

Red Notice

A monthly update on global investigations and prosecutions

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ANTICORRUPTION DEVELOPMENTS

Former Hong Kong Official Sentenced to Three Years for Role in Corrupt Payment Scheme

On March 25, 2019, United States District Judge Loretta A. Preska for the Southern District of New York sentenced Chi Ping Patrick Ho, Hong Kong's Home Affairs Secretary from 2002 to 2007, to three years in prison for violating the Foreign Corrupt Practices Act (FCPA) and U.S. money laundering laws. As previously covered by [Red Notice](#), Ho was convicted in December 2018 for his involvement in a scheme to provide corrupt payments to Ugandan and Chadian officials in exchange for oil and gas contracts for CEFC China Energy Company Limited ("CEFC China"). Ho, who served as the head of a Virginia-based non-governmental organization (NGO) affiliated with CEFC China, caused at least \$1 million in improper payments to be paid to high-ranking Ugandan government officials, including Ugandan President Yoweri Museveni, and offered \$2 million in cash to Idriss Déby, the President of Chad. In addition to his sentence, Ho has been ordered to pay \$400,000 in restitution.

More information

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

Former Auto Union Official Charged in Corruption Scheme with Fiat Chrysler

On March 18, 2019, the Department of Justice (DOJ) charged Norwood Jewell, the former vice president for the United Auto Workers union (UAW) – a Detroit, Michigan based labor union, with conspiracy to violate the Labor Management Relations Act. Jewell's charges are part of a federal probe that has uncovered more than \$4.5 million in benefits improperly taken for personal gain by UAW and Fiat Chrysler Automobiles (FCA) officials, dating back to 2009. Jewell headed the FCA unit from 2014 to 2016 and is the highest-

ranking UAW official charged to date.

In his position, Jewell controlled payments for the FCA's training center. Jewell allegedly accepted improper payments and gifts and approved UAW officials to use the training center's credit card for expensive dinners, golf outings and other personal purchases in excess of \$40,000. Jewell's conspiracy charge was filed as a criminal information, and Jewell pleaded guilty on April 2, 2019. His sentencing is scheduled for August 5, 2019. To date, the four-year investigation has resulted in eight convictions, including that of former Fiat Chrysler executive Alphons Iacobelli, who is serving a 5 ½-year prison sentence for his role in the scheme.

More information

- [Jewell Information](#)
 - [The Wall Street Journal](#)
 - [The New York Times](#)
 - [Bloomberg](#)
-

Fifty People Charged in College Admission Corruption Scam

On March 12, 2019, the DOJ unsealed indictments against 50 college coaches, administrators and parents—including prominent figures in law, business and entertainment—in connection with a scheme to use improper payments, falsified college entrance exam scores and false athletic credentials to secure college admission. The charges include racketeering conspiracy, money laundering conspiracy, conspiracy to defraud the United States, conspiracy to commit mail fraud and honest services mail fraud, and obstruction of justice.

William “Rick” Singer, who pleaded guilty on March 12, was a college admissions consultant who ran Edge College & Career Network. Singer was the alleged mastermind behind the scheme to get children admitted into colleges like Yale, Stanford, Wake Forest, Southern California and Georgetown. In September 2018, Singer began cooperating with federal investigators.

According to the Federal Bureau of Investigation (FBI), Singer funneled \$25 million in corrupt payments through a charitable organization he created called The Key Worldwide Foundation (the “Foundation”). Clients disguised their payments as donations to the Foundation, which were then routed to entrance exam proctors, college administrators and others who helped students secure admission. Payments typically ranged between \$15,000 and \$75,000; however, one family allegedly paid \$6.5 million.

On March 25, 2019, the U.S. Department of Education wrote letters to eight universities alerting them of an investigation and requesting information. The Department of Education Student Aid Enforcement Unit is tasked with leading the investigation.

