

**Akin Gump**  
STRAUSS HAUER & FELD LLP

# Red Notice

A Monthly Update on Global Investigations and Prosecutions



SEPTEMBER 2014

## Introduction

**Welcome** to the September 2014 edition of *Red Notice*, a publication of Akin Gump Strauss Hauer & Feld LLP.

This month on the anticorruption front, a Chinese branch of a multinational pharmaceutical company receives a record fine for bribery; a Russian subsidiary of a global IT company pleads guilty to Foreign Corrupt Practices Act (FCPA) violations; a Kentucky cable manufacturer investigates potential FCPA offenses in four foreign countries; the U.S. Securities and Exchange Commission (SEC) and U.S. Department of Justice (DOJ) drop their probe of a Minnesota-based technology company; and foreign anticorruption efforts remain at the forefront with Italian prosecutors investigating a major oil conglomerate, while a U.K. court affirms two bribery convictions.

In export control and sanctions enforcement news, a foreign exchange broker settles alleged sanction violations with two government bodies; a major bank resolves apparent violations of the Sudanese Sanctions Regulations (SSR); Chinese, Italian and U.S. entities are fined for export violations by the Department of Commerce's Bureau of Industry and Security (BIS); and three individuals plead guilty to various export violation claims.

Finally, in developments in export control and sanctions law, the United States expands Russian and Iranian sanctions in several areas, and the Department of the Treasury's Office of Foreign Assets Control (OFAC) sheds light on the implementation of the 50 Percent Rule.

Thank you as always for reading *Red Notice*.

## ANTICORRUPTION DEVELOPMENTS

### GlaxoSmithKline Fined Record \$490 Million by China for Bribery as Antibribery Troubles Continue

On Friday, September 19, 2014, GSK China Investment Co. Ltd (GSKCI), the Chinese branch of the London-based GlaxoSmithKline PLC (GSK), was found guilty of bribing non-government personnel. The verdict was reached after a one-day trial in Changsha, China. The Chinese court fined the pharmaceutical company a record three billion yuan (US \$488.5 million) for offering money or property to doctors and hospitals in exchange for endorsing their products. According to China's official news agency, the fine represents the largest corporate fine ever imposed by a Chinese court.

The court also convicted several former GSKCI officials of bribery-related charges, including former GSK China manager and U.K.-citizen Mark Reilly. Reilly was ordered to serve a suspended three-year sentence and will be deported from China. In addition, four other Chinese nationals, including former human resources director Zhang Guowei, former Vice President and operations manager Liang Hong, former legal affairs director Zhao Hongyan and former business development manager Huang Hong, also received suspended sentences of two to three years. The sentences were reduced because all five executives pled guilty, the court explained.

The trial concludes a 15-month-long investigation that launched in July 2013 when Chinese authorities accused GSKCI of paying \$482 million in bribes to health officials, doctors and hospital personnel to amplify sales. According to China's Ministry of Public Security, GSKCI had retained 700 travel agents to dispense the illegal payments since 2007.

GSK posted an [apology](#) on its Chinese website after the verdict,

## TRANSLATIONS

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## WRITING AND SPEAKING ENGAGEMENTS

On October 8-9, 2014, partner [Jonathan Poling](#) will speak at the C5 Conference on "Economic Sanctions and Financial Crime Forum for Financial and Insurance Industries" in London. For more information, please click [here](#).

On October 16, 2014, senior counsel [Nicole Sprinzen](#) will present in a two-hour live webcast "Best Practices in Banking Fraud Prevention: 2014 and Beyond," hosted by The Knowledge Group. For more information and registration details, please see [here](#).

On October 21, 2104, a panel including partner [Charles Connolly](#) and senior counsel [Nicole Sprinzen](#) will present "Thinking Globally About Discovery - Offensive and Defensive Strategies," offered by the Washington Metropolitan Area Corporate Counsel Association (WMACCA) Litigation Forum. This program will highlight key issues that corporate in-house counsel face in international discovery. For more information, please see [here](#).

