

Red Notice

A monthly update on global investigations and prosecutions

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ANTICORRUPTION DEVELOPMENTS

Credit Suisse Bankers Charged with FCPA Violations in Alleged Kickback Scheme

On January 3, 2019, three former Credit Suisse bankers were arrested in London and subsequently charged by indictment in the Eastern District of New York with four counts of conspiracy to violate the Foreign Corrupt Practices Act (FCPA), wire fraud, securities fraud and money laundering. Also charged are Mozambique's former finance minister, Manuel Chang, who was arrested in South Africa, as well as Jean Boustani, an executive of Privinvest, an Abu Dhabi-based marine projects company, who was arrested at JFK airport. Chang and Boustani were charged with wire fraud, securities fraud and money laundering.

The indictment alleges that, between 2013 and 2016, three Mozambican state-owned companies borrowed \$2 billion in loans arranged by Credit Suisse and other financial institutions. The loans were intended to benefit Mozambique by funding maritime projects and coastline protection. The indictment alleges that the Mozambican companies and Privinvest were used as fronts to enrich the Credit Suisse bankers, Chang and Boustani. In total, the Department of Justice (DOJ) alleges that \$200 million was siphoned from the loans for improper payments and kickbacks.

Credit Suisse confirmed in a statement that it is cooperating with authorities and that no charges have been brought against the bank. DOJ alleges that the scheme was concealed from Credit Suisse. Specifically, the bankers withheld information from Credit Suisse's compliance department to circumvent compliance procedures and used personal emails to conceal their fraudulent activities. Likewise, the U.K.'s Financial Conduct Authority ended an investigation into Credit Suisse in connection with the loans without bringing charges against the bank.

More information

- [Redacted Indictment](#)
- [The FCPA Blog](#)
- [The Wall Street Journal](#)

Former College Assistant Basketball Coach Pleads Guilty in NCAA Corruption Probe

On January 2, 2019, Tony Bland, a former assistant basketball coach for the University of Southern California (USC), pleaded guilty to conspiracy to commit bribery in federal court in the Southern District of New York. Bland admitted that he accepted cash in exchange for directing USC basketball players to retain the services of certain financial advisors and business managers. Two of Bland's alleged co-conspirators—Munish Sood, a financial advisor, and Christian Dawkins, who led a sports management company—have also been charged for their alleged role in the scheme. Bland is further alleged to have helped Dawkins and Sood facilitate the illicit payment of \$9,000 to the families of two student athletes in violation of NCAA rules. Sood previously pled guilty as part of a cooperation agreement. In addition, as covered by Red Notice in [October 2018](#), Dawkins is awaiting sentencing based on a separate conviction at trial for participating in a wire fraud scheme to make payments to the families of student athletes.

Bland has agreed to forfeit \$4,100 and will be sentenced on April 2, 2019, by Judge Edgardo Ramos. Bland was among four assistant basketball coaches charged in September 2017 as part of a corruption investigation into college basketball, covered previously by [Red Notice](#). The trial against Bland's co-defendants will commence on April 22, 2019.

More information

- [Unsealed Complaint](#)
 - [DOJ Press Release](#)
 - [The Wall Street Journal](#)
-

Colombia's Former Top Anticorruption Prosecutor Sentenced to Four Years

On January 2, 2019, Luis Gustavo Moreno Rivera, the former Colombian National Director of Anti-Corruption, was sentenced to four years in prison for soliciting an improper payment from Alejandro Lyons Muskus, a former Colombian governor. As previously reported by [Red Notice](#), Moreno and his lawyer, Leonardo Pinilla Gomez, pled guilty in August 2018 to conspiracy to launder money in order to promote foreign bribery.

Beginning in November 2016, Moreno and Pinilla approached Lyons, seeking a cash payment of \$132,000 in exchange for providing Lyons with confidential information about a corruption investigation targeting him in Colombia. In June 2017, Moreno and Pinilla traveled to Miami, Florida, and coordinated an in-person meeting with Lyons. Unbeknownst to Moreno, Lyons was a cooperating witness for the U.S. Drug Enforcement Agency and wore a wire during the meeting. In addition, Lyons recorded calls with Moreno where Moreno described how he could control the investigation in Colombia to benefit Lyons. Moreno has also pled guilty and been sentenced to five years in Colombia for extortion.

