under its authorities, imposing sanctions on four companies pursuant to E.O. 13382: **the Organization of Defensive Innovation and Research**, **the Nuclear Science and Technology Research Institute**, **Jahan Tech Rooyan Pars**, and **Mandegar Baspar Kimiya Company**. The State Department also imposed sanctions pursuant to the IFCA on **Goldentex FZE**, a U.A.E.-based company involved in providing support to Iran's shipping sector. Finally, the State Department imposed sanctions on Italy-based **Dettin SpA** pursuant to the Iran Sanctions Act of 1996, as amended, for knowingly providing Iran's petrochemical industry with goods and support whose value exceeded $250,000. The State Department emphasized that while the JPOA authorizes Iran to export petrochemicals, the provision of goods, services, and support for the maintenance or expansion of Iran's domestic production of petrochemicals is not within the scope of the sanctions relief provided.

On July 29, OFAC updated the SDN List to reflect reflagging or other changes to the identifying information for numerous vessels and shipping entities subject to secondary sanctions targeting Iran.

The United States did provide some (very limited) relief this quarter, with Secretary of State John Kerry in August extending by six months a waiver that allows satellite companies to provide Iranian state-run television to audiences abroad. Kerry initially waived the ban in February 2014 for a six-month trial period after Iran committed to stop satellite jamming. Also, Boeing announced on July 24 that it had entered into an agreement with Iran Air to sell aircraft spare parts under a licenses previously issued by OFAC; it is expected that this will lead to the first sale of products by a US aerospace company to Iran since 1979.

On September 23, OFAC addressed a frequently asked question regarding payments to Iranian civil authorities for overflights or emergency landing in Iran by aircraft that are owned by non-US persons and registered outside the United States. OFAC clarified that as long as the relevant transactions do not involve persons on the SDN List other than Government of Iran entities and depository institutions that have been designated solely pursuant to E.O. 13599, payments for the limited services referenced above are not subject to sanctions under US law. The involvement of other SDNs, including Iranian financial institutions designated pursuant to E.O. 13224 or E.O. 13382, would, however, create sanctions exposure for the participants in such transactions.

US Targets Foreign Firms for Flouting Syria-Related Sanctions, and EU Targets Additional Syrian Persons

On July 9, OFAC designated U.A.E.-based **Pangates International Corporation Ltd**. pursuant to E.O. 13582 for providing material support for, and goods and services to, the Government of Syria, including SYTROL, a Syrian state oil company already targeted by US and EU sanctions. OFAC alleges that from at least 2012 to April 2014, Pangates supplied the Syrian government with a large amount of specialty petroleum products that have limited civilian uses. OFAC also designated two Syria-based front companies — **Expert Partners** and **Megatrade** —pursuant to E.O. 13382 for acting for or on behalf of the Scientific Studies and Research Center (SSRC), the Syrian government agency responsible for developing and producing non-conventional weapons and ballistic missiles. E.O. 13382 targets the proliferators of weapons of mass destruction. The SSRC was designated by the US in June 2005 for its ties to Syria's WMD-proliferation activities and is also subject to EU sanctions.

On July 22, the European Union amended Council Regulation (EU) No. 36/2012, which imposes financial sanctions against Syria, to freeze the assets of an additional three individuals and nine entities: **Hashim Anwar Al-Aqqad**, **Amr Armanazi**, **Suhayl Hasan**, **Army Supply Bureau**, **El Jazireh**, **Higher Institute for Applied Sciences and Technology**, **Industrial Establishment of Defence**, **National Standards & Calibration Laboratory**, **Oceans Petroleum Trading**, **the Baniyas Refinery Company**, **the Homs Refinery Company**, and **Tri Oceans Trading**.

US and EU Issue South Sudanese Sanctions to Pressure Parties to Negotiate

On July 1, 2014, OFAC issued regulations to implement E.O. 13664 of April 3, 2014 ("Blocking Property of Certain Persons with Respect to South Sudan"). OFAC indicated that it intends to supplement these regulations with a more comprehensive set of regulations, which may include additional interpretive and definitional guidance and additional general licenses and statements of licensing policy.

On September 18, OFAC added two individuals — **James Koang Chuol** and **Santino Deng Wol** — to the SDN List pursuant to E.O. 13664 for threatening the peace, security or stability of South Sudan, and for extending the conflict or obstructing peace talks or processes in South Sudan. The two individuals were also designated for being leaders of groups whose members are likewise involved in activities sanctionable pursuant to E.O. 23664. James Koang Chuol is a leader of anti-government forces whose members targeted civilians, including women and children, with killing, sexual violence, and attacks on schools, hospitals, religious sites, and locations where civilians were seeking refuge. Santino Deng Wol is a Major General in the Sudanese People's Liberation Army who allegedly led and directed military actions against opposition forces and conducted confrontational troop movements in violation of the January 23, 2014 Cessation of Hostilities agreement.

