

INTERNATIONAL BUSINESS ALERT

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OFAC adds additional Chinese entities to the SDN List

On June 31, 2020, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) announced in a [press release](#) its decision to add the Xinjiang Production and Construction Corps (XPCC) and two Chinese government officials to the list of Specially Designated Nationals and Blocked Persons (SDN List). This follows several other Chinese entities being added to the SDN List and the U.S. Department of Commerce's Bureau of Industry and Security's Entity List, as reported in our previous [Law Alert](#).

The entities and individuals were added to OFAC's SDN List pursuant to the 2016 Global Magnitsky Human Rights Accountability Act (GLOMAG) and Executive Order (EO) 13818 of Dec. 20, 2017, entitled, "Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption." Under that legal authority, the U.S. government is authorized to sanction foreign persons it believes to be involved in serious human rights abuse or corruption in a foreign country, as well as those who assist or provide material support, including goods and services, to the sanctioned persons or activities. Specifically, OFAC added both XPCC and two Chinese government officials to the SDN List for their alleged connection to human rights abuses in China's Xinjiang Uyghur Autonomous Region.

When foreign persons are added to OFAC's SDN List, all of their property interests located within the U.S. or in the possession or control of U.S. persons are blocked and must be reported to OFAC. This blockage includes any entities that are owned, directly or indirectly, 50% or more by the listed foreign entities or individuals, individually or with other blocked persons. Unless authorized by a general or specific license issued by OFAC or otherwise exempt, all transactions by U.S. persons or other individuals

within (or transiting) the U.S. that involve any property of designated or otherwise blocked persons are generally prohibited by OFAC's regulations. The prohibitions include (a) the making of any contribution or provision of funds, goods or services by, to, or for the benefit of any blocked person or (b) the receipt of any contribution or provision of funds, goods or services from any such person. Individuals and entities found to be in violation of OFAC sanctions, whether U.S. or foreign, could be subject to significant civil and criminal penalties, and those persons may themselves be added to OFAC's SDN List through the enforcement of secondary sanctions.

Recent events suggest the U.S. government continues to increase its efforts to address perceived human rights abuses in Xinjiang. U.S. export control and sanctions laws are in constant flux, particularly recently given the strained U.S.-Chinese relationship, and those laws need to be carefully monitored. Companies should be extremely diligent in their export control compliance programs, including making reasonable inquiries of their contracting parties and supply chains to ensure compliance.

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