More information

- [DOJ Press Release](#)
 - [The FCPA Blog](#)
 - [The New York Times](#)
-

Communications Technology Company Settles FCPA Charges with SEC and Receives Declination with Disgorgement Letter from DOJ

On December 26, 2018, the Securities and Exchange Commission (SEC) announced that it had reached an agreement with Polycom, Inc., a California-based communications technology company, to settle alleged violations of the books and records and internal accounting controls provisions of the FCPA. Without admitting or denying the allegations,

Polycom agreed to pay nearly \$10.7 million in disgorgement, a civil penalty of \$3.8 million and more than \$1.8 million in prejudgment interest. The SEC found that, from 2006 through at least July 2014, senior-level employees at Polycom's China subsidiary offered substantial discounts to distributors and resellers, intending for the discounts to be used to make improper payments to Chinese government officials in order to secure orders for Polycom. These discounts were recorded outside of Polycom's accounting systems, and employees were instructed to avoid using their company email addresses to discuss sales opportunities.

Relatedly, on December 20, 2018, DOJ issued Polycom a declination with disgorgement letter in which DOJ declined to bring criminal charges against the company, and Polycom agreed to make additional disgorgement payments of \$10 million each to the U.S. Treasury and to the U.S. Postal Inspection Service Consumer Fraud Fund.

Polycom was acquired by Plantronics, Inc. on July 2, 2018, and is now a wholly owned subsidiary of Plantronics. In a statement, Plantronics noted that the conduct at issue in these matters took place prior to its acquisition of Polycom and that the involved individuals had since departed the company.

More information

- [SEC Press Release and Order](#)
 - [DOJ Declination with Disgorgement Letter](#)
 - [The Wall Street Journal](#)
 - [Plantronics Press Release](#)
-

Brazilian Power Company Settles FCPA Charges

On December 26, 2018, the SEC announced that it had simultaneously charged and settled alleged violations against Centrais Elétricas Brasileiras S.A. ("Eletrobras"), a Rio de Janeiro-based power company, involving the recordkeeping and internal accounting controls provisions of the FCPA. Eletrobras, which is majority-owned by the Brazilian government, agreed to pay a \$2.5 million penalty without admitting or denying the charges. According to the SEC, from 2009 to 2015, Eletrobras's nuclear power subsidiary, Eletrobras Termonuclear S.A, engaged in bid rigging, arranged improper payments, authorized unnecessary contractors and inflated costs related to construction of a nuclear power plant. Eletrobras executives were allegedly paid \$9 million in kickbacks as part of the scheme. In its press release, the SEC noted that Eletrobras undertook several remedial acts, including cooperating with the SEC's investigation, disciplining the involved employees, and adopting new anticorruption policies and procedures.

More information

- [SEC Press Release and Order](#)
 - [The FCPA Blog](#)
-

SFO Brings New Charges in Unaoil Investigation

On December 21, 2018, the U.K. Serious Fraud Office (SFO) announced that it had brought an additional charge of conspiracy to make corrupt payments against Stephen Whiteley, a former executive of Dutch oil services firm SBM Offshore, N.V. (SBM). Whiteley was previously charged by the SFO in November 2017 with one count of the same offense. The charges relate to the ongoing Unaoil investigation, which the SFO opened in 2016, concerning allegations of corrupt payments to secure Unaoil's engagement as a subcontractor for an oil pipeline project in Iraq.

More information

- [SFO Press Release – 2018](#)
- [SFO Press Release – 2017](#)

- [The FCPA Blog](#)
-

Former Alstom Executive Convicted in Lithuania Scheme

On December 19, 2018, a jury in London convicted a former global sales director for French power company Alstom SA, Nicholas Reynolds, for his part in an improper payment scheme to secure \$274 million worth of contracts related to a Lithuanian power plant. Reynolds was alleged to have participated in a scheme to provide more than \$5.7 million in payments to Lithuanian politicians and officials, including through falsification of Alstom's records. Alstom and several of its former employees have been under investigation by the SFO since 2009 on allegations of widespread corrupt activities in the power sector.

