

Sanctions Imposed on Significant Transnational Criminal Organizations

July 29, 2011

On July 25, 2011, the President signed Executive Order 13581 (EO), imposing sanctions on significant transnational criminal organizations (TCOs). [1] The EO is intended to deny the listed TCOs access to the U.S. financial markets, as well as to facilitate the government's efforts to tackle the threat that TCOs pose to U.S. national security, foreign policy and the economy. [2] During the announcement of the U.S