

Client Advisory

September 28, 2001

New White House Sanctions Require Closer Corporate Review of Customers

Corporate America's compliance burden increased this week when President Bush signed an Executive Order blocking the assets of certain identified individuals and charitable organizations suspected of terrorists acts. Importantly, the scope of the Order is not limited to the identified 27 individuals and organizations; it also covers other foreign persons who are determined to have committed, or to pose a significant risk of committing, acts of terrorism. In addition, the Order applies to *any* person assisting in, sponsoring, or providing financial, material or technical support for such acts or persons.

Equally important, the Order affects any company that engages in transactions or deals in property or interests in property (including cash) subject to blocking. Although one express intent of the Order is to "punish" domestic and foreign financial institutions that provide resources and/or services to terrorist organizations, the Order applies not only to securities firms and other types of financial services companies, but also to non-financial firms. The Order and accompanying document links can be found on the KMZ web site in our Regulatory News section http://www.kmzr.com/news/regulatory_development.asp.

Federal regulators are instructed to take the necessary actions to carry out the provisions of the Order. Such actions may include blocking the assets of a company and even revocation of the charter or license to do business in the U.S. Criminal sanctions also apply to violations of any orders issued pursuant to the Order under International Emergency Economic Powers Act.

The parties listed in the initial Order and those included in subsequent updates have been added to the more comprehensive list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department. A list of the Internet addresses for the *prohibited parties lists*, which is maintained by the U.S. Commerce and Treasury Departments with regard to exports and related transactions, including the OFAC list (which applies to imports, exports and numerous financial and other transactions) is included below.

An intensive review of corporate policies and procedures (including those related to the Bank Secrecy Act, money laundering, and privacy) should be conducted immediately to ensure compliance with the Order. In addition, any suspicious transactions should be promptly reviewed by counsel to see if any questions arise under the new Order. *In short, the Order imposes a greater burden on companies to know their customers than previously required.*

Follow-Up

Katten Muchin Zavis Rosenman is prepared to assist you with any of the above mentioned items and issues related to an appropriate compliance program. For such assistance, please contact any of the following attorneys:

Carol Van Cleef (Financial Services/Financial Institutions) at carol.vancleef@kmzr.com or 202-625-3730

David Dunbar (Customs) at david.dunbar@kmzr.com or 312-902-5315

Jonathan Feld (Litigation) at jonathan.feld@kmzr.com or 312-902-5478

Internet Addresses for U.S. Commerce & Treasury Department Prohibited Parties Lists

1. Denied Persons List (Bureau of Export Administration, U.S. Department of Commerce)
<http://www.bxa.doc.gov/DPL/Default.shtm> (Both HTML and ASCII text versions are available at this site.)
2. Entity List (Bureau of Export Administration, U.S. Department of Commerce)
<http://www.bxa.doc.gov/Entities/Default.htm> (Both PDF and ASCII text versions are available at this site.)
3. Specially Designated Nationals (“SDN”) and Blocked Persons List (Office of Foreign Assets Control, U.S. Treasury Department) <http://www.treas.gov/ofac/> (Both PDF and ASCII text versions available at this site.) (Scroll down to “INFORMATION ON SPECIALLY DESIGNATED NATIONALS AND BLOCKED PERSONS” and see prompts for SDN List and Delimited Files.)
4. *See also* General Order No. 3 in Part 736, Supplement No. 1 of the Export Administration Regulations administered by the Bureau of Export Administration, reprinted in part below:

General Order No. 3

General Order No. 3 of December 7, 2000; Imposition of license requirements and prohibition on use of any License Exceptions for exports and reexports of items subject to the EAR that are listed on the Commerce Control List to Shaykh Hamad bin Ali bin Jaber Al-Thani and entities related to or controlled by him, as follows: Gulf Falcon Group, Ltd. located in Doha, Qatar; Air Gulf Falcon located in Sharjah, United Arab Emirates; Falcon Aircraft Maintenance Center located in Sharjah, United Arab Emirates; and Falcon Air Leasing located in Sharjah, United Arab Emirates.

The full text of this order can be accessed at:

http://w3.access.gpo.gov/bxa/ear/ear_data.html

(Scroll down to Part 736, General Prohibitions; open that document and scroll down to General Orders.)

*Published for clients as a source of information about current developments in the law. The material contained herein is not to be construed as legal advice or opinion.
© 2002 Katten Muchin Zavis Rosenman. All rights reserved. Katten Muchin Zavis Rosenman is a Law Partnership including Professional Corporations.*

KMZ Rosenman
KATTEN MUCHIN ZAVIS ROSENMAN

www.kmzr.com

525 West Monroe Street
Suite 1600
Chicago, IL 60661-3693
Tel 312.902.5200
Fax 312.902.1061

575 Madison Avenue
New York, NY 10022-2585
Tel 212.940.8800
Fax 212.940.8776

2029 Century Park East
Suite 2600
Los Angeles, CA 90067-3012
Tel 310.788.4400
Fax 310.788.4471

1025 Thomas Jefferson St., N.W.
East Lobby, Suite 700
Washington, DC 20007-5201
Tel 202.625.3500
Fax 202.298.7570

401 South Tryon Street
Suite 2600
Charlotte, NC 28202-1935
Tel 704.444.2000
Fax 704.444.2050

260 Sheridan Avenue
Suite 450
Palo Alto, CA 94306-2047
Tel 650.330.3652
Fax 650.321.4746

One Gateway Center
Suite 2600
Newark, NJ 07102-5397
Tel 973.645.0572
Fax 973.645.0573