

# How to Anticipate & Navigate Sanctions



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## Who's in the room?

# What's your biggest sanctions-related challenge or concern?

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## Overview

# What are we talking about?

## Economic sanctions

- Generally prohibit all (or most) transactions with a person or entity
- Usually list-based
- Include embargoed jurisdictions

## Trade restrictions

- Control the movement of certain civilian goods and services (e.g., import restrictions, services prohibitions)

## Export controls

- Control the movement of goods, software, and information
- Apply to military items, as well as items with a dual, civilian and military application

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# Whose restrictions apply?



- Entities organized under U.S. federal or state law
- U.S. citizens and resident foreign aliens
- Acts within the U.S. (including money transiting the U.S. financial system)
- Exports involving U.S.-origin items



- Entities incorporated under UK law
- UK citizens
- Acts within the UK (including exports from the UK)



- Entities incorporated under the laws of any EU member state
- Citizens of an EU member state
- Acts within the EU (including exports from the EU)

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# Key Issues



## Beneficial Ownership

### Beneficial ownership rules:

- **U.S.:** directly or indirectly owned, 50% or more, by a sanctioned person or entity
- **EU and UK:** directly or indirectly owned, more than 50%, or controlled by a sanctioned person or entity

### Circumvention and facilitation prohibitions:

- Contributing or providing any funds, goods, or services for the benefit of a sanctioned person
- Approving, financing, facilitating, or guaranteeing a transaction by a foreign person that would be prohibited if performed by a U.S. person



## Red Flags

- Shell companies** in the corporate structure that obscure beneficial ownership
- Involvement of **sanctioned persons** (e.g., director, officer)
- Name similar to a **party sanctioned by an E5 country**



## Jurisdictions

### Comprehensively sanctioned:

- **Cuba\*\***
- Iran
- North Korea
- Syria
- Temporarily occupied Crimea region of Ukraine
- So-called DNR and LNR regions of Ukraine

### Higher risk:

- **Belarus\*\***
- China (including Hong Kong and Macau)
- Lebanon
- Myanmar (Burma)
- Pakistan
- **Russia\*\***
- Türkiye
- United Arab Emirates
- Venezuela

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### Red Flags

- Defense or dual-use products + a company in a **non-GECC country**
- Routing through **known diversion points**



## Intermediaries & Third Parties

### Consider:

- Banks
- Distributors and resellers
- End users
- Freight forwarders
- Shipping companies

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### Red Flags

- Using **aliases** for intermediaries
- Customer **refuses to provide information** about intermediaries or third parties
- Payments** from **unexpected countries or entities**



## Products & Services

### Consider:

- Type of commodity, software, technology, or service
- Country of origin
- Incorporation of U.S.-origin technology in foreign-produced items
- Common High Priority List
- Delivery method (e.g., physical shipment, cloud access)
- Services prohibitions based on destination (e.g., Russia)
- End-use and end-user restrictions

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## Red Flags

- Product capabilities** do not fit customer's line of business
- Customer **reluctant** to provide information about **end use or end users**
- Declines** standard installation, training, or maintenance



## Transaction-Related Red Flags

- Customer is **willing to pay cash** when the sale would usually require financing
- Customer has **little or no business background**
- Defense or dual-use goods + non-GECC country + **incorporated after February 24, 2022**
- Significantly overpaying** for a product
- IP address** does not match reported location data
- Use of **personal email addresses**
- Use of **residential address**
- Little or no** physical or web presence
- When questioned, customer is **evasive or reluctant** to share information about the destination, end user, or end use
- Dividing an order** of controlled items into multiple shipments

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# DD Tech & AFC Telecom

## Identify the Potential Risks



**Beneficial ownership**



**Products and services**



**Jurisdictions**



**Transaction-related red flags**



**Intermediaries and third parties**

# Mitigating Risks



## Strategies

- Enhanced due diligence
- Compliance terms in contracts
- Transaction monitoring
- Dynamic screening
- Compliance training for key personnel

**How can DD Tech mitigate its potential risks?**





# Anticipating Changes

REUTERS

## Treasury says US firms must tighten compliance with Russia sanctions

Susan Heavey

Tue, June 4, 2024 at 10:11 AM EDT - 1 min read



U.S. Deputy Treasury Secretary Wally Adeyemo speaks at the Royal United Services Institute in London

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POLITICS

## U.S. ready to sanction Chinese banks if they aid Russia's war machine, Yellen says

PUBLISHED MON, APR 8 2024-10:47 AM EDT | UPDATED MON, APR 8 2024-12:16 PM EDT

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WORLD

## How America Inadvertently Created an 'Axis of Evasion' Led by China

Western sanctions and export controls were meant to subdue foes of the U.S. but instead have led to a shadow economy

## Trends to Watch

### Continued multi-jurisdictional coordination and alignment

#### Escalating sanctions on:

- China
- People and groups associated with Hamas
- Iran
- Russia and Belarus

### Increased enforcement focused on sanctions evasion

- Countries associated with potential sanctions evasion (e.g., Armenia, China (including Hong Kong and Macau), India, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan)
- Designations under Executive Order 14114

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