

where there is 'publicly available information indicating involvement in WMD programmes of concern'.

The list can be found at:
<http://www.bis.gov.uk/assets/biscore/eco/docs/iran-list.pdf>

New executive order imposes sanctions on foreign banks doing Iran business

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The U.S. president issued executive order 13622 on 31 July 2012 imposing numerous restrictions on foreign financial institutions found to knowingly conduct or facilitate significant financial transactions: 1) with the National Iranian Oil Company ('NIOC') or the Naftiran Intertrade Company ('NICO'), or 2) for the purchase or acquisition of petroleum, petroleum products, or petrochemical products from Iran. In addition, the order blocks the property and interests in property of any person who has materially assisted or supported the NIOC, NICO, or the Central Bank of Iran's or the government of Iran's purchase or acquisition of U.S. bank notes or precious metals.

Those sanctions add to a long line of U.S. government sanctions on Iran and are intended to close loopholes that enable the Iranian government to profit from oil sales. Concurrent to that order, the president also imposed sanctions against two foreign banks, Bank of Kunlun of China and Elaf Islamic Bank of Iraq, pursuant to his authority under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 for their role in facilitating transactions for designated Iranian banks. The

sanctions effectively bar those banks from directly accessing the U.S. financial system.

<http://www.treasury.gov/resource-center/sanctions/Programs/Documents/13622.pdf>
<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120731.aspx>
<http://www.treasury.gov/press-center/press-releases/Pages/tg1661.aspx>

Standard Chartered and NY State agree to Iran banking settlement

UK bank Standard Chartered PLC agreed to pay \$340 million to a New York state banking regulator to settle alleged violations of state and federal laws in facilitating Iranian funds transfers. The settlement caps a drama that began with the regulator, the NY Department of Financial Services, accusing the bank of hiding certain information for over 60,000 financial transactions, worth over \$250 billion, for Iranian clients. U.S. laws impose strict restrictions on transactions involving Iran. According to the regulator's order against Standard Chartered made public on 6 August 2012, the bank, among other things, stripped information identifying the origin of transactions, inserted false information, and adopted formal procedures to ensure that

such actions were made for Iran-related transactions.

Those actions prevented the banks' U.S. operations and U.S. regulators from adequately screening transactions to ensure legality with sanction and anti-money laundering laws. Before the settlement on 14 August 2012, the regulator's charges came under unprecedented scrutiny due to the apparently permissive nature of the transactions, most of which were 'U-Turn' payments from one foreign financial institution to another via a U.S. financial institution that were allowed under federal law at the time. In addition, many observers noted the inflammatory nature of the order and the regulator's apparent failure to coordinate with federal authorities. As part of the settlement, the bank will apparently acknowledge misconduct for all the transactions at issue and has agreed to install a monitor to be chosen by the regulator.

<http://www.dfs.ny.gov/banking/ea120806.pdf>

Further reading: see the article 'The story behind Standard Chartered Bank's \$340m settlement' in this issue.

OFAC releases reports on agriculture and medical exports to sanctioned countries

The U.S. Department of Treasury, Office of Foreign Assets Control ('OFAC') issued its much-delayed biennial reports on its licensing programme for exports of agricultural commodities, medicines, and medical devices to Iran and Sudan under the Trade Sanctions Reform and Export Enhancement Act of 2000, otherwise known as 'TSRA.' The reports show a slight increase in TSRA applications in 2006-2008 from the previous biennial period and a 54% increase in 2008-2011. Approximately three-quarters of all applications were approved during both periods.

<http://www.treasury.gov/resource-center/sanctions/Documents/4thbiennial.pdf>
<http://www.treasury.gov/resource-center/sanctions/Documents/5biennial.pdf>

OFAC issues Iran general licence for NGO remittances

OFAC has issued Iran General License C, which authorizes, until 5 October 2012, U.S.-based non-governmental organizations to collect donations of funds and to transfer those funds to Iran for the sole purpose of humanitarian relief and reconstruction activities in response to the August 2012 earthquake in Iran. The licence imposes a \$300,000 aggregate transfer limit and certain reporting requirements.

http://www.treasury.gov/resource-center/sanctions/Programs/Documents/iran_glc.pdf

OFAC issues Iranian vessels alert

On 19 July 2012, OFAC issued an alert advising that Iran's state-owned shipping line, Islamic Republic of Iran Shipping



Lines or 'IRISL,' has been operating its non-flagged vessels and engaging in deceptive practices to evade international sanctions. The alert recommends that 'maritime authorities...be alert to the presentation by IRISL of potentially fabricated vessel registration and flag credential at ports of call and canal entrances.' It also reminds that assistance of such vessels may be prohibited under U.S. sanctions.