The company pleaded guilty in May 2016, paying almost \$23 million in fines to the SFO. In December 2014, Alstom pleaded guilty as part of an FCPA enforcement action into some of the same conduct being investigated by the SFO and agreed to pay a criminal penalty of \$772 million. Reynolds' conviction follows those of two other Alstom ex-executives in 2018, for their part in the same conduct. On December 21, Reynolds was sentenced to four and a half years in prison.

More information

- [SFO press release](#)
 - [Law360](#)
 - [The FCPA Blog](#)
-

Embraer Whistleblower Avoids Prison Time for Role in Payment Scheme

On December 14, 2018, Judge Alison J. Nathan of the District Court of the Southern District of New York sentenced Colin Steven to time served and a \$25,000 fine for his involvement in a corrupt scheme involving his former employer, Brazilian jet company Embraer SA. As reported in the December 2017 edition of Red Notice, Steven, a U.K. citizen living in the U.A.E., had pleaded guilty to violating the FCPA, as well as U.S. wire fraud and money laundering laws in December 2017. In 2013, Steven disclosed to Embraer that, in 2010, he had facilitated a payment to a Saudi Aramco official in exchange for the award of a contract to Embraer for three new jets. While Steven self-reported the improper payment, he did not initially disclose that he had accepted a kickback of \$130,000 as part of the payment to the Aramco official, which weighed against his record of cooperation.

In October 2016, Embraer reached a deferred prosecution with the DOJ and settled with the SEC and Brazilian authorities for \$205 million in fines, disgorgement and interest for allegations relating to the same conduct.

More information

- [DOJ press release](#)
 - [Law360](#)
 - [The FCPA Blog](#)
-

SEC Charges Organic Food Company with Internal Controls Failures

On December 11, 2018, the SEC announced a settlement with The Hain Celestial Group, an organic and natural food producer based in New York, to resolve charges that Hain lacked "internal controls" to monitor cash incentive programs run by Hain employees. These incentive programs encouraged the company's two largest distributors to purchase Hain products to help Hain meet quarterly targets, but, according to the SEC, Hain failed to sufficiently document these practices in its accounting records. Due to Hain's "extensive cooperation," the SEC did not impose a monetary fine and instead ordered Hain only to "cease and desist from further violations." The SEC also considered Hain's self-reporting and voluntary organizational changes. Hain neither admitted nor denied the SEC's findings

despite consenting to the SEC's order.

More information

- [SEC Press Release and Order](#)
 - [The Wall Street Journal](#)
-

DOJ Cooperator Pleads Guilty to Obstruction in Venezuela Corruption Case

On December 10, 2018, Alfonso Eliezer Gravina, a former procurement officer for Petroleos de Venezuela S.A. (PdVSA), pleaded guilty to one count of conspiracy to obstruct an official proceeding. After pleading guilty to separate charges in 2015, Gravina agreed to assist DOJ in its ongoing investigation of PdVSA concerning improper payments, an investigation previously covered by Red Notice in [September 2018](#) and [December 2018](#). Despite this, Gravina concealed facts during the investigation and told an unnamed co-conspirator that he was under investigation. Gravina also provided the same unnamed co-conspirator with information about the investigation that helped the co-conspirator destroy evidence and attempt to flee authorities. Gravina is one of 15 individuals who have pled guilty in connection with the government's investigation into PdVSA to date.

More information

- [DOJ Press Release](#)
 - [The FCPA Blog](#)
-

New York Builder Sentenced to Three Years for Improper Payments

On December 7, 2018, U.S. District Judge Valerie Caproni sentenced Steven Aiello, the president of COR Development Co., a real estate development company based in upstate New York, to three years in prison for his role in an improper payments scheme to obtain contracts. The scheme involved payments to a former top aide of New York Gov. Andrew Cuomo, Joseph Percoco, who, in September 2018, received six years in prison for accepting the payments. In addition to Aiello and Percoco, COR general counsel Joseph Gerardi was sentenced to two and a half years in prison for his role in this scheme and others. Judge Caproni stated during sentencing that she wanted the sentence to "serve as a warning to others who interact with government everywhere."