On December 3-4, 2014, partners [Jonathan Poling](#) and [Edward Rubinoff](#) will speak at the ACI's 5th Annual Economic Sanctions Boot Camp, "Comprehensive Update on the Ever Changing Global Sanctions Restrictions," in New York, NY. Click [here](#) for more information.

If you would like to invite Akin Gump Strauss Hauer & Feld LLP lawyers to speak at your company or to your group about anticorruption law, compliance, enforcement and policy or other international investigation and compliance topics, please contact Mandy Warfield at [mwarfield@akingump.com](mailto:mwarfield@akingump.com) or +1 202.887.4464.

stating that it "is deeply disappointing that these issues were not identified and addressed. GSK plc has reflected deeply and learned from its mistakes, has taken steps to comprehensively rectify the issues identified at the operations of GSKCI, and must work hard to regain the trust of the Chinese people."

GSK announced the fine in a [press release](#) and indicated that the company will pay the fine with cash on hand and take a charge against third-quarter earnings. The fine amounts to approximately 4 percent of GSK's 2013 operating profits. The company's press release also referenced comprehensive remedial steps taken to address the bribery-related conduct, including fundamental changes to the company's salesforce incentive program and corporate controls enhancements.

Read additional coverage at [Reuters](#), [Business Insider](#) and [USA Today](#).

In related news, earlier this month, it was [reported](#) that a U.S. probe into GSK's alleged violations of the FCPA may be more far-reaching than pharmaceutical corruption, extending into the company's procurement practices in its Chinese consumer healthcare business. Three preservation notices that were issued by GSK in 2012 and that were related to the U.S. investigation were recently made public. Although these notices do not serve as evidence of wrongdoing, they indicate that the company faces investigatory scrutiny in additional sectors of its business beyond those targeted by the Chinese bribery action.

The pharmaceutical and biotechnology company is also facing a number of other bribery allegations, with investigations ongoing in Poland, Syria, Jordan, Lebanon and Iraq. GSK also disclosed that it is facing a separate investigation by the U.K.'s Serious Fraud Office (SFO). Learn more about these investigations in our [May 2014 issue](#).

#### **Russian Subsidiary of IT Giant Pleads Guilty to Bribery; Sentenced to Almost \$59 Million Fine and Faces Potential Ban from Supplying Products to Canadian Government**

As we reported in [April](#), Hewlett Packard (HP) and three foreign subsidiaries agreed to pay \$108 million to settle FCPA charges with the [DOJ](#) and [SEC](#). On Thursday, September 11, 2014, an international HP subsidiary, ZAO Hewlett-Packard A.O. ("HP Russia"), pled guilty to conspiracy and substantive violations of the anti-bribery and accounting provisions of the FCPA in federal court in San Francisco. Following the guilty plea, and pursuant to the plea agreement, U.S. District Judge D. Lowell Jensen of the Northern District of California sentenced the company, imposing an agreed \$58.8 million fine on the Russian subsidiary.

The DOJ announced the guilty plea and fine in a [press release](#), describing the bribery perpetrated by officials of HP Russia as "brazen," involving "millions of dollars in bribes from a secret slush fund," to obtain a lucrative government contract with Russia's top prosecutor's office. According to the statement of facts filed with the plea agreement, HP Russia executives created surplus profit margins through an elaborate buyback arrangement by selling their computer and technology products to a Russian channel partner and then buying them back at grossly inflated prices. The payments made to buy back the products at inflated prices were funneled through an intricate web of shell companies, several of which were affiliated with Russian government officials. HP Russia then sold the same products at inflated prices to the Office of the Prosecutor General of the Russian Federation as part of a technology contract valued at more than € 35 million (US \$44.2 million).