The alert follows OFAC's 12 July 2012 changes to the Specially Designated Nationals List ('SDN') list to add more IRISL vessels and reflect updated information about already-designated IRISL vessels, as well as entities involved in Iranian shipping, procurement, petroleum, and financial networks.

http://www.treasury.gov/resource-center/sanctions/Programs/Documents/ofac_irisl_advisory_07192012.pdf

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120712.aspx>

Grand Resources USA settles OFAC Iran charges

On 22 August 2012, OFAC announced a \$402,000 settlement with Grand Resources USA, Inc. to resolve charges that the company engaged in various transactions related to Iran, in violation of the Iranian Transactions Regulations and the Weapons of Mass Destruction Proliferators Sanctions Regulations. According to the announcement, Grand Resources negotiated a sale of graphitized petroleum coke to a UAE company with knowledge that the coke would ultimately be delivered to Iran and then received a commission from Grand Resource's Chinese parent company for the sale. Grand Resources also participated in the shipment of cargo aboard an IRISL-owned vessel designated by OFAC and engaged in acts concealing information about Iran from transaction documents. OFAC found some of the violations

egregious. In imposing the fine, the agency rejected the company's factual and legal arguments for a lower fine.

http://www.treasury.gov/resource-center/sanctions/CivPen/Documents/08122012_web.pdf

http://www.treasury.gov/resource-center/sanctions/CivPen/Documents/08222012_pn.pdf

More Iran sanctions signed into law

On 10 August 2012, the president signed into law additional sanctions against Iran titled the 'Iran Threat Reduction and Syria Human Rights Act of 2012.' Intended to build upon previously enacted sanctions, the act significantly prohibits foreign subsidiaries of U.S. companies from knowingly engaging in any transaction prohibited for a U.S. person, imposes new U.S. Securities and Exchange Commission reporting requirements on U.S. security issuers' prohibited Iran activities, and expands the types of penalties available to the president for sanctioning individuals and entities that engage in a prohibited activity.

The new law also imposes sanctions against companies

that provide energy-related, insurance and reinsurance, and shipping services (as well as their corporate officers and principals) and targets firms engaged in joint ventures with Iran related to uranium mining, production, and distribution.

The law also expands existing restrictions on the export of surveillance technology to Iran and Syria. Although comprehensive, many of the new sanctions codify restrictions already existing under executive orders previously issued by the president.

http://banking.senate.gov/public/index.cfm?FuseAction=Issues.View&Issue_id=dd71c3c6-0b4c-a0a0-6b8b-b1f8d7e98dad

Burma import ban extended

On 10 August 2010, the president signed a bill (HR 5986) that reauthorizes the United States' existing ban on imports from Burma for up to three years. Coming on the heels of U.S. government actions loosening sanctions on Burma, congressional leaders acknowledged progress on freedoms in Burma and encouraged the Burmese government to continue that progress.

<http://www.gpo.gov/fdsys/pkg/BILLS-112hr5986enr/pdf/BILLS-112hr5986enr.pdf>

Attorney, former teacher settles Cuba travel charges

Almost 14 years after traveling to Cuba in violation of U.S. sanctions, a U.S. citizen agreed to pay a \$6,500 fine to OFAC. U.S. government authorities discovered that Zachary Sanders – 23 years old at the time and working as an English teacher in Mexico – had travelled to Cuba in 1998 as he re-entered the United States through the Bahamas with an undeclared box of Cuban cigars. After failing to respond to OFAC inquiries, Sanders was fined \$1,000 – the standard amount charged against unauthorized U.S. travelers to Cuba. Sanders, now a 38 year-old attorney, appealed and the U.S. government eventually raised the fine to \$9,000. Sanders subsequently filed suit to challenge the fine, but lost. On 24 July 2012, as his appeal of that decision was pending, both sides agreed to the \$6,500 settlement.

Iranian arrested for illegal export scheme

Saeed Talebi, an Iranian national, was indicted on 12 July 2012 for his role in shipping industrial parts to Iran without the required licences, in violation of the International Emergency Economic Powers Act ('IEEPA'). According to the indictment, he helped procure the parts for use by Iranian petrochemical companies and wired over \$300,000 in furtherance of the scheme. Talebi was arrested in John F. Kennedy International Airport in New York City.