More information

- [DOJ Press Release](#)
 - [Law360](#)
-

Former Hong Kong Official Convicted for Participation in Corrupt Payment Scheme

On December 5, 2018, a jury in the Southern District of New York voted to convict Chi Ping Patrick Ho, Hong Kong's Home Affairs Secretary from 2002 to 2007, for violations of the FCPA and U.S. money laundering laws for his involvement in a scheme to provide corrupt payments to Senegalese and Chadian officials in exchange for oil and gas contracts for CEFC China Energy, with which Ho is affiliated. Red Notice previously reported on the allegations against Ho in [September 2018](#), discussing Ho's co-defendant, Cheikh Gadio, the former foreign minister of Senegal. As part of Ho's trial, it was revealed that charges against Gadio were dropped by DOJ as part of a nonprosecution agreement. Ho served as the head of an Arlington, Virginia-based NGO affiliated with CEFC China Energy, through which the corrupt payments were funneled. Ho's sentencing is scheduled for March 2019.

More information

- [DOJ Press Release](#)

- [The New York Times](#)
 - [CNN](#)
 - [The FCPA Blog](#)
-

First Individuals Charged in Panama Papers Investigation

On December 4, 2018, U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations announced the indictment of four individuals for their role in a fraudulent scheme—the first charges brought in the Panama Papers investigation. The now-unsealed indictment charged Panamanian attorney Ramses Owens, investment manager Dirk Brauer, accountant Richard Gaffey and U.S. resident Harald Joachim Von Der Goltz with numerous crimes, including wire fraud, tax fraud and money laundering. The indictment alleges that, from 2000-2017, Owens, Gaffey and Brauer assisted clients of the law firm Mossack Fonseca & Co., including Von Der Goltz, in concealing assets from the Internal Revenue Service by using foundations, shell companies and numerous bank accounts.

More information

- [ICE Press Release](#)
 - [DOJ Press Release](#)
 - [The New York Times](#)
-

Anticorruption Spotlight: World Bank Announces Debarment of Odebrecht S.A.'s Brazilian Construction Subsidiary

On January 29, 2019, the World Bank announced the three-year debarment of Construtora Norberto Odebrecht S.A., the Brazil-based construction and engineering unit of Odebrecht S.A. The debarment is based on fraudulent and collusive practices by the subsidiary during its participation in the \$487 million World Bank-financed Río Bogotá Environmental Recuperation and Flood Control Project, intended to assist the Colombian government in developing areas surrounding the Bogotá River while improving water quality and reducing flood risks. Construtora Norberto Odebrecht failed to disclose payments made to agents who helped the company obtain confidential information during the prequalification and bidding stages. The subsidiary also sought to exert improper influence during tender.

Construtora Norberto Odebrecht's settlement follows a 2016 guilty plea in which Odebrecht S.A. and its petrochemical subsidiary Braskem S.A. agreed to pay a \$3.5 billion global settlement with American, Brazilian and Swiss authorities in connection with making improper payments in numerous countries.

This debarment qualifies for cross-debarment by other Multilateral Development Banks under [the Agreement of Mutual Recognition of Debarments](#) that was signed on April 9, 2010. The list of all World Bank debarred entities and individuals is available [here](#).

More information

- [World Bank Press Release](#)
- [The FCPA Blog](#)

EXPORTS, SANCTIONS AND CUSTOMS ENFORCEMENT

U.S. Authorities Issue Indictments Against Huawei Technologies Co.

On January 29, 2019, the U.S. Department of Justice (DOJ) unsealed two indictments against Chinese telecommunications and information technology company Huawei Technologies Co. ("Huawei") and related entities and persons.

The first indictment, unsealed in the Eastern District of New York, contains 13 counts

against Huawei Huawei chief financial officer (CFO) Meng Wanzhou; and two Huawei affiliates, Huawei Device USA Inc. ("Huawei USA") and Skycom Tech Co. Ltd.. The indictment charges Huawei, Meng and Skycom with bank fraud, wire fraud, and conspiracies to commit both bank and wire fraud. Huawei and Skycom are additionally charged with violations of the International Emergency Economic Powers Act (IEEPA), conspiracy to commit violations of IEEPA and conspiracy to commit money laundering. Huawei and Huawei USA are charged with conspiracy to defraud the United States by "impairing, impeding, obstructing and defeating" the "functions and operations of OFAC" in its enforcement of sanctions laws and conspiracy to obstruct justice in relation to a grand jury investigation in the Eastern District of New York.