More information

- [DOJ Press Release](#)
 - [FBI Affidavit](#)
 - [The New York Times](#)
 - [The Wall Street Journal](#)
-

DOJ Assistant FCPA Chief Discusses “Meat-and-Potatoes” Cases, a “Global Awakening” and the Impact of New Technologies on Evaluations of Corporate Compliance

On March 12, 2019, the Assistant Chief of DOJ's FCPA Unit, Ephraim (Fry) Wernick, spoke at an event presented by Dow Jones Risk & Compliance about DOJ's continued pursuit of individuals in FCPA actions, the importance of foreign government cooperation to the FCPA Unit's work, and the need for companies to continually adapt their compliance programs to the unique features of their businesses and technological developments. A

complete write up of Fry's remarks is available [here](#).

More information

- [Client Alert](#)
-

Jury Convicts Former Mayor in Wire Fraud Scheme

On March 7, 2019, the former mayor of Richardson, Texas and her husband, a land developer, were convicted of federal conspiracy violations by a jury following a three-week trial before U.S. District Judge Amos Mazzant in the Eastern District of Texas. Laura Jordan *née* Maczka was found guilty of conspiracy to commit honest services wire fraud, honest services wire fraud, conspiracy to commit bribery concerning a program receiving federal funds and bribery concerning a program receiving federal funds. Her husband, Mark Jordan, was found guilty of conspiracy to commit honest services wire fraud, honest services wire fraud, conspiracy to commit bribery concerning a program receiving federal funds and bribery concerning program receiving federal funds.

According to the indictment, between 2013 and 2015, when Ms. Jordan was mayor, she repeatedly voted in favor of zoning changes that benefited Mr. Jordan's company, JP Realty Partners LP. The indictment alleged that in exchange for her votes, Ms. Jordan received over \$58,000 by cash and check, renovations to her home, luxury hotel stays, airfare upgrades and a position at one of Mr. Jordan's companies. Ms. Jordan omitted these items from her conflicts disclosure statement, and made false statements to the Richardson City Council and Internal Revenue Services to conceal receipt of the items of value. Under federal statutes, the Jordans each face up to 20 years in federal prison at sentencing.

More information

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

DOJ Announces FARA Enforcement a Priority

On March 6, 2019, Assistant Attorney General for National Security John C. Demers, spoke at the ABA's Annual National Institute on White Collar Crime and announced that enforcement of the Foreign Agents Registration Act would be a priority for DOJ. Demers also announced that DOJ had hired Brandon Van Grack to lead the unit. Van Grack most recently worked for special counsel Robert Mueller and previously had been a prosecutor in the National Security Division of Justice as well as with the Eastern District of Virginia.

More information

- [The New York Times](#)
 - [Law360](#)
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CFTC Announces it will Investigate and Prosecute FCPA Violations

On March 6, 2019, the Commodity Futures Trading Commission (CFTC) announced that it would investigate and prosecute FCPA violations and that companies who self-disclose violations of the FCPA to the CFTC would be eligible for declinations in circumstances similar to DOJ's Corporate Enforcement Policy. In remarks before the ABA's Annual National Institute on White Collar Crime, CFTC enforcement chief James McDonald announced the change in policy.

More information

- [CFTC Enforcement Advisory](#)
- [FCPA Blog](#)

Russia's Largest Mobile Phone Company Settles with SEC and DOJ over FCPA Charges and DOJ Indicts Uzbek Telecommunications Official

On March 6, 2019, the DOJ and the Securities and Exchange Commission (SEC) announced that they had reached a settlement agreement with Moscow-based Mobile TeleSystems PJSC (MTS) and its wholly owned Uzbek subsidiary, Kolorit Dizayn Ink LLC (KOLORIT), to resolve charges alleging violations of the FCPA. The telecommunications giant was alleged to have participated in a corrupt scheme to pay Uzbek officials in exchange for business opportunities in the Uzbek market and with the national telecommunications authorities. MTS is an issuer of publicly traded securities in the U.S. and is therefore subject to FCPA enforcement. MTS agreed to pay a joint penalty of \$850 million, retain a monitor for at least 36 months and entered into a deferred prosecution agreement with the DOJ. KOLORIT pleaded guilty to one count of conspiracy to violate the anti-bribery and books and records provisions of the FCPA.

In related actions, on March 7, 2019, the DOJ unsealed indictments against a former Uzbek telecommunications official as well as the daughter of the former president of Uzbekistan, Gulnara Karimova, on one count of conspiracy to commit money laundering as part of the corrupt payment scheme involving MTS and others. Karimova is alleged to have accepted improper payments of more than \$865 million. In the same indictment, the former CEO of another MTS subsidiary, Bekhzod Akhmedov, was charged with one count of conspiracy to violate the FCPA, two counts of violating the FCPA and one count of conspiracy to commit money laundering.

More information

- [SEC Press Release](#) (MTS)
- [DOJ Press Release](#)
- [MTS Press Release](#)
- [FCPA Blog](#) (MTS)
- [FCPA Blog](#) (Karimova)

Former Adidas Executive Sentenced to Nine Months in NCAA Corruption Probe

On March 5, 2019, Jim Gatto, the former Director of Global Basketball Sports Marketing for Adidas; Merl Code, a former Adidas consultant; and Christian Dawkins, an aspiring NBA agent, were sentenced in the Southern District of New York by U.S. District Judge Lewis A. Kaplan. Gatto was sentenced to nine months in jail, while Code and Dawkins each received sentences of six months. As previously covered in the [Red Notice](#), on October 24, 2018, after a three-week trial and over two days of jury deliberations, Gatto was found guilty of three counts of wire fraud, whereas Code and Dawkins were each convicted of two counts of wire fraud. The charges stemmed from the three men brokering a deal to pay \$100,000 to the father of a former recruit if his son attended the University of Louisville. Gatto was also convicted for arranging similar deals to steer recruits to the University of Kansas and North Carolina State University. In court during sentencing, all three men admitted to violating NCAA rules, but denied committing any federal crimes. The three men announced in October that they are appealing their convictions.

Dawkins faces another trial in April 2019 on related charges, and criminal and civil litigation are also pending against Code.

More information

- [DOJ Press Release](#)
- [Law360](#)
- [The Wall Street Journal](#)

On March 5, 2019, the FBI announced it had created a new Miami-based International Corruption Squad (the “Miami Squad.”) The creation of the Miami Squad follows similar FBI units in New York, Los Angeles and Washington, D.C. These international corruption units focus on combating foreign corruption, kleptocracy and international antitrust matters that bear a nexus to the United States. The Miami Squad will focus on investigating money laundering and corruption in Miami and South America. The announcement noted that the Miami Squad will be staffed with “senior agents, forensic accountants, and personnel who have extensive experience conducting complex white-collar crime and corruption investigations.” The Miami Squad began operations in March.

More information

- [FBI Press Release](#)
 - [The Associated Press](#)
-

DOJ to Repatriate Millions in Kyrgyz Assets Obtained Through Corruption

On February 26, 2019, the DOJ announced the repatriation of assets to the government of the Kyrgyz Republic. The funds were stolen by the former president of Kyrgyzstan Kurmanbek Bakiyev and his son Maxim Bakiyev, and were identified as part of the criminal prosecution of Eugene Gourevitch for insider trading in the U.S. District Court for the Eastern District of New York. A \$6 million forfeiture order was subsequently entered, after which the Kyrgyz government filed a Petition for Remission with the DOJ under the Kleptocracy Asset Recovery Initiative, claiming that the funds subject to the forfeiture order traced back to monies stolen from Kyrgyz state authorities and other banking institutions. On October 4, 2018, the DOJ granted the remission petition.

To date, approximately \$4.5 million of the funds have been collected and approved for repatriation. These funds will be deposited in the account of the treasury of the government of the Kyrgyz Republic, which has announced that the funds will go towards public projects focused on anti-corruption and transparency.

More information

- [DOJ Press Release](#)
 - [Akin Gump Press Release](#)
 - [The Wall Street Journal](#)
 - [FCPA Blog](#)
-

Ninth Circuit Holds that FCPA Provisions Are Not “Rules or Regulations” under SOX

On February 26, 2019, the U.S. Court of Appeals for the 9th Circuit issued a ruling interpreting the Sarbanes-Oxley Act (SOX), and holding that the FCPA provisions do not constitute a “rule” or “regulation” within the meaning of Section 806 of SOX, which prohibits retaliation against employees who lawfully report potential violations of “any rule or regulation” of the SEC. The case – generating a rare opinion discussing the FCPA provisions – arises from California-based Bio-Rad Laboratories’ 2014 settlement regarding violations of the FCPA books and records provisions for conduct in Russia, Vietnam and Thailand. While Bio-Rad negotiated a resolution for those violations in 2013, Sanford Wadler, the former general counsel of Bio-Rad, claimed that he was fired in retaliation after he reported additional concerns to the company’s audit committee of potential FCPA violations in Bio-Rad’s operations in China. To make out his retaliation claim, Wadler argued that the FCPA books-and-records provisions were encompassed by Section 806 of SOX. At trial, a jury awarded Wadler \$10.92 million on this and other claims against Bio-Rad.

On appeal, the 9th Circuit held that the jury was improperly instructed in reaching its verdict because the terms “rule” and “regulation,” in this context, “refer only to administrative rules or regulations” and not to statutes enacted by Congress like the

FCPA. Nonetheless, the Court held that a reasonable jury could have found for Wadler on his retaliation claim in light of the SEC's own prohibition of the falsification of corporate books and records. The Court remanded the case to the trial court for further proceedings.

More information

- [Ninth Circuit Opinion](#)
 - [FCPA Blog](#)
-

Jury Acquits Elevator Operator Accused of Improper Payment Scheme

On February 22, 2019, a federal jury in the Northern District of Illinois acquitted an elevator operator accused of making improper payments to an employee of the University of Illinois in order to secure business contracts. Suzy Tamras-Martin, the president and owner of Smart Elevators Co., was acquitted by the jury over prosecutors' claims that from 2013 to 2015 she made 29 improper payments to university employee James Hernandez, totaling approximately \$200,000. Hernandez pleaded guilty in January 2019 to both conspiracy and accepting improper payments and is scheduled to be sentenced in April 2019.

More information

- [Law360](#)
-

Anticorruption Spotlight: SEC Issues Whistleblower Determinations

On March 26, 2019, the SEC announced that it was issuing whistleblower awards totaling \$50 million to two whistleblowers. One whistleblower was awarded \$37 million, the third-highest whistleblower award ever paid by the SEC. The second whistleblower received an award of \$13 million.

On March 6, 2019, the SEC announced that it would deny two claimants' requests for whistleblower awards. Both claimants failed to timely file claims for awards within the 90-day period. The two claimants respectively filed their claims 11 months and more than two years late, stating that they were unaware of the deadline or believed that claims were not yet due.

The SEC has made a total of 61 whistleblower awards since it first began the practice in 2012. Awards totaling more than \$376 million have been paid for whistleblower information.

Whistleblower awards—provided for under the Dodd-Frank Act—can range from 10 to 30 percent of the money collected when monetary sanctions from a successful enforcement exceed \$1 million. Notices of Covered Actions—enforcement actions with sanctions greater than \$1 million—are posted on the SEC's website, and claims must be submitted within 90 days of such posting.

More information

- [SEC Press Release and Order – March 26](#)
 - [The Wall Street Journal](#)
 - [SEC Order – March 6](#)
-

Anticorruption Spotlight: CFTC Issues Whistleblower Award

On March 4, 2019, the Commodity Futures Trading Commission (CFTC) announced the award of \$2 million to an individual whistleblower. In this matter, the whistleblower provided "critical information through independent analysis of market data" that helped the CFTC pursue an enforcement action as well as another unnamed regulator. Notably, Christopher Ehrman, Director of the CFTC's Whistleblower Office, stated that the award demonstrates

“two key aspects of our Whistleblower Program — that an individual doesn’t have to be an insider to receive a whistleblower award and the Commission can pay awards based on related actions brought by other regulators.”

Since issuing its first award in 2014, through 2018, the CFTC has awarded more than \$85 million to whistleblowers. The awards are provided for under the Dodd-Frank Act and can range from 10 to 30 percent of the money collected from monetary sanctions in an eligible enforcement action by the CFTC or other federal regulators.

More information

- [CFTC Press Release](#)
- [FCPA Blog](#)

Anticorruption Spotlight: Canadian Securities Regulator Issues First Whistleblower Awards

On February 27, 2019, the Ontario Securities Commission (OSC) announced it had awarded a total of \$7.5 million Canadian dollars (\$5.6 million USD) to three whistleblowers in separate enforcement actions. The OSC’s Whistleblower Program is the first such program for Canadian regulators, which came into effect in July 2016. According to the OSC, since its inception, the whistleblower program has yielded 200 tips regarding potential violations of Ontario securities laws.

The OSC policy is similar to the SEC’s whistleblower program, provided for under the Dodd-Frank Act, although awards under the OSC policy are not contingent on the collection of a monetary sanction following a successful enforcement action by the OSC, and awards are capped at \$5 million Canadian dollars (\$3.7 million USD). The OSC did not release the amounts awarded to each of the individual whistleblowers, nor did it provide any information regarding the enforcement actions to which the awards pertain, consistent with provisions to protect the confidentiality of whistleblowers in the policy.

More information

- [OSC Press Release](#)
- [OSC Whistleblower Policy](#)

EXPORTS, SANCTIONS AND CUSTOMS ENFORCEMENTS

Connecticut Company Settles Apparent Violations of U.S. Sanctions for \$1.8 Million

On March 27, 2019, the United States Department of the Treasury’s Office of Foreign Assets Control (OFAC) announced a settlement with Stanley Black & Decker, Inc., a company based in New Britain, Connecticut, regarding alleged violations of the Iranian Transactions and Sanctions Regulations (ITSR). According to OFAC’s announcement, Stanley Black & Decker, on behalf of itself and its subsidiary located in China, Jiangsu Guoqiang Tools Co. Ltd. (GQ), agreed to pay \$1,869,144 to settle allegations that between June 2013 and December 2014 GQ exported and attempted to export 23 shipments of power tools and spare parts to Iran or to a third country with knowledge that such goods were intended specifically for supply, transshipment or re-exportation, directly or indirectly, to Iran. Stanley Black & Decker voluntarily self-disclosed the 23 apparent violations on behalf of GQ.

In 2011, Stanley Black & Decker purchased GQ. During the preceding diligence and negotiations, Stanley Black & Decker made ceasing sales to Iran a prerequisite for closing. GQ’s representative agreed to this condition. Accordingly, in May 2013, Stanley Black & Decker acquired a 60-percent interest in GQ and created a joint venture with the firm. Stanley Black & Decker then held a series of trainings for GQ’s employees on export and sanctions compliance.

Nonetheless, GQ continued to export goods to Iran throughout 2013 and 2014. GQ board

members and senior management knew of these exports and that they violated Stanley Black & Decker's internal policies as well as U.S. sanctions. GQ utilized six trading companies in China and the United Arab Emirates as conduits for these sales, created fictitious bills of lading with incorrect ports of discharge and places of delivery, and instructed their customers not to write "Iran" on business documents, such as bills of lading.

Stanley Black & Decker completed an internal investigation once it became aware of this activity and reported the matter to OFAC. OFAC determined that the apparent violations constituted an egregious case. In determining the settlement amount, OFAC weighed various aggravating and mitigating factors. Aggravating factors included that GQ's management acted willfully, GQ conferred an economic benefit to Iran over an 18-month period and therefore harmed the objectives of the ITSR, and GQ is a large, sophisticated company. Mitigating factors included the fact that neither Stanley Black & Decker nor GQ received an OFAC penalty notice over the previous five years, Stanley Black & Decker promptly halted all GQ exports upon learning of the apparent violations, and Stanley Black & Decker cooperated with OFAC's investigation by promptly responding to requests for information, performing a thorough internal investigation and signing multiple tolling agreements.

More information

- [OFAC Web Notice](#)
 - [OFAC Press Release](#)
-

DOJ Settles Civil Fraud Claims with Wholesaler over Undervalued Garment Imports

On March 26, 2019, the Department of Justice (DOJ) settled civil fraud claims against Byer California, Inc. ("Byer"), a designer, manufacturer and importer of women's apparel. Between 2009 and 2013, one of Byer's importers, Queen Apparel NY, Inc. ("Queen"), repeatedly falsified customs forms by undervaluing foreign-manufactured garments and thereby reduced the import duties owed to the United States. Byer admitted that it had reviewed copies of documents that Queen submitted to the CBP and that it was aware that Queen had grossly undervalued the garments and underpaid duties on the imported garments. Byer admitted it was "substantially certain" that Queen presented entry forms to the CBP that contained false valuations and that Byer had nonetheless made no attempt to alert the CBP or stop using Queen as an importer. Byer agreed to pay \$325,000 to the United States to settle the claims.

This case stems from a whistleblower complaint under the False Claims Act. According to the DOJ press release, another civil fraud suit against Queen and its owner, Hank Choi, was filed on February 19, 2019, and is currently pending.

More information

- [Stipulation and Settlement Order](#)
 - [DOJ Press Release](#)
-

California Lighting Company Smuggled Hazardous Headlights, CBP Says

On March 19, 2019, the CBP filed a lawsuit in the U.S. Court of International Trade against Atria Corporation ("Atria"), a California-based lighting distributor, claiming that the company and its owner should pay over \$1.9 million in penalties for attempting to enter illegal high-intensity discharge (HID) car headlight conversion kits into the United States. According to the complaint, Atria and its owner, Chu-Chiang "Kevin" Ho, twice attempted to smuggle conversion kits into the United States in 2014, despite knowing that the products did not meet the Department of Transportation's Federal Motor Vehicle Safety Standards for headlights.

The complaint alleged that Atria and Ho made false declarations and statements to the

CBP by improperly classifying the headlights as inverters and by submitting documents to the CBP that described the HID headlight conversion kits as ballasts for home track lighting fixtures. The CBP issued pre-penalty notices in June 2018, which proposed a penalty of \$1.9 million for a fraudulent violation of 19 U.S.C. § 1592 (and alleging gross negligence and negligence in the alternative), but neither party responded. The CBP then issued penalty notices to Atria and Ho for \$1.9 million on June 21, 2018, to which neither party responded or made any payment. The suit seeks over \$1.9 million in penalties, which represents the CBP's calculation of the domestic value of the two shipments. Alternatively, the suit seeks over \$760,000 or over \$380,000 if Atria and Ho are found liable for gross negligence or negligence, respectively.

More information

- [Law360](#)
- [Complaint](#)

Joint EPA, CBP Operation Results in over \$500,000 in Fines for Imported Vehicle Emissions Issues

On March 12, 2019, and as a result of ongoing joint operations with the U.S. Customs and Border Protection (CBP), the U.S. Environmental Protection Agency (EPA) announced enforcement actions involving \$530,199 in fines related to over 10,000 foreign-made engines and vehicles imported through southern California ports. The joint CBP-EPA operation, which started in 2014, seeks to identify foreign-made engines and vehicles that lack certification or proper emission controls and are imported at the ports of Los Angeles and Long Beach.

According to its press release, the EPA found that five companies imported over 5,400 engines and vehicles without emissions certifications or proper emissions controls that are required under the Clean Air Act. The companies paid a total of over \$360,000 in fines and were required to ship the vehicles out of the United States. The EPA also found that an additional 19 companies imported over 4,800 illegal motorcycles, scooters, marine engines, ATVs, generators, jackhammers and other engines from China. Those companies paid total fines of over \$160,000 and were also required to ship the products out of the United States.

More information

- [EPA Press Release](#)
- [International Trade Today](#)

EXPORTS, SANCTIONS AND CUSTOMS DEVELOPMENTS

Client Alert: Recent U.S. Sanctions Designations Create Additional Risks for Companies Doing Business with Venezuela

The United States government has ratcheted up sanctions against Venezuela in an effort to apply increasing pressure on the Maduro regime, resulting in additional risk for both U.S. and non-U.S. companies with ongoing or potential business in or with the country. These actions follow the designation of Venezuelan state-owned oil company PdVSA on January 28.

Specifically, the Trump administration designated Moscow-based bank Evrofinance as a Specially Designated National (SDN) for supporting PdVSA and engaging in alleged sanctions circumvention activities. This action highlights risks for non-U.S. companies that provide financial support to SDNs or blocked persons or otherwise support the Maduro regime. In addition, the administration designated as SDNs several major state-owned companies operating in the financial and metals sectors of Venezuela.

Furthermore, the U.S. House of Representatives passed two bills on March 25, 2019, with overwhelming bi-partisan support that, if enacted into law, would further restrict the

Maduro regime's access to U.S. munitions and dual-use items, as well as apply scrutiny to any potential Russian acquisition of the U.S. energy infrastructure holdings of CITGO, a PdVSA subsidiary.

Our client alert summarizes these recent actions, as well as other recent Venezuela-related sanctions developments.

More information

- [Client Alert](#)
 - [OFAC Press Release – Evrofinance](#)
 - [OFAC Press Release – Mining Designation](#)
 - [OFAC Press Release – BANES](#)
 - [February 6 Client Alert](#)
 - [February 13 Client Alert](#)
-

OFAC Updates Syria Shipping Advisory

On March 25, 2019, OFAC, together with the Department of State and the U.S. Coast Guard, updated its November 2018 advisory to the maritime petroleum shipping community, warning of the significant U.S. sanctions risks for parties involved in petroleum shipments to the government of Syria. The advisory's list of deceptive practices used to hide the destination of Syria-bound petroleum now includes vessel name changes and recommended risk mitigation measures now include know-your-customer due diligence and insurance-related risk monitoring. The updated advisory also includes major updates to its annex, adding dozens of vessels that have delivered petroleum to Syria since 2016, engaged in ship-to-ship transfers of petroleum likely destined for Syria or exported Syrian petroleum.

More information

- [OFAC Press Release](#)
 - [OFAC Updated Shipping Advisory](#)
 - [OFAC Web Notice](#)
 - [Red Notice – November 2018](#)
-

OFAC Updates North Korea Designations and Shipping Advisory

On March 21, 2019, OFAC updated its Specially Designated Nationals and Blocked Persons List (SDN List) to add two China-based shipping companies that, according to OFAC's press release, have helped North Korea evade sanctions, respectively, by selling, supplying, transferring or purchasing metal or coal from North Korea and using "deceptive practices" that enable EU-based North Korean procurement officials to operate and purchase goods.

Additionally, together with the Department of State and the U.S. Coast Guard, OFAC issued an update to its February 2018 North Korea shipping advisory by adding new information about North Korea's deceptive shipping practices, additional guidance on how to mitigate the risk of involvement in such practices, a new graphic depicting certain ports of call and three new annexes. The annexes include: (1) specific guidance for UN Member States and industry actors on best practices to avoid engaging in North Korea-related illicit activities, (2) a list of 18 vessels believed to have engaged in illicit ship-to-ship transfers of refined petroleum with North Korean tanker vessels, and (3) a list of 49 vessels believed to have exported North Korean coal. According to the updated advisory, North Korea continues to employ deceptive shipping practices such as painting over vessel names, falsifying documents, tampering with Automatic Identification Systems and utilizing ship-to-ship transfers, though in different geographic locations than when the advisory was initially published in February 2018.

More information

- [OFAC Press Release](#)
 - [OFAC Updated Shipping Advisory](#)
 - [OFAC Web Notice](#)
 - [Red Notice – February 2018](#)
-

Department of State Adjusts Maximum Civil Monetary Penalties for Inflation

On March 19, 2019, the Department of State issued a final rule pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, adjusting the maximum Civil Monetary Penalties (CMPs) for violations of statutes enforced by the Department. In particular, the maximum CMP for most violations of the International Traffic in Arms Regulations has been increased to \$1,163,217 per violation.

More information

- [Federal Register Final Rule](#)
-

United States, Canada and the European Union Sanction Russia over Continued Aggression in Ukraine

On March 15, 2019, in coordination with Canada and the European Union, OFAC announced the designation of six Russian individuals and eight Russian entities that, according to OFAC's press release, supported November 2018 attacks on Ukrainian naval vessels in the Kerch Strait, the purported annexation of Crimea and separatist government elections in eastern Ukraine. Specifically, OFAC sanctioned four Russian officials allegedly involved in the Kerch Strait attack, six Russian defense firms in relation to activities associated with Russia's purported annexation of Crimea and two Ukrainian separatists allegedly involved in organizing the illegitimate November 2018 elections.

Also on March 15, 2019, the Canadian Government announced sanctions on 114 individuals and 15 entities, and the Council of the European Union added eight Russian officials to its list of those subject to restrictive measures. Both Canada and the European Union cited the November 2018 attacks against Ukrainian vessels in the Kerch Strait as underlying reasons for the new sanctions.

More information

- [OFAC Press Release](#)
 - [Global Affairs Canada Press Release](#)
 - [Council of the European Union Press Release](#)
-

Huawei Challenges U.S. Law Prohibiting Federal Agencies, Contractors and Loan or Grant Recipients from Using its Equipment and Services

On March 6, 2019, Huawei Technologies USA, Inc. and Huawei Technologies Co., Ltd. ("Huawei") filed a suit in the U.S. District Court for the Eastern District of Texas against the United States and various high-ranking federal officials seeking a declarative judgment that Section 889 of the National Defense Authorization Act of 2019 is unconstitutional. Section 889 forbids federal agencies, their contractors and federal loan or grant recipients from procuring "[t]elecommunications equipment produced by Huawei Technologies Company . . . or any subsidiary or affiliate of [Huawei] . . . [and] [t]elecommunications or video surveillance services provided by [Huawei] or using [Huawei] equipment." Huawei claims that this prohibition unfairly targets its business in violation of several constitutional provisions, including due process.

The lawsuit reflects the latest development in the months-long confrontation between Huawei and the U.S. government, previously discussed in the December 2018 / January 2019 Red Notice.

More information

- [Complaint](#)
- [Red Notice – January 2019](#)

Temporary Extension of Ukraine-related General Licenses

On March 6, 2019, OFAC announced a further extension of the expiration date of two Ukraine-related General Licenses (GLs) involving GAZ Group. New GLs 13K and 15E amend prior versions to authorize certain transactions with GAZ Group through July 6, 2019.

More information

- [OFAC Web Notice](#)
- [Red Notice – October 2018](#)

GLOBAL INVESTIGATIONS RESOURCES

- [A Fresh Approach to No-Poach Provisions in Franchise Agreements](#)
- [U.S. Supreme Court: Disseminators of False Statements with Intent to Defraud can be Held Liable Under Securities Exchange Act Rule 10b-5](#)
- [State and Commerce Open Public Comment Period on Rocket, Missile, Launch Vehicle, Spacecraft and Satellite Export Controls](#)
- [PCAOB Amends Process for Appointing and Removing its Hearing Officers](#)

WRITING AND SPEAKING ENGAGEMENTS

On April 25, 2019, [Kevin Wolf](#) will present at the annual Export Controls Coordinators Organization (ECCO) on export controls issues relevant to U.S. Department of Energy (DOE) employees, and DOE contractors and subcontractors in Los Alamos, NM.

On May 3, 2019, [Christian Davis](#) and [Kevin Wolf](#) will speak on, “How Sanctions and Export Controls are Being Used as a Major Part of the Overall U.S. Policy on China,” at the 12th Annual Flagship Conference on Economic Sanctions 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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