<http://www.justice.gov/usao/nys/pressreleases/july12/talebisaheedarr est.html>

Two indicted for nuclear exports to Iran

Parvis Khaki, an Iranian national, and Zongcheng Yi, a Chinese national, were indicted on 12 July 2012 for alleged efforts to procure and export items to Iran for use in uranium-enriching gas centrifuges, in violation of IEEPA.



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According to the indictment, between 2008 and 2011, both sought to purchase various nuclear-related items, including maraging steel, aluminum alloys, mass spectrometers, and vacuum pumps, from U.S. companies. In addition, Khaki attempted to source radioactive source material from the United States. Several of the items were shipped to Iran via Hong Kong. According to a U.S. government official, the 'indictment sheds light on the reach of Iran's illegal procurement networks and the importance of keeping U.S. nuclear-related materials from being exploited by Iran.' Khaki was arrested in the Philippines on 24 May 2012. Yi remains at large.

<http://www.justice.gov/opa/pr/2012/July/12-nsd-873.html>

Changes to the SDN list

OFAC has made numerous changes to its SDN list pursuant to the Global Terrorism Sanctions Regulations; Narcotics Trafficking Sanctions Regulations; Foreign Narcotics Kingpin Sanctions Regulations; Transnational Criminal Organizations Sanctions Regulations; Syrian Sanctions Regulations and related executive orders; Weapons of Mass Destruction Proliferators Sanctions Regulations; and executive orders 13,315, 13,350, and 13,574. Persons subject to U.S. jurisdiction are generally prohibited from engaging in dealings with anyone on the SDN

list. New designations include members of the Assad regime in Syria and removal of the former Syrian prime minister who defected to Jordan.

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120815.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120814.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120810.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120807.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120801.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120724.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120718.aspx>

<http://www.treasury.gov/press-center/press-releases/Pages/tg1642.aspx>

<http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120717.aspx>

BIS ends Rwanda sanctions, formally requires licences for UN-arms embargoed countries

On 23 July 2012, the U.S. Department of Commerce, Bureau of Industry and Security ('BIS') published a final rule that reflects the United Nations' termination of the arms embargo against Rwanda, by removing that country from part 746 of the Export Administration Regulations (the 'EAR') and the EAR's 'UN' controls. The rule also amends part 746 to formalize: 1) the requirement for a BIS export licence for the export or re-export of items to countries subject to a UN arms embargo, and 2) the agency's policy of denial for such exports and re-exports if contrary to a UN resolution.

http://www.bis.doc.gov/federal_register/rules/2012/77fr42973.pdf

Singapore company settles charges of re-export violations

On 25 July 2012, BIS announced an agreement with Technetics Group Singapore Pte. Ltd. to settle charges that the company unlawfully re-exported U.S.-origin technology and items manufactured directly from U.S.-origin technology. According to the settlement documents, the company transferred technology classified under ECCN 3E001 of the EAR's Commerce Control List ('CCL') and related to 'edge-welded metal bellows used in semiconductor manufacturing equipment' to two of its Chinese national employees in Singapore without the required export licences. Technetics Group also exported Singapore-origin edge-welded bellows to China without the required licence. Although the bellows were manufactured in Singapore, they were a 'direct product' of U.S.-origin technology that were subject to strict national security controls and required a written assurance for their non-transfer, thus prohibited from re-export to China absent a licence. Because the company had previously signed a written assurance acknowledging a re-export licence requirement for the technology and produced items, BIS charged the company with five counts of acting with knowledge of a violation. Technetics Group agreed to a \$110,000 fine and completion of an audit of its export control compliance programme within 15 months of the settlement date.

<http://efoia.bis.doc.gov/exportcontrolviolations/e2276.pdf>

BIS continues denial order against Mahan Airways

As part of BIS's previous enforcement action against Balli Group PLC, the agency has continued its order temporarily denying export privileges against Mahan Airways and certain Mahan Airways affiliates, as related companies of the Balli Group. The previous enforcement action relates to the Balli Group's alleged unlawful re-exports of U.S.-origin aircraft to Iran and the denial order was imposed due to suspected imminent EAR violations by Mahan Airways. Those parties have been added to BIS's Denied Persons List.