The second indictment, unsealed in the Western District of Washington, contains 10 counts charging Huawei and Huawei USA with conspiracy to commit theft of trade secrets and attempted theft of trade secrets from a partner U.S. business, wire fraud, and obstruction of justice in connection with official proceedings and grand jury proceedings in the Western District of Washington.

More information

- [DOJ indictment – Eastern District of New York](#)
 - [DOJ press release regarding Eastern District of New York indictment](#)
 - [DOJ indictment – Western District of Washington](#)
 - [DOJ press release regarding Western District of Washington indictment](#)
-

Huawei CFO Targeted for Extradition for Suspected Violations of Iran Sanctions

Meng was arrested at Vancouver International Airport in Canada on December 1, 2018, at the request of U.S. officials for her alleged involvement in a scheme to defraud financial institutions into making transactions in violation of U.S. sanctions against Iran. On January 29, 2019, the DOJ unsealed an indictment against Meng, Huawei and Huawei affiliates in the Eastern District of New York on multiple counts related to violating and conspiring to violate Iran sanctions (see story above). According to the DOJ press release, the U.S. government is seeking Meng's extradition to the United States.

More information

- [DOJ indictment](#)
 - [DOJ Press Release regarding indictment](#)
 - [Canadian Department of Justice Statement](#)
 - [The Wall Street Journal](#)
-

Record \$17 Million Penalty for Export Violations Imposed on Florida CEO

On December 12, 2018, Eric Baird, the former owner and chief executive officer (CEO) of a Florida-based package consolidation and shipping service, pled guilty to one count of felony smuggling and admitted to 166 administrative violations of U.S. export control laws as part of a global settlement with the DOJ and the U.S. Department of Commerce's Bureau of Industry and Security (BIS). BIS issued an Order outlining the administrative violations and imposing civil penalties of \$17 million, with \$7 million suspended, and a five-year denial of export privileges, of which one year is suspended. The civil penalty is the largest to be paid by an individual in BIS history.

Baird admitted to violations of the Export Administration Regulations (EAR) committed from August 1, 2011 through January 7, 2013, during his tenure as CEO of Access USA Shipping, LLC d/b/a MyUS.com ("Access USA"). Baird founded Access USA, which provided foreign customers with a U.S. address that they used to acquire U.S.-origin items for export without alerting U.S. merchants of the items' intended destinations. According to the DOJ, Baird also directed Access USA to declare incorrect values and descriptions of items on export documentation.

Additionally, according to the DOJ, Baird established and/or authorized Access USA's "personal shopper" program, under which Access USA employees falsely presented themselves to U.S. merchants as domestic end users to purchase export-controlled goods on behalf of Access USA's foreign customers. Baird also asked Access USA employees to open and use personal credit cards tied to personal addresses to complete these orders. In this manner, in some cases, the U.S. merchant completing the order was not aware that Access USA was involved in the transaction.

The settlement follows an earlier settlement between Access USA and BIS from February 2017, in which Access USA agreed to an administrative civil penalty of \$27 million, with \$17 million suspended.

More information

- [DOJ press release](#)
 - [BIS Press Release](#)
-

Chinese Company Settles 11 Apparent Violations of Iran Sanctions for \$2,774,972 and Four Violations of the EAR for \$600,000

On December 12, 2018, the U.S. Department of the Treasury's (the "Treasury") Office of Foreign Assets Control (OFAC) announced a \$2,774,972 settlement with Yantai Jereh Oilfield Services Group Co. Ltd. and its affiliated companies and subsidiaries worldwide ("Jereh Group"). The Jereh Group, headquartered in the city of Yantai, China, has agreed to settle potential civil liability for 11 apparent violations of the Iranian Transactions and Sanctions Regulations. On December 10, 2018, BIS issued an Order approving an agreement to settle four charges of alleged violations of the EAR for \$600,000. The Jereh Group's settlement with OFAC is concurrent with the settlement agreement between the Jereh Group and BIS.