On July 10, the European Union announced sanctions against **Santino Deng Wol** as well as rebel commander **Peter Gadet Yaak**. The EU has cautioned that sanctions targeting persons in South Sudan will be expanded swiftly to include more people if there are no signs of progress toward a peace agreement.

OFAC Targets Violence in the Democratic Republic of the Congo

On July 1, OFAC sanctioned the **Allied Democratic Forces** (ADF) pursuant to E.O. 13413, which authorizes the designation of persons who engage in certain activities connected with widespread violence and atrocities that threaten the stability of the Democratic Republic of the Congo. ADF is an armed group with an estimated 1200 to 1500 armed fighters active in the DRC. ADF has allegedly targeted civilians through killing, rape, abduction, and forced displacement, including a series of 2013 attacks that forced thousands to flee into Uganda. The ADF also purportedly has increased its ranks through kidnapping and recruiting child soldiers. OFAC noted that the designation was made in support of the UN Security Council's imposition of targeted sanctions against the ADF on June 30.

OFAC Licenses Educational Activities in Sudan and Cuba

On August 11, OFAC issued amended Sudan General License No. 1A to expand the scope of General License No. 1, issued April 15, 2013, to authorize certain academic and professional exchange activities otherwise prohibited under the Sudanese Sanctions Regulations. OFAC simultaneously published guidance to explain the changes made by Sudan General License No. 1A, which include: (i) the expansion of the definition of "US academic institutions" to include third-country branch campuses and contractors of those institutions; (ii) authorization for US academic institutions to engage in activities necessary for Sudanese nationals to apply to US academic institutions (e.g., accepting payments for tuition or admission application fees); and (iii) authorization for US financial institutions to process transfers of funds by Sudanese nationals to pay fees and expenses (including tuition, living expenses, and enrollment fees) to enable Sudanese nationals to participate in authorized academic exchange programs or professional training seminars.

In early September, Coursera, a provider of open online educational courses, received an OFAC license to reinstate its services in Cuba and Sudan. Coursera had blocked access to the two countries and Iran in January 2014 over concerns about sanctions liability; services to Iran were resumed in June. The OFAC license still bars Coursera from offering certain advanced science, technology, engineering, and math classes.

OFAC Targets North Korean Companies Caught Smuggling Weapons from Cuba

On July 30, OFAC targeted two North Korean shipping companies — **Chongchongang Shipping Co**. and **Ocean Maritime Management Co**. — that allegedly attempted to import a concealed shipment of arms and related material from Cuba to North Korea in July 2013. OFAC also identified as blocked property 18 North Korean vessels in which the two companies have an interest. The designations were made pursuant to E.O. 13551, which blocks the property of persons who, among other things, have attempted to import arms or related materials into North Korea. The shipment in question included various components of surface-to-air missile systems and launchers, jet fighter parts and engines, shell casings, rocket propelled projectiles, and other ammunition. OFAC noted that the UN Security Council imposed targeted sanctions against Ocean Maritime Management Co. on July 28, 2014, for contributing to a violation of the arms embargo against North Korea.

OFAC Updates Burma Sanctions Regulations to Reflect Current Sanctions Regime

On June 30, OFAC published a final rule in the Federal Register, amending and reissuing in their entirety the Burmese Sanctions Regulations, 31 C.F.R. part 537, to implement a series of executive orders that the President has issued to modify the scope of the national emergency declared in Executive Order 13047 of May 22, 1997. This included incorporating several general licenses previously posted on OFAC's website, as well as removing prohibitions, interpretations, and general licenses that are no longer applicable under the existing Myanmar sanctions program.

EU Makes Additional Designations under Various Sanctions Programs

In early July, the European Union added **Shekau Mohammed Abubakar**, the leader of the Nigerian Islamic militant group Boko Haram, and **Ansarul Muslimina Fi Biladis Sudan**, a Boko Haram splinter group, to its al Qaeda sanctions list. The European Union also removed eight people from its Belarus sanctions list while imposing sanctions on

Vitaliy Nikolayevich Volkov, a judge accused of violating the human rights of a former human rights activist in Belarus. In August, the European Union added six additional persons to its al Qaeda sanctions list to bring that list into line with new UN sanctions targeting terrorist activity.