To conceal these corrupt payments, conspirators inside HP Russia maintained two sets of corporate records: one containing secret spreadsheets detailing bribe recipients, and a sanitized version that masked the bribes from outsiders. The conspirators also used off-the-books side agreements to further disguise the bribes.

Court filings indicate that authorities recognize HP's extensive cooperation with the DOJ and the extensive anti-corruption remedial efforts undertaken by the company.

As a result of this guilty plea, Canada is considering imposing a 10-year ban on the sale of HP products and services to the government. This will be the first significant test of stringent new Canadian integrity rules implemented by Public Works and Government Services. Introduced in March, these regulations stipulate that corporate entities as well as their affiliates are subject to an automatic ban on government contracts if they or any of their affiliates are convicted of various wrongdoings, including bribery, even if those crimes occurred outside of Canada. Public Works has not

provided a timeline for issuing a decision but indicated they will conduct their review as quickly as possible. To learn more about this impending penalty, please see [The Globe and Mail](#).

The [April 2014 announcement](#) also included "criminal resolutions with HP subsidiaries in Poland and Mexico which violated the FCPA in connection with contracts with Poland's national police agency and Mexico's state-owned petroleum company, respectively."

To learn more about the bribery case surrounding HP Russia and other subsidiaries, please see the DOJ's [press release](#) and news coverage from the [FCPA Blog](#) and [USA Today](#).

### **General Cable Investigates Potential FCPA Violations in Four Countries**

General Cable Corp. disclosed in its [8-K filing](#) on September 22, 2014 that the company is examining business dealings in its Angola, Thailand, India and Portugal operations for possible abuses of the FCPA and other international anticorruption laws. The investigations relate to "payment practices with respect to employees of public utility companies, use of agents in connection with such payment practices and the manner in which the payments were reflected on our books and records." In its 8-K, the Kentucky-based company announced its determination that certain employees in its Portugal and Angola subsidiaries have made potentially improper direct and indirect payments from 2002 to 2013 to officials of Angola government-owned public utilities. In conjunction with outside counsel, the company is now assessing its use and payment of agents in its Thailand and India operations.

In its 8-K, the company further stated that it is initiating a screening process related to its foreign sales agents, including a review of their retainer agreements and a risk-based assessment to "determine the scope of due diligence measures to be performed by a third-party investigative firm."

General Cable has voluntarily disclosed these matters to the SEC and the DOJ and has complied with requests for more information. In the 8-K filing, the company cautioned that it is unable to predict whether the agencies will take any action and recognized the potential "imposition of substantial fines, civil and criminal penalties."

See additional coverage at the [FCPA Blog](#) and [The Wall Street Journal](#).

### **Enforcement Agencies Drop FCPA Investigation of Technology Firm; Decline Prosecution**

Image Sensing Systems, Inc. (ISS), which creates video-image-processing products for use in traffic management systems, announced in a [press release](#) on September 8, 2014 that the DOJ has closed its inquiry into ISS' previously disclosed potential FCPA violations. ISS was also previously under investigation by the SEC, but the investigation was closed without enforcement action.

In early 2013, two employees of ISS' Polish subsidiary, Image Sensing Systems Europe Limited SP.Z.O.O., were charged with criminal violations of certain laws related to a project in Poland. When ISS learned of the investigation by Polish authorities, the company hired outside counsel to conduct an internal investigation, voluntarily disclosed the matter to the DOJ and the SEC, and cooperated fully with the agencies' review. DOJ cited these attributes, along with ISS' voluntary enhancements to its compliance program, when declaring the end of the investigation.

To read more, see coverage at [Compliance Week](#) and the [FCPA Blog](#).

### **Italian Company Executives Investigated for Internal Corruption in Nigerian Oil Transaction**

Italian prosecutors are investigating Eni S.p.A.'s newly appointed CEO, Claudio Descalzi, in connection with the company's 2011 acquisition of a 50 percent interest in OPL 245, a large Nigerian offshore oil block. Chief Development, Operations and Technology Officer Roberto Casula is also being investigated as part of the probe.