The Jereh Group's alleged sanctions and export control violations involved the attempt to export/re-export by way of China U.S.-origin goods ultimately intended for end users in Iran. According to OFAC, the Jereh Group also exported certain U.S.-origin items with knowledge, or reason to know, that the items were intended for production of, for commingling with or for incorporation into goods made in China to be supplied, transshipped or re-exported to end users in Iran. OFAC also states in its Web Notice that two of the 11 shipments were seized by U.S. Customs and Border Protection prior to export from the United States, and that the goods in question included oilfield equipment, such as spare parts, coiled tubing strings and pump sets. BIS also settled one alleged violation for making a false statement in the course of an investigation.

OFAC determined that the Jereh Group did not voluntarily self-disclose the apparent violations and that the apparent violations constitute an egregious case. The Jereh Group's willful violations of U.S. sanctions on Iran, knowledge of the violations, obfuscation of the violations and commercial sophistication were deemed aggravating factors by OFAC. Mitigating factors included the Jereh Group's lack of previous sanctions history, disclosure and subsequent cooperation with OFAC, and completion of remedial steps and corrective actions.

More information

- [OFAC Settlement Agreement](#)
 - [OFAC Web Notice](#)
 - [BIS Order, Settlement Agreement, and Proposed Charging Letter](#)
-

Missouri Company Settles 26 Apparent Violations of Belarus Sanctions for \$7,772,102

On December 20, 2018, Zoltek Companies, Inc. of Missouri agreed to pay \$7,772,102 to settle its potential civil liability for 26 apparent violations of the Belarus Sanctions Regulations (BSR). Zoltek appears to have violated the BSR by dealing in the blocked

property of Belarusian entity J.S.C. Naftan, which OFAC added to its Specially Designated Nationals and Blocked Persons List (“SDN List”) in 2011 pursuant to Executive Order 13405, Blocking Property of Certain Persons Undermining Democratic Processes or Institutions in Belarus.

According to OFAC, Zoltek approved 26 purchases of acrylonitrile, a chemical used in the production of carbon fiber, between its Hungarian subsidiary and Naftan from 2012 to 2015. Zoltek continued to review and approve transactions with Naftan even after multiple senior managers within Zoltek acknowledged that Naftan was an OFAC-sanctioned party in February 2015.

OFAC determined that Zoltek voluntarily self-disclosed the apparent violations and that the apparent violations that occurred prior to February 2015 constitute a nonnegligent case. Separately, OFAC determined that the apparent violations that occurred after February 2015 constitute an egregious case. OFAC considered aggravating factors to include Zoltek’s “reckless disregard” for U.S. sanctions compliance, its knowledge of the violations after February 2015, the size and duration of the violations and consequent harm to the Belarus sanctions program, and Zoltek’s size and commercial sophistication. Mitigating factors included Zoltek’s lack of sanctions violations in the five years preceding the earliest violation, Zoltek’s self-disclosure and subsequent cooperation with OFAC, and its expansion and updating of its sanctions compliance program.

More information

- [OFAC Resource Page](#)
 - [OFAC Settlement Agreement](#)
 - [OFAC Web Notice](#)
-

Furniture Importer Charged with Evasion of Antidumping Duties in South Carolina

On January 8, 2019, the owners of Blue Furniture Solutions, LLC were charged in the U.S. District Court of South Carolina with evasion of antidumping duties on wooden bedroom furniture. The indictment alleges that, from January 2015 through November 2015, owners Yingquin Zeng and Alexander Cheng attempted to avoid antidumping duties on imports into the Port of Charleston, South Carolina. Zeng and Cheng allegedly knew that the importation of wooden bedroom furniture from China into the United States was subject to antidumping duties, but they still submitted entry forms and commercial documents falsely representing that their imports were not subject to antidumping duties. The owners also allegedly mislabeled the furniture and its packaging to avoid paying duties. The case is being investigated by U.S. Immigration and Customs Enforcement (ICE).

Blue Furniture was previously sued in July 2015 in the U.S. District Court for the Western District of Texas under the False Claims Act for the alleged evasion of antidumping duties owed on wooden bedroom furniture imported from China from 2011 through 2015. This civil suit is stayed until January 31 due to the criminal grand jury investigation in South Carolina.