<http://efoia.bis.doc.gov/exportcontrolviolations/e2280.pdf>

BIS denies export privileges for Universal Industries Limited, Inc., Greenoe

On 27 July 2012, BIS imposed orders denying export privileges for Universal Industries Limited, Inc. and Steven Neal Greenoe after both were separately convicted in U.S. federal court of exports in violation of the Arms Export Control Act (the 'AECA'). Universal Industries violated that statute by knowingly and willfully attempting to export military aircraft parts to Singapore without the required licence. Greenoe violated the AECA by knowingly and willfully exporting and causing to be exported firearms to the United Kingdom without the required licence. As a result, both parties were also added to BIS's Denied Persons List.

<http://efoia.bis.doc.gov/exportcontrolviolations/e2278.pdf>

<http://efoia.bis.doc.gov/exportcontrolviolations/e2277.pdf>

Parties settle charges of unlicensed scrap steel exports to restricted party

Global Metcorp LLC has settled with BIS to resolve charges that it twice exported scrap steel to a party identified on BIS's Entity List, which identifies parties subject to licence requirements in addition to those that may normally apply under the EAR. According to the settlement agreement, the



company failed to obtain the required licence to export the steel, classified as 'EAR99' and worth about \$300,000, to the People's Steel Mills in Pakistan. As part of the settlement, Global Metcorp agreed to a \$50,000 fine and completion of an export control compliance training course, with \$40,000 suspended upon timely payment of \$10,000 and no violations during a two-year probationary period. Two other companies, Kesco Shipping Corporation and Multi-link Container Line, were also charged for their role in forwarding one of Global Metcorp's steel exports. Those companies also settled with BIS for \$28,000 and an export control training requirement.

<http://efoia.bis.doc.gov/exportcontrolviolations/e2279.pdf>
<http://efoia.bis.doc.gov/exportcontrolviolations/e2275.pdf>



Polk Audio settles charges of antiboycott violations

BIS recently announced a settlement with Polk Audio, Inc. for the company's alleged violation of U.S. antiboycott regulations. The company agreed to pay \$8,000 to settle charges that, in connection with business in Oman, it furnished information about business relationships with a boycotted country and failed to report a request for such information to BIS.

<http://efoia.bis.doc.gov/antiboycott/violations/a726.pdf>

BIS publishes correction notices

BIS has published minor corrections to parts 772 and 774 of the EAR. The corrections are primarily clerical in nature and are not intended to alter the EAR substantively.

<http://www.gpo.gov/fdsys/pkg/FR-2012-07-16/html/2012-17302.htm>
<http://www.gpo.gov/fdsys/pkg/FR-2012-07-16/html/2012-17297.htm>
<http://www.gpo.gov/fdsys/pkg/FR-2012-07-26/html/2012-18365.htm>
<http://www.gpo.gov/fdsys/pkg/FR-2012-08-02/html/2012-18967.htm>
<http://www.gpo.gov/fdsys/pkg/FR-2012-08-07/html/2012-19389.htm>
<http://www.gpo.gov/fdsys/pkg/FR-2012-08-14/html/2012-19955.htm>

DDTC issues updated guidance on foreign person licensing

The U.S. Department of State, Directorate of Defense Trade Controls ('DDTC') issued updated guidance on 20 August 2012 that addresses the agency's policy for licensing of foreign person employees of U.S. companies. The guidance continues DDTC's policy of licensing such employees through DSP-5 licence applications. The guidance has been updated to: 1) clarify that the DSP-5 authorizes a foreign person employee's 'access to technical data' rather than his/her mere 'employment', 2) add a footnote reminding companies on the need to comply with federal anti-discrimination laws when hiring, and 3) eliminate the requirement to submit a DSP-83 after it has been signed by the company and foreign person employee.

http://www.pmdtct.state.gov/licensing/documents/WebNotice_LicensingForeign2.pdf

Xe/Blackwater successor agrees to \$7.5 million fine for export violations

On 7 August 2012, Academi LLC, formerly known as Xe Services and Blackwater Worldwide, agreed to pay \$7.5 million to settle criminal charges brought under the International Traffic in Arms Regulations ('ITAR'), AECA, IEEPA, and other federal laws. According to the Bill of Information and Deferred Prosecution Agreement, the company allegedly exported satellite phones to Sudan (a U.S.-sanctioned country) and various defence articles and defence services (including military training) to various countries without the required licences. As part of the settlement, Academi also agreed to a period of supervision and acknowledged its \$42 million administrative settlement with DDTC in 2010 for ITAR violations.

http://www.justice.gov/usao/nce/press/2012/2012-aug-07_04.html

Chinese citizen pleads guilty to export conspiracy

Chi Tong Kuok, a Chinese citizen, has pled guilty of conspiracy to violate the AECA by attempting to buy sophisticated military equipment and exporting the equipment to China. The plea, entered on 31 July 2012, follows a decision by a federal appeals court to overturn his prior conviction because the lower court failed to allow Kuok to present a claim of duress. According to Kuok, the Chinese government forced him to procure the equipment by threatening him and his family. Under the plea agreement, Kuok will face 46 months in prison, well under the eight-year sentence imposed by the lower court.