[The Wall Street Journal](#) has reported that the investigation is examining potential international corruption regarding the Nigerian asset purchase by Eni and another large oil company for \$1.3 billion. The acquisition faced scrutiny from anticorruption advocates lobbying for increased transparency from oil companies conducting business with non-Western governments that have access to natural resources. Eni currently has the largest operations in Africa among multinational energy companies.

At the request of the Italian prosecutors, a British court recently froze two bank accounts containing \$190 million belonging to an individual who allegedly served as an intermediary for the OPL 245 block acquisition.

Eni has denied any illegal conduct, indicating that it is cooperating with the prosecutor's office whose inquiry will ultimately demonstrate the "correctness of its [Eni's] actions." The Rome-based company has also asserted that the OPL 245 block purchase deal did not involve any intermediaries, and no funds were used to sway public officials or the purchase process.

See more coverage at the [FCPA Blog](#) and [BBC](#).

### **U.K. Appeals Court Upholds Two Innospec Executive Convictions; Reduces One Sentence**

In [July](#) and [August 2014](#), we reported the convictions and sentences of four executives in the drawn out Innospec Limited bribery case. On September 19, 2014, the U.K. Court of Appeals upheld the convictions of two of the defendants, Dennis Kerrison and Miltiades Papachristos. The global specialty chemicals company and its executives were found guilty of making payments to officials in Indonesia in exchange for securing contracts from the government to supply an Innospec chemical, Tetraethyl Lead, whose use was prohibited in the United Kingdom in 2000.

The justices in the U.K. Court of Appeals reduced Kerrison's sentence from four to three years on the basis of an error in the trial judge's sentencing calculation. Although the justices found that the trial judge appropriately deducted 12 months from Kerrison's sentence for personal mitigation, they held that the judge should have used a sentence of four years as the starting point for the sentence calculation, rather than five years. The sentences of all other parties, including Innospec, Papachristos and the other two executives sentenced in August for their role in bribing state officials in Indonesia and Iraq, were not affected.

Read the [press release](#) issued by the SFO and [the full judgment](#).

## **EXPORT CONTROL AND SANCTIONS ENFORCEMENT**

### **Zulutrade, Inc. Settles Potential Sanctions Violations with Multiple Government Agencies**

Zulutrade, Inc., an online foreign exchange broker located in Greece and incorporated in Delaware as a Commodities Futures Trading Commission (CFTC)-registered entity, has agreed to a \$200,000 settlement with OFAC for alleged violations of the Iranian Transactions and Sanctions Regulations (ITSR), the Sudanese Sanctions Regulations (SSR) and Executive Order 13582 (Blocking Property of the Government of Syria and Prohibiting Certain Transactions With Respect to Syria). Zulutrade's settlement with OFAC was coordinated with its primary regulator, the CFTC, which concluded a separate settlement with Zulutrade consisting of a \$150,000 penalty and an \$80,000 disgorgement.

Zulutrade is a trading platform that allows its customers to automatically place currency foreign exchange (FX) trades with broker-dealers, but it failed to screen or police its account holders from OFAC-targeted countries to ensure they were OFAC-compliant. Over several years beginning in 2009, Zulutrade operated accounts for more than 400 customers in Iran, Sudan and Syria, and exported services to these customers by placing FX trades via its platform. The company also initiated eight funds transfers, amounting to \$10,264.36, destined for two individuals in Iran.

According to OFAC's [enforcement information](#), this failure to screen for OFAC observance was due to a "lack of awareness of U.S. sanctions regulations." The base penalty for the apparent violations was \$844,090,000. The much lower settlement is an apparent reflection of OFAC's acknowledgment that Zulutrade has implemented remedial measures and substantially cooperated in OFAC's investigation, as well as its consideration that the company is small, with limited operations. The CFTC has continued to collaborate with OFAC to ensure that Zulutrade's bolsters its sanctions compliance competence.