US Authorities Continue to Pursue Enforcement Actions Big and Small

US authorities, including the New York Department of Financial Services (NY-DFS), continued to enforce the full range of its sanctions programs this quarter, resulting in settlements from the tens of thousands to the hundreds of millions. Notably, on July 9, a federal judge pushed back on the proposed terms of Fokker Services BV's $21 million settlement agreement with US authorities that stemmed from apparent violations of Iranian sanctions. Judge Richard Leon questioned whether the aerospace company had actually voluntarily disclosed its wrongdoing as the government had reported (and given it credit for) and expressed misgivings about the relatively lenient penalty imposed and the lack of charges against involved individuals. At a late July hearing, new evidence emerged indicating that the company was indeed already under investigation at the time that the alleged voluntary disclosure was made. The judge must approve the agreement before it can take effect.

On July 25, OFAC assessed a $4,073,000 penalty against US-based Epsilon Electronics Inc. for violations of the Iranian Transactions and Sanctions Regulations (ITSR). From August 2008 to May 2012, Epsilon violated § 560.204 of the ITSR when it issued 39 invoices for car audio and video equipment, valued at $3,407,491, shipped to a company that re-exports most, if not all, of its products to Iran and has offices in Tehran and Dubai. OFAC found that Epsilon knew or had reason to know that these goods were intended specifically for supply to Iran, particularly given that the company continued to issue invoices after receiving a cautionary letter from OFAC in January 2012.

On July 17, US-based Tofasco of America, Inc. agreed to pay $21,375 to settle potential civil liability for an alleged violation of the Weapons of Mass Destruction Proliferators Sanctions Regulations. Tofasco appears to have violated the sanctions in April 2009 when it engaged a bank to process a letter of credit transaction that represented payment for a shipment of recreational chairs, with a substitute bill of lading that omitted reference to the Islamic Republic of Iran Shipping Lines (IRISL), a blacklisted entity. Although OFAC found that Tofasco took deliberate steps to evade US sanctions requirements, it noted that the company had no prior sanctions history and was a small company lacking the sophistication of a larger company conducting international trade.

On July 24, OFAC announced a $16,562,700 settlement agreement with Bank of America, N.A. to settle potential liability stemming from apparent violations of the Foreign Narcotics Kingpin Sanctions Regulations, the Narcotics Trafficking Sanctions Regulations, and the Reporting, Procedures, and Penalties Regulations. Between September 2005 and March 2009, Bank of America processed 208 transactions totaling approximately $91,192 on behalf of, and failed to properly block five accounts owned by, ten individuals whom OFAC had previously added to its SDN List. In finding that 79 of those transactions that occurred on or after October 2006 were egregious, OFAC noted that Bank of America failed for more than two years to adequately address a known deficiency in its OFAC screening tool, which involved a failure to identify transactions involving individuals with multiple or multi-part last names on the SDN List.

On August 18, NY-DFS fined PricewaterhouseCoopers LLP $25 million for sanitizing a report to regulators on sanctions and money-laundering controls for Bank of Tokyo-Mitsubishi UFJ Ltd. The bank allegedly persuaded PwC Regulatory Advisory Services to omit or downplay certain issues from a 2007 compliance report related to financial transactions with sanctioned countries including Iran and Sudan through March 2007. PwC's Regulatory Advisory Services unit was also banned for two years from accepting some new consulting assignments from firms regulated by the NY-DFS and has been instructed to implement changes to address conflicts of interest in consulting. Bank of Tokyo-Mitsubishi UFJ, part of Mitsubishi UFJ Financial Group Inc., reached a $250 million settlement with NY-DFS in 2013 over apparent violations of US sanctions laws.

On August 19, UK-based Standard Chartered was fined an additional $300 million by NY-DFS for various compliance failures only two years after it paid a $340 million fine for numerous violations of US sanctions. The new fine followed the discovery of a flaw in the bank's transaction monitoring system that breached the terms of its 2012 settlement. NY-DFS has also ordered Standard Chartered to suspend clearing activity for "high risk" Hong Kong business clients and to exit certain client relationships at its branches in the U.A.E. The bank will not be allowed to accept new customers for dollar-clearing without prior approval by the NY-DFS.

On August 27, US-based Branch Banking & Trust Co. agreed to pay OFAC $19,125 to settle potential civil liability arising from one apparent violation of the Sudanese Sanctions Regulations (SSR). In June 2011, BB&T received instructions to process a $20,000 funds transfer on behalf of a customer, destined for a third-country company's account at a foreign financial institution. BB&T's filtering software stopped the payment for review due to a name in the payment details that appeared to match an entry on the SDN List. During the course of BB&T's investigation of the potential name match, the bank determined that the individual was a Sudanese national but failed to request additional information. After determining that the name was not an SDN List match, a BB&T compliance specialist added a reference in the payment details that included, inter alia, "NATIONALITY: SUDANESE" and then approved the wire. When BB&T's interdiction software rescreened the transaction it failed to generate an alert because the software did not contain the word "Sudanese" (or other similar terms relating to OFAC-sanctioned countries such as "Burmese," "Cuban," or "Iranian"). After BB&T processed the transaction, the bank's customer notified it that the individual referenced in the payment details was located in Sudan, and that the payment was for merchandise being shipped to Sudan in violation of sanctions targeting Sudan.

On September 3, Citigroup Inc. agreed to pay $217,841 in a settlement with OFAC stemming from apparent violations of the ITSR, the Foreign Narcotics and Kingpin Sanctions Regulations, and the Weapons of Mass Destruction Proliferators Sanctions Regulations. Between April and November 2009, Citigroup Trade Services Malaysia, or Citi Penang, processed four export bill collection applications totaling $638,074 on behalf of Citibank N.A., Hong Kong that involved the shipment of goods to Iran and to IRISL, which had already been designated as an SDN at that time. Separately, on four instances between February 2010 and October 2012, Citibank processed fund transfers totaling $133,786 involving entities blacklisted by OFAC because the bank's interdiction software did not identify references to sanctioned parties with slight name changes. OFAC stated that the settlement amount was below the base penalty because no Citigroup managers or supervisors were aware of the conduct that led to the apparent violations, no harm was done because the funds transfers were blocked, and the bank took remedial action to fix its interdiction software.

On September 9, Zulutrade, Inc., a Delaware-incorporated entity registered with the Commodities Futures Trading Commission, entered into a $200,000 settlement with OFAC over apparent violations of the ITSR, the Sudanese Sanctions Regulation (SSR), and E.O. 13582, which blocks the property of the Government of Syria and prohibits certain Syria-related transactions. Zulutrade operates an electronic trading platform that allows its customers to automatically place currency foreign exchange (FX) trades with broker-dealers through Zulutrade's platform. Beginning in 2009 and continuing for a number of years, Zulutrade maintained accounts for more than 400 persons in Iran, Sudan, and Syria, and exported services to these customers by placing FX trades via its platform. Zulutrade also originated eight funds transfers totaling $10,264.36 destined for two individuals located in Iran. Zulutrade allegedly failed to screen or otherwise monitor its customer base for OFAC compliance purposes at the time of the apparent violations. The settlement was coordinated with the CFTC, which brought its own enforcement action against Zulutrade for violations of CFTC rules arising out of the same conduct.

US Targets ISIL, Al-Nusrah Front, and Foreign Fighters

In addition to targeting terrorist leaders and financial and procurement networks generally, US authorities made a number of designations this quarter imposing sanctions on persons affiliated with the Islamic State of Iraq and the Levant (ISIL) and al-Nusrah Front (ANF). In making these designations, OFAC stated its support for UN Security Council Resolution 2170, which was adopted in August 2014 to condemn ISIL and ANF, and other individuals, groups, undertakings, and entities associated with al Qaeda. ISIL was designated as a Foreign Terrorist Organization by the State Department in December 2004, while ANF was designated in May 2014.

On August 15, the same day that UNSCR 2170 was adopted, OFAC designated **Abdul Mohsen Abdullah Ibrahim al-Sharikh** and **Hamid Hamad Hamid Al-'Ali** as Specially Designated Global Terrorists (SDGTs); both individuals were also included in the Annex to the UN resolution. Al-Sharikh was named for being an al Qaeda facilitator who moved to Syria in 2013 with other al Qaeda fighters and joined ANF; he allegedly previously served as head of al Qaeda's Iran-based financial network and as a financial facilitator for al Qaeda in Pakistan. Kuwait-based Al-'Ali allegedly has raised tens of thousands of dollars to help ANF purchase weapons and supplies and has facilitated the travel to Syria of individuals wishing to fight for ANF. On August 18, the State Department designated **Abu Mohammed al-Adnani** and **Said Arif** as SDGTs; both individuals were also included in the annex of the recently adopted UNSCR 2170. Abu Mohammed al-Adnani, born in Syria as Taha Sobhi Falaha, is the official spokesman for and a senior leader of ISIL. Al-Adnani purportedly was one of the first foreign fighters to oppose Coalition forces in Iraq before becoming ISIL's spokesman. Said Arif fled house arrest in France in October 2013 and traveled to Syria to join al-Nusrah Front. Arif is an officer deserter from the Algerian army who traveled to Afghanistan in the 1990s, where he trained in al Qaeda camps, and was a suspect in the al Qaeda December 2000 plot to bomb the Strasbourg Christmas market. In 2003, Arif was arrested and was put on trial in France with 25 others as part of the "Chechen Network," which was accused of plotting to blow up the Eiffel Tower and conducting chemical attacks and attacks on malls and police stations in France. In 2006, Arif was convicted and sentenced for his role in these planned attacks.

On August 19, the State Department designated the **Mujahidin Shura Council in the Environs of Jerusalem** (**MSC**) as a Foreign Terrorist Organization and SDGT. MSC is an umbrella group founded in 2012 that is composed of several jihadist terrorist sub-groups based in Gaza. MSC has claimed responsibility for numerous Gaza-based attacks on Israel, including cross-border rocket and IED attacks. The MSC released a statement in February 2014 declaring support for ISIL.

The US also made several designations this quarter described as part of the growing international effort to counter the threats posed by foreign terrorist fighters. Accordingly, on July 15, the State Department designated **Anders Cameroon Ostensvig Dale** as an SDGT under E.O. 13224, which targets terrorists and those providing support to terrorists or acts of terrorism. Anders Dale is a Norwegian citizen who traveled to Yemen to join al Qaeda in the Arabian Peninsula (AQAP). As part of AQAP, Dale allegedly has received terrorist training and was taught to make bomb-belts, improvise explosive devices, and larger explosives used in car bombs. The State Department designated AQAP as a Foreign Terrorist Organization and an SDGT in January 2010. On August 6, OFAC designated as SDGTs what it described as three key supporters of terrorist operations in Iraq and Syria. Two of the designated individuals – **Shafi Sultan Mohammed al-Ajmi** and **Hajjaj Fahd Hajjaj Muhammad Sahib al-'Ajmi** – are Kuwait-based and allegedly support ANF via fundraising appeals on social media and the use of financial networks, while **'Abd al-Rahman Khalaf 'Ubayd Juday' al-'Anizi** is an alleged financier and facilitator for ISIL. In making these designations, OFAC noted that ANF and ISIL receive donations from private citizens located predominantly in the Arabian Peninsula to fund their operations, and that the action taken targeted individuals playing key roles in external financing and facilitation of terrorists in Syria and Iraq.

On September 24, the State Department designated as SDGTs ten individuals and two groups with ties to foreign fighters. Formed in February 2013, **Jaish al-Muhajireen wal-Ansar** (**JAMWA**) is a Chechen-led terrorist organization based in Syria that consists primarily of foreign fighters. JAMWA has allegedly cooperated with other violent organizations in Syria, including ANF and ISIL, to launch deadly attacks against civilians, and has kidnapped civilians and other foreigners in Syria. Formed in August 2013, **Harakat Sham al-Islam** (**HSI**) is a Moroccan-led terrorist organization operating in Syria principally composed of foreign fighters. HSI allegedly has carried out terrorist attacks and engaged in kidnappings against civilians with ANF and other groups operating in Syria. As of mid-July 2014, **Amru al-Absi** was selected as ISIL's provincial leader in the Aleppo region of Syria and allegedly has been in charge of kidnappings. **Salim Benghalem** is a French ISIL member, who allegedly carries out executions on behalf of the group in Syria. Al Qaeda member **Mohammed Abdel-Halim Hemaida Saleh** was arrested in Egypt in May 2013 for plotting to attack Western embassies in Cairo. As of mid-2013, Saleh is alleged to have recruited suicide bombers to send to Syria and planned terrorist activities against unspecified targets in Europe. **Lavdrim Muhaxheri** is a Kosovar Albanian foreign fighter for ISIL who operates in both Syria and Iraq. Muhaxheri made international headlines in July 2014 after uploading to Facebook graphic photos of himself beheading a young man. **Murad Margoshvili** is a Chechen leader who built a terrorist training base in Syria near the Turkish border, where newly arrived foreign fighters received combat training. He is also the leader of Junud al-Sham, a militant group fighting in Syria. **Nusret Imamovic** is a Bosnian terrorist leader operating in Syria and believed to be fighting with ANF. **Muhannad al-Najdi** is a Saudi-born facilitator for al Qaeda who is now based in Syria. Prior to traveling to Syria in 2013, al-Najdi was involved in facilitation and operational planning in support of attacks in Afghanistan. **Abdessamad Fateh**, also known as Abu Hamza, is a member of a Scandinavia-based network of extremists allegedly linked to al Qaeda who has also traveled to Syria. **Abd al-Baset Azzouz** has had a presence in Afghanistan, the United Kingdom, and Libya, and is considered a key operative capable of training al Qaeda recruits. **Maalim Salman** was chosen by now-deceased al-Shabaab leader Ahmed Abdi aw-Mohamed (aka Godane) to be the head of African foreign fighters for al-Shabaab. He has trained foreign nationals who were seeking to join al-Shabaab as foreign fighters, and has been involved in operations in Africa targeting tourists, entertainment centers, and churches.

Also on September 24, OFAC imposed sanctions on 11 individuals and one entity allegedly providing financial and other support to terrorist groups, including ISIL. **Tarkhan Tayumurazovich Batirashvili** is a Georgian national and top Islamic State military commander living in Syria said to have overseen the group's prison facility near Raqqah, a city controlled by ISIL, where foreign hostages may have been held. Also targeted was **Tariq bin al-Tahar bin al-Falih al-'Awni al-Harzi**, believed to be one of the first terrorists to join the ISIL. OFAC alleges that al-Harzi helped raise $2 million from a Qatar-based facilitator and recruited and trained foreign fighters. Mr. Harzi, who was born in Tunis, was also purportedly in charge of receiving foreign fighter recruits and providing light weapons training before sending them into Syria. An additional six people were designated for providing financial support to ANF, al Qaeda in Iraq, or AQAP. OFAC also targeted three individuals alleged to have supported Jemaah Islamiyah, the Southeast Asia-based group with ties to al Qaeda that carried out a 2002 bombing in Bali, along with **Hilal Ahmar Society Indonesia**, a nongovernmental organization that calls itself Jemaah Islamiyah's humanitarian wing.

On July 10, OFAC targeted what it described as a key Hezbollah procurement network by designating brothers **Kamel Mohamad Amhaz** and **Issam Mohamad Amhaz**, along with their Lebanon-based business, **Stars Group Holding**, and certain managers and individuals affiliated with Stars Group. Stars Group is alleged to have covertly purchased sophisticated electronics and other dual-use technology from suppliers around the world, including engines, communications, and navigation equipment. This equipment appears to have been used in Hezbollah's development of unmanned aerial vehicles for its military activities in Syria.

On August 7, the State Department amended the Foreign Terrorist Organization and SDGT designation of Harakat-Mujahdin (HUM) to add the alias **Ansar ul-Ummah**. HUM is a Pakistan-based terrorist organization that seeks the annexation of Kashmir into Pakistan. The group operates in Pakistan and engages in terrorist activity in India, Pakistan, and Afghanistan, with its membership composing an estimated several hundred armed supporters. HUM also operates terrorist training camps in eastern Afghanistan and has conducted a number of operations against Indian troops and civilian targets in the Kashmir region. The Department of State designated HUM as a Foreign Terrorist Organization in 1997 but stated that HUM has repeatedly changed its name since the original designation occurred in an effort to avoid sanctions, including the creation of Ansar ul-Ummah as a front organization. On August 27, OFAC issued sanctions targeting the leadership and financial networks of Lashkar-e-Tayyiba (LT), another Pakistan-based terrorist group, by designating **Muhammad Iqbal** and **Asma Money Exchangers** as SDGTs. Iqbal allegedly helped LT receive money through his business, Asma Money Exchangers. Iqbal is a founding member of LT-affiliated NGO Falah-i-Insaniat Foundation's (FIF) governing board; as of 2010, Iqbal has also served as FIF's Finance Secretary. The State Department identified FIF as an alias of LT in November 2010. On September 30, OFAC further targeted HUM and LT by designating a handful of individuals and entities as SDGTs under E.O. 13224. **Fazl-ur Rehman Khalil** was designated as the founder and current leader of HUM who also has allegedly maintained a close relationship with al Qaeda**. Muhammad Naeem Sheikh** and **Umair Naeem Sheikh** were designated for acting for or on behalf of, and providing financial support to, LT. The Sheikhs are allegedly significant financial supporters and fundraisers for the group. Pakistan-based businesses **Nia International** and **Abdul Hameed Shahab-ud-Din** were also designated for being owned and controlled by the Sheikhs.

On August 21, OFAC targeted the financial and leadership networks of the Taliban by designating one entity and two individuals as SDGTs. **Haji Abdul Basir** and his Pakistan-based hawala, **Basir Zarjmil Company**, were designated for providing financial services or other support to the Taliban, while Taliban commander **Qari Rahmat** was designated for acting for or on behalf of the Taliban. Basir Zarimil Hawala allegedly distributes money to Taliban members in Afghanistan. Haji Abdul Basir owns and operates the Basir Zaarjmil Hawala; Basir also allegedly transferred money to Taliban elders and facilitated the travel of Taliban informants to Afghanistan. Qari Rahmat has been a Taliban commander since at least February 2010, purportedly directing the activities of approximately 300 Taliban operatives in Afghanistan and providing operational guidance and weapons.

OFAC Targets Transnational Criminal Organizations

On July 2, OFAC targeted four transnational criminal groups pursuant to E.O. 13581: the Camorra, the Yakuza, the Brothers' Circle, and Mara Salvatrucha (MS-13). The new designations included seven members of the Camorra, one of Europe's largest criminal organizations; the **Kudo-kai**, a violent syndicate within the Japanese Yakuza criminal network, along with two of its leaders; an individual known to act on behalf of the Brothers' Circle, a large multi-ethnic Eurasian criminal network; and one member of MS-13, a criminal street gang that operates internationally. The Camorra, the

Yakuza, and the Brothers' Circle were identified as transnational criminal organizations in the Annex to E.O. 13581 on July 24, 2011, while MS-13 was designated on October 11, 2012.

OFAC Uses Sanctions to Target Drug Trafficking Operations Worldwide

OFAC made several designations under the Foreign Narcotics Kingpin Act this quarter, many of which built on previously issued sanctions targeting major drug trafficking organizations by targeting affiliates and financial networks. For instance, on July 1, OFAC targeted as Specially Designated Narcotics Traffickers (SDNTs) **Pedro Claver Mejia Salazar** and members of his narcotics money laundering network. Mejia Salazar allegedly launders narcotics proceeds on behalf of La Oficina de Envigado, a group designated by OFAC pursuant to the Kingpin Act on June 26. OFAC has stated that the group also provides other criminal networks with enforcement services, including debt collection, extortion, and murder-for-hire. OFAC also designated Colombian national **Fredy Alonso Mira Perez**, an alleged underboss in La Oficina de Envigado, and ten individuals and 14 entities based in Colombia. Eight additional alleged underbosses of La Oficina de Envigado were designated on September 16. The designations included a number of La Oficina operatives incarcerated in Colombia but who allegedly continue to coordinate operations from prison.

On July 23, OFAC designated 17 leaders and criminal associates of Los Urabenos, which it described as the most influential criminal group operating in Colombia. Los Urabenos was identified as an SDNT pursuant to the Kingpin Act on May 31, 2013. OFAC noted that several of the designated individuals designated are former members of Los Machos, a smaller criminal network that was effectively absorbed by Los Urabenos.

On August 20, OFAC designated the Honduras-based **Los Valles** drug trafficking organization, described as one of the most prolific Central American narcotics trafficking organizations, responsible for the distribution of tens of thousands of kilograms of cocaine per month directly into the United States. OFAC noted that Los Valles utilizes a combination of violence and public corruption to keep control over its base of operations in Honduras. OFAC also targeted Honduran national **Miguel Arnulfo Valle Valle** and his brothers **Luis Alonso Valle Valle** and **Jose Renerio Valle Valle** for acting on behalf of the Los Valles organization, along with four businesses tied to the Valle Valle brothers: **Inversiones Yosary**, **Inversiones Luisito**, **Inversiones Valle**, and **Finca Los Tres Reyes**. OFAC emphasized that this action was taken in coordination with the Honduras government, who ran an August 17 asset seizure operation against more than 40 properties belonging to the Los Valles organization.

On August 27, OFAC designated **Sajid Emilio Quintero Navidad**, cousin of fugitive drug lord Rafael Caro Quintero, who has been at large since August 9, 2013, and was targeted with sanctions in 2000. Navidad, aka El Cadete, is a Sonora, Mexico-based narcotics trafficker alleged to coordinate the transportation of ton quantities of cocaine from Guatemala and Bolivia through Sonora to the United States. Navidad is also allegedly responsible for conducting enforcement operations against the Sinaloa Cartel. OFAC has stated that the Sonora-Arizona drug trafficking corridor is the primary route used to bring drugs from Mexico into the United States. On September 11, OFAC targeted three Mexico-based lawyers and a company for their apparent ties to Quintero and another drug lord, Juan Jose Esparragoza Moreno. In doing so, OFAC alleged that **Jose Avina Bribiesca**, **Ignacio Gonzalez Hernandez** and **Janette Iliana Gonzalez Linares** act on behalf of Juvencio Igancio Gonzalez Parada, a lawyer placed under sanctions in July 2012 for engaging in bribery and managing assets on behalf of Quintero and Esparragoza Moreno. The three lawyers hold official positions in the Guadalajara-based real estate company **Bona-Habitat**, which was placed under sanctions as well. In announcing the sanctions, OFAC emphasized that narcotics traffickers often employ corrupt attorneys to disguise and advance their illicit activities.

On July 29, OFAC designated members of a Chinese synthetic drug trafficking organization allegedly responsible for shipping thousands of kilograms of synthetic drugs and controlled substances worldwide. Chinese national **Zhang Lei** (aka Eric Chang), allegedly uses his company **CEC Limited** to manufacture and sell substances over the internet to consumers internationally, including bath salts, other synthetic psychoactive substances, and chemicals used to make such substances. OFAC also designated three other individuals who work for the company and Zhang: Chinese nationals **Wang Guoying**, **Zhang Jicheng**, and **Hu Yongan**.

EU Courts Continue to Null EU Sanctions

EU courts upheld additional challenges to EU sanctions this quarter, refusing to give credence to evidence that the European Council claims to have relied on as the basis for the sanctions at issue but will not disclose. In July, the EU General Court overturned the blacklisting of Iran's Sharif University of Technology and former Syrian Economy and Trade Minister Mohamad Nedal Alchaar. In the case of Sharif University, the EU had imposed an asset freeze based on the provision of support to Iran's nuclear proliferation activities. The General Court found that the European Union had not met its burden of proof, largely because of the European Council's refusal to turn over the evidence on which it relied in making this determination. In the case of Mr. Alchaar, the General Court held that the European Union was within its rights to sanction him during the time that he was a government minister, but that after Mr. Alchaar left office in May 2012, the European Union had to be able to provide evidence of his continued links to the Assad regime and his joint responsibility for government actions in order to remain sanctionable. EU sanctions targeting Mazen Al Tabbaa and Samir Hassan were annulled due to the Council's failure to prove their ties to the Syrian regime or other sanctioned persons.

Also in July, the General Court annulled sanctions targeting the NITC because the European Council had no evidence to support its claim that NITC was effectively controlled by the Iranian government. The General Court also ruled in favor of Moallem Insurance Co., which the European Union listed for being the main insurer of IRISL, finding that the European Council had not provided sufficient evidence to support the designation. Similarly, the General Court annulled the listings of Sorinet Commercial Trust Bankers and Babak Zanjani based on the Council's failure to provide sufficient evidence to support the published reasons for their designations. However, the General Court rejected NIOC's challenge to having been designated based on the Iran's ownership and control over the entity.

In September, the General Court annulled sanctions targeting Ahmed Qadhaf al Dam, a cousin of former Libyan ruler Moammar Qaddafi who is alleged to have been involved in planning operations against Libyan dissidents abroad and other terrorist activity. The sanctions were first imposed in 2011 and renewed in both April 2013 and June 2014. The General Court found that there was no apparent reason for renewing the sanctions against al Dam in the spring of 2013, more than a year after the Qaddafi regime had fallen, as the EU had not sufficiently established that he represented a threat to restoring civil peace in Libya. The General Court also lifted travel and financial restrictions targeting Belarusian television anchor Aliaksei Mikhalchanka that were imposed in 2011 following the Belarusian government's crackdown on opposition figures and activists. Again, the General Court held that the European Union had failed to provide sufficient proof of Mr. Mikhalchanka's influence within Belarus and had not given him the opportunity to defend himself when the restrictions against him were renewed in 2012. However, the General Court rejected a challenge by Vadzim Ipatau, listed as the vice-chairman of Belarus' Central Electoral Commission, finding that the European Council was entitled to regard him as jointly responsible for violations of international standards in the 2010 presidential election, given his position. Finally, the European Union's initial freeze on the assets of the Central Bank of Iran were struck down by the Court of Justice in Luxembourg, which ruled that the sanctions were based on confidential evidence from an unidentified member state, unlawfully preventing Iran from being able to present a defense. There is no practical consequence to the Court's ruling, as there are other sanctions targeting the Central Bank of Iran that remain in force.

On September 18, the General Court rejected a claim for damages brought by former Zimbabwean Deputy Minister for Economic Planning and Development, Aguy Georgias, and his companies Trinity Engineering and Georgiadis Trucking. Interestingly, the Court allowed Mr. Georgias to pursue this claim even though he had not brought an application to annul his designation. Mr. Georgias had claimed that he suffered damages as a result of being subject to EU sanctions from 2007 to 2011, including damages from his inability to enter the UK and legal fees, business losses, and medical expenses.

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