Venezuelan military officer, president of aircraft parts supplier plead guilty to AECA violations

A former Venezuelan Air officer, Alberto Pichardo, has pled guilty for his role in a conspiracy to unlawfully export military aircraft parts to Venezuela. At the time of the violations, he worked at the Venezuelan Military Acquisitions Office in south Florida and was formerly an administrator for the country's F-16 fighter programme. Another individual involved in the conspiracy, Kirk Drellich, owner and president of an aircraft parts supplier in Florida, also pled guilty for his role in the conspiracy.

Guilty plea in Iran missile export case

Andre Telemi, a naturalized U.S. citizen from Iran, has pled guilty to one count of attempting to export missile components to Iran in violation of the AECA. According to a U.S. government press release, he attempted to purchase the components from an Illinois company set up by law enforcement. Telemi faces up to 20 years' imprisonment and a \$250,000 fine.

<http://www.bis.doc.gov/news/2012/doj07262012.htm>

U.S. Department of State updates Debarred Parties List, Specially Designated Global Terrorist List

On 24 July 2012, DDTC published a notice that adds parties to its list of statutorily debarred parties. Persons identified on the list are prohibited from participating in the export of defence articles or services for which a licence or other approval is required. On 9 August 2012, the State



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Department published another notice that adds Azzam Abdullah Zureik Al-Maulid Al-Subhi to the Specially Designated Global Terrorist List. Persons subject to U.S. jurisdiction are generally prohibited from engaging in dealings with anyone on that list.

<http://www.pmdotc.state.gov/FR/2012/77FR43414.pdf>
<http://www.gpo.gov/fdsys/pkg/FR-2012-08-09/pdf/2012-19563.pdf>

Former soldier pleads guilty to unlawful exports

A former U.S. Army master sergeant pled guilty on 31 July 2012 for unlawfully exporting laser aimers and rifle scope – items that he acquired while deployed in Iraq – in violation of the AECA. According to the prosecutors’ announcement of the plea, the soldier, Fidel Ignacio Cisneros, brought all of these items back to Orlando and sold them over the Internet to a non-U.S. person and an arms broker. He faces up to 20 years in federal prison.

http://www.justice.gov/usao/flm/press/2012/july/20120731_Cisneros.html

House passes bill reforming export controls

On 17 July 2012, the U.S. House of Representatives passed a bill (HR 6018) that would reform the U.S. export control regime by, among other things, authorizing the president to remove commercial communications satellite and related technology from the ITAR’s U.S. Munitions List (‘USML’). Similar to another pending bill, the bill would permit commercial satellites to be controlled by the Commerce Department after the president certifies that such a shift

would not jeopardize national security and describes controls to mitigate any national security risk associated with the shift. Prohibitions on commercial satellite exports will remain in place against China, Iran, and other countries. The bill would also: 1) ‘prioritize the removal of militarily insignificant parts, components, accessories, and attachments from’ the USML; 2) allow the president to establish special licensing procedures for U.S. allies; 3) increase congressional notification thresholds for ITAR-controlled exports; and 4) require an enumeration of items removed from the USML. A similar bill is pending before the U.S. Senate.

<http://www.gpo.gov/fdsys/pkg/BILLS-112hr6018rfs/pdf/BILLS-112hr6018rfs.pdf>

Government officials lay out schedule for finalizing list changes

Speaking at the annual BIS Update conference, officials from both BIS and DDTTC set forth their intended schedule for finalizing transfer of items from the USML to CCL as part of the U.S. government’s reform of the U.S. export control regime. According to those officials, the first notification to Congress for removal of items from the USML, as required under Section 38(f) of the AECA, will be sent in September. The first congressional notification is likely to cover Category VIII (Aircraft), according to the same officials. Around the same time, the agencies hope to finalize rules addressing the definition of ‘specially designed’ and the treatment of items transferred from the USML to the CCL.

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