To learn more information about the CFTC settlement, read its [press release](#).

### **Banking Institution Settles for Alleged Violation of the SSR**

Branch Banking & Trust ("BB&T"), based in Winston-Salem, North Carolina, has agreed to a \$19,125 settlement with OFAC for one apparent violation of the SSR for processing funds in a transaction involving an entity on OFAC's List of Specially Designated Nationals and Blocked Persons ("SDN List").

On June 1, 2011, BB&T received instructions from a customer to process a \$20,000 transfer destined for a third-country company's account at a foreign financial institution. While BB&T interdiction software flagged the payment due to a name in the payment details that appeared to match an entry on the SDN List, BB&T's investigation determined that the name was a false positive. A BB&T compliance specialist then proceeded to enter "NATIONALITY: SUDANESE" in the payment details before approving the wire. Upon rescreening, the interdiction software failed to generate an alert because "Sudanese" (or other similar terms, such as "Burmese," "Cuban" or "Iranian") was not an existing key word in the system. After the transaction was processed, the bank's customer notified BB&T that the individual was located in Omdurman, Sudan, and that the payment was for merchandise being shipped to Sudan.

The settlement, a reduction from the base penalty of \$25,000, reflects, among other factors, OFAC's determination that this was not an egregious case. Nevertheless, according to OFAC, BB&T's "lack of appropriate stop descriptors demonstrated an inadequate compliance program with regard to its sanctions screening process."

Find out more by reading OFAC's [enforcement information](#) and [Wall Street Journal](#) coverage.

#### **Chinese Businessman and His Companies Accumulate \$8.4 Million in Fines for Export Violations**

BIS imposed almost \$8.5 million in fines on Hong Kong entrepreneur Bruce Lam and his two companies, Creative Electronics and United Sources Industrial Enterprises, for knowingly evading BIS regulations that require BIS authorization to export U.S. goods to restricted parties. Specifically, Lam established Creative Electronics so that it could order electronic components from U.S. suppliers on behalf of United Sources, a restricted party, which, in turn, sold the components to other restricted parties. Despite this hefty fine and the fact that none of the settlements were results of voluntary disclosures, Mr. Lam and his companies may be obligated to pay only \$650,000, less than 10 percent of the fines imposed, if they avoid further violations in the next five years. According to the orders, the penalties were levied as follows:

- [Lam](#), charged with one violation, will have to pay \$250,000 in 30 days; he and his businesses are prohibited from buying items exported from the United States for five years.
- [Creative Electronics](#), charged with 58 violations, was given a \$3.6 million penalty, which will be suspended for a five-year period, and thereafter will be waived, provided that during this five-year probationary period, the company does not commit any further violations.
- [United Sources](#), charged with 39 violations, was assessed a \$4.1 million penalty, of which \$400,000 will be paid in four installments. Payment of the remainder will be suspended for a five-year period and waived thereafter, provided that, during this five-year probationary period, the company does not commit any further violations and has made full and timely payment of the \$400,000.

Read further coverage at [Law360](#).

#### **Italian Company Settles Syrian Export Violations Charges with \$100,000 Penalty**

Area S.p.A., an Italian technology company that develops monitoring equipment, will pay a \$100,000 civil penalty settling BIS charges that it was a knowing vendor of U.S.-based network monitoring equipment to the Syrian Telecommunications Establishment (STE) without securing the required U.S. government permissions. BIS indicated that Area cooperated with the agency during its investigation.

In February 2011, Area sold a Central Monitoring System (CMS), a technology capable of collecting a variety of personal data, to STE. This system could equip the Syrian government to further repress citizens. While this sale was not subject to the Export Administration Regulations (EAR) because the system had minimal U.S. content, Area subsequently transferred U.S.-origin network monitoring equipment to STE to monitor and test the CMS, a transaction that did require, but did not have, U.S. government authorization. This networking equipment was purchased from a California-based company and then hand-carried by Area personnel from Italy to Syria. While conducting the transfer, Area was aware that U.S.

export regulations prohibited the unlicensed transfer of U.S.-origin items to Syria.