More information

- [Blue Furniture indictment](#)
 - [International Trade Today](#) (subscription required)
 - [The Post and Courier](#)
-

L.A. Fashion District Executives and Their Import-Export Company Sentenced in Money Laundering Scheme

On December 18, 2018, the owners of Pacific Eurotex Corp., an import-export textile company based in the Los Angeles Fashion District, received federal prison sentences for their roles in “Black Market Peso Exchange” schemes to launder money for international drug cartels.

According to ICE, Pacific Eurotex received, laundered and structured approximately \$370,000 in bulk cash, which was delivered on four separate occasions over three months in 2013 by an undercover agent posing as a money courier. According to ICE, the company laundered this money after being specifically advised by ICE's Homeland Security Investigations special agents that bulk cash payments were frequently derived from illegal activity and that Pacific Eurotex was required to report cash transactions involving more than \$10,000 in currency. The defendants admitted that, as part of the money laundering scheme, they instructed other individuals to deposit the cash into the personal U.S. bank account of one of their wives. In total, 384 deposits totaling nearly \$3.18 million were divided into increments of less than \$10,000 to prevent the U.S. bank from filing a currency transaction report with the U.S. Treasury Department.

Morad "Ben" Neman, the company's CEO, was sentenced to two years in federal prison and six months of home confinement and is jointly liable with the company to forfeit nearly \$3.18 million to the U.S. government. Hersel Neman, the company's CFO, was sentenced to 18 months in federal prison and six months of home confinement and is liable to forfeit approximately \$370,000. Pacific Eurotex was sentenced to three years of probation and fined \$400,000 for conspiring to launder money and conspiring to structure monetary transactions with a domestic financial institution.

More information

- [ICE Press Release](#)
- [DOJ Press Release](#)

EXPORTS, SANCTIONS AND CUSTOMS DEVELOPMENTS

OFAC Delists Three Ukraine-/Russia-Related Entities; Temporarily Extends General Licenses

On January 27, 2019, OFAC announced the lifting of sanctions imposed upon EN+ Group PLC, United Company RUSAL PLC and JSC EuroSibEnergo (ESE). The three entities were initially designated for being owned or controlled, directly or indirectly, by Oleg Deripaska, one of seven prominent Russian businessmen designated by OFAC on April 6, 2018. According to OFAC's press release, the terms of the removals have reduced Deripaska's ownership interest and severed his control by ensuring that a majority of the board of directors of EN+ and RUSAL will be independent with no business, professional or family ties to Deripaska or any other person or entity on the SDN List; ensuring that a significant bloc of shares in EN+ are voted by independent U.S. persons; and providing "unprecedented transparency" for the Treasury into the operations of EN+, RUSAL and ESE on account of extensive and ongoing auditing, certification and reporting requirements. OFAC notified Congress of its intention to delist the three entities on December 19, 2018.

More information

- OFAC [Press Release](#) and [Web Notice](#) (Ukraine-/Russia-Related Designation Removals)
- OFAC [Press Release](#) and [Web Notice](#) (Notice of Intent to Delist)
- [Notification to Congress of Intent to Delist](#)
- OFAC [Press Release](#) and [Web Notice](#) (GL Extensions, December 7)
- [Red Notice - November 2018](#)

OFAC Adds Venezuela's State-Owned Oil Company Petroleos de Venezuela, S.A. to SDN List

On January 28, 2019, OFAC added Petróleos de Venezuela, S.A. (PdVSA) to its SDN List. PdVSA is a Venezuelan state-owned oil company and a primary source of Venezuela's income. In conjunction with the January 28, 2019, designation, OFAC issued eight general licenses authorizing certain transactions by U.S. persons that involve PdVSA and its

affiliates, and amended an existing general license authorizing transactions involving certain Venezuelan bonds. As of January 30, OFAC has not yet issued Frequently Asked Questions (FAQ) regarding this action, but it has indicated that it expects to issue guidance in the near term. It remains unclear when this will occur, but it is normal agency practice for OFAC to issue guidance on significant actions such as this designation.

In its press release, OFAC stated that the designation “need not be permanent” and that it will “consider lifting sanctions for those who take concrete, meaningful, and verifiable actions to support democratic order and combat corruption in Venezuela, including PdVSA.”

More information

- [January 25, 2019 Executive Order](#)
 - OFAC [Press Release](#) and [Web Notice](#)
 - [OFAC List of Related General Licenses](#)
-

OFAC Adds Iranian Bitcoin Exchangers’ Names and Wallet Addresses to SDN List; Ushers in “New Approach” to Sanctions Enforcement

On November 28, 2018, OFAC designated two Iran-based individuals who helped exchange cryptocurrency (bitcoin) into fiat currency on behalf of alleged ransomware perpetrators who targeted U.S. businesses and municipal institutions. OFAC also, for the first time, attributed specific cryptocurrency wallet addresses to these designated individuals, thereby prohibiting transactions to or from the addresses identified, among other requirements. This action follows the Treasury’s Financial Crimes Enforcement Network’s (“FinCEN”) October 2018 advisory, in which FinCEN warned financial institutions of the use by actors such as the government of Iran of digital currency to circumvent U.S. sanctions. In a speech on December 3, 2018, Treasury Undersecretary Sigal Mandelker heralded the designations and wallet associations as a “new approach” to sanctions enforcement in the context of digital currency and related networks. As a result of this action, persons that transact with either SDN could be subject to sanctions.

OFAC simultaneously released two new FAQs articulating requirements and suggested methods for blocking access to, and holding, digital currency of an SDN, including creating wallet addresses specifically for consolidated holdings of blocked property.

OFAC’s attribution of specific wallet addresses to SDNs adds complexity and uncertainty to ordinary “know your customer” and sanctions diligence, since the addition of such addresses may require digital currency users to assess relationships between the published addresses and those of past or future counterparties.

More information

- [Akin Gump Client Alert](#)
- [OFAC Press Release \(Designations\)](#)
- [OFAC FAQs](#)
- [Akin Gump Client Alert regarding FinCEN Advisory](#)
- [Treasury Press Release \(Mandelker Speech\)](#)

GLOBAL INVESTIGATIONS RESOURCES

- [Launch of the “Prague Rules”: an Attempt to Improve Efficiency in International Arbitration](#)
- [OFAC Adds Iranian Bitcoin Exchangers’ Names and Wallet Addresses to SDN List, Ushers in “New Approach” to Sanctions Enforcement](#)
- [Germany Tightens Rules on Foreign Direct Investment](#)
- [USTR Grants First Product Exclusion Requests from Section 301 Tariffs](#)
- [Yates Memo Revisions Encourage Cooperation, but Fail Fully to Achieve a Common-](#)

[Sense Approach to Civil Enforcement](#)

- [DHS Proposes New H-1B Prefiling Registration System and Changes to H-1B Lottery](#)
- [ICSID Rules Reform: Public Comments Are Due Before the End of December](#)
- [Brexit is Not a Done Deal: UK Can Unilaterally Revoke Article 50](#)
- [New U.S. Sanctions Regime Targeting Nicaragua](#)

WRITING AND SPEAKING ENGAGEMENTS

On February 5, 2019, [Jonathan Poling](#), [Nicole D'Avanzo](#) and [Alexis Guinan](#) will host a U.S. Sanctions & Export Controls CLE session in Bridgewater, NJ.

On February 5, 2019, [Jasper Helder](#) will speak on the panel "Complying with EU Sanctions: Enforcement of the Blocking Rule – an Industry Perspective" at the Nielsonsmith Compliance Week USA: GDPR, European, EU and EU Member State Trade Controls Compliance for North American Companies – Reach Out Summit, in Washington, D.C.

On February 13, 2019, [Kevin Wolf](#) will be a keynote speaker at the Society for International Affairs' Annual Volunteer of the Year/Speaker of the Year luncheon in Washington, D.C.

If you would like to invite Akin Gump lawyers to speak at your company or to your group about anticorruption law, compliance, cybersecurity, enforcement and policy or other international investigation and compliance topics, please contact Jaime Sheldon at +1 212.407.3026 or [email](#).

[More information](#) for lawyers in the global investigations and compliance practice.

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