See the BIS proposed charging letter, settlement agreement and order [here](#), and press release [here](#).

### **Locomotive Producer Settles Antiboycott Violations with BIS**

Electro-Motive Diesel, Inc. (EMD) will pay \$26,350 to settle BIS allegations of 31 antiboycott violations occurring from 2005 to 2006. According to the order, EMD participated in transactions involving the sale and/or transfer of goods or services from the United States to Bangladesh. BIS alleged that, in conjunction with these activities, EMD, on 31 occasions, received a request to take an action that would have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott. EMD then failed to disclose these requests to the BIS Office of Antiboycott Compliance as directed by the EAR. As long as EMD pays the penalty within 30 days of the September 8 order, it will not be debarred or suspended from export transactions.

Read the order [here](#).

### **Former U.S. Army Officer Pleads Guilty to Violations and to Mishandling Classified Documents**

Justin Gage Jangraw of Michigan, a former U.S. Army captain, who operated a business that sold military-grade weapons parts and accessories, admitted to violating the Arms Export Control Act (AECA) by exporting U.S. Munitions List (USML) items without a license. He also pled guilty to a separate charge of removing and retaining classified documents obtained while serving in the Army.

According to the statement of facts, between November 2009 and January 2011, Jangraw sold and exported from the United States 287 USML items destined for international customers in 34 countries without obtaining the licenses required to export defense articles, despite his awareness of the licensing requirements.

Jangraw's sentencing is scheduled for November 21, 2014. To learn more about the guilty pleas, please see the [press release](#) issued by the U.S. Attorney's Office for the District of Columbia.

### **Former California Business Executive Pleads Guilty to Illegal Export**

John Nakkashian, former vice president for international sales at Air Shunt Instruments, Inc., an aircraft components manufacturer, pled guilty earlier this month to federal charges in connection with the unlicensed export of military technology. He admitted to knowingly making a false statement on a Shipper's Export Declaration that a USML item, a military gyroscope being sent to Thailand, did not require an export license. Nakkashian also illegally exported other military components to Dubai without obtaining the necessary export licenses.

He was charged with four counts of violating the AECA in 2008, but fled the country and was considered a fugitive. Air Shunt was also fined \$250,000 in 2008 for the false statements related to the Thailand shipments. Court documents indicate that Air Shunt took disciplinary action against Nakkashian and developed new standards of conduct and internal compliance systems designed to prevent or detect violations.

For more information, please see coverage at [Los Angeles Daily News](#).

### **Pennsylvania Man Pleads Guilty to Shipping Equipment to Syria**

In mid-September, Harold Rinko, 72, of Hallstead, Pennsylvania, pled guilty in federal district court to conspiracy to illegally export laboratory equipment, including items used to detect chemical warfare agents, from the United States to Syria. Admitting to this violation of federal law, Rinko said the conspirators exported items through third-party countries to customers in Syria without the required licenses from BIS.

The factual stipulation Rinko signed indicates that conspirators created false invoices that undervalued and mislabeled the purchased goods and additionally listed fictitious information regarding the identity and geographic location of these items. The items were transshipped to Syria from the United States through Jordan, the United Arab Emirates and the United Kingdom.

Rinko is facing a potential maximum sentence of five years'

imprisonment, a fine of \$250,000 and a three-year term of supervised release.

To read more, please read the [DOJ's](#) and [BIS'](#) press releases and [Washington Times](#) news coverage.

## EXPORT CONTROL AND SANCTIONS DEVELOPMENTS

### U.S. Continues to Increase Pressure on Russia Through Ukraine-Related Sanctions

In mid-September, OFAC and BIS announced new sanctions that target Russia's financial services, energy, and defense and related material sectors. OFAC imposed sanctions that prohibit the direct or indirect export or reexport of goods, services (not including financial services) or technology in support of exploration or production for Russian deepwater (greater than 500 feet), Arctic offshore or shale projects that have the potential to produce oil in Russia to five Russian energy companies involved in these types of activities.

OFAC also issued a general license (General License NO. 2A) that allows U.S. persons to wind down applicable transactions with the newly sanctioned entities by September 26, 2014.

BIS has added these companies to its Entity List as well, imposing a license requirement for the export, reexport or foreign transfer of items subject to the EAR to these companies when the exporter, reexporter or transferor knows that those items will be used directly or indirectly for the purposes outlined above. BIS will consider these license requests with a presumption of denial if the item will be "used directly or indirectly for exploration or production from deepwater, Arctic offshore, or shale projects in Russia that have the potential to produce oil."

Read a statement from [Treasury Secretary Lew](#), as well as OFAC's [press release](#) and [new sanctions designations](#). See the general license [here](#) and the BIS [press release](#). Additional news coverage is available at [Reuters](#) and [The Washington Post](#).

### Additional Iran Sanctions Designations Despite Extension of the Implementation of the Joint Plan of Action

Despite U.S. agreement in July 2014 to extend temporary sanctions relief to Iran until November 24, 2014 under the Joint Plan of Action (JPOA) between the P5+1 and Iran, the U.S. Department of State and OFAC have added Iranian individuals and entities to their sanctions programs in an apparent effort to increase pressure on Iran in nuclear negotiations. The new designations occurred in late August and targeted Iran's missile and nuclear programs, support for terrorism and efforts to circumvent sanctions.

The State Department described the objective of the additional designations as intended to "underscore U.S. resolve to enforce sanctions as the P5+1 and Iran work toward a comprehensive solution to address the international community's concerns over Iran's nuclear program." The Treasury Department added, "during this JPOA extension period, as we fulfill our commitment to provide targeted sanctions relief, we remain committed to enforcing existing sanctions against Iran."

Read press releases from the departments of [State](#) and [Treasury](#) and view the [SDN List additions](#).

### OFAC Clarifies Application of 50 Percent Rule

In late August, OFAC issued new guidance on its 50 Percent Rule that expands upon its earlier guidance by addressing entities owned 50 percent or more in the aggregate by blocked parties. Specifically, the new guidance states that "the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked regardless of whether such entities appear on OFAC's Specially Designated Nationals and Blocked Persons List (SDN List)."

OFAC also applies the 50 Percent Rule to entities on the Sectoral Sanctions Identification List ("SSI List") under the Ukraine-related sanctions. However, the property and interests in property of persons on the SSI List (and entities owned 50 percent or more in the aggregate by persons subject to the SSI List) are not required to be blocked. Instead, they are subject to only the SSI List restrictions.

To learn more about the 50 Percent Rule, see OFAC's [Frequently Asked Questions](#) for additional information and Akin Gump's [alert](#) regarding guidance issued on August 13.

## CONTACT INFORMATION

For more information about the stories highlighted in *Red Notice*, please contact:

[Edward L. Rubinoff](mailto:erubinoff@akingump.com) at 202.887.4026 or [erubinoff@akingump.com](mailto:erubinoff@akingump.com) or [Nicole H. Sprinzen](mailto:nsprinzen@akingump.com) at 202.887.4301 or [nsprinzen@akingump.com](mailto:nsprinzen@akingump.com).

Contact information for attorneys in related practices can be found [here](#).

The "Anticorruption Developments" section of *Red Notice* is edited by [Courtney Cardin](#) and [Jennifer Hildebrand](#). The "Export Control and Sanctions Developments and Enforcement" sections are edited by [Annie Schlappizzi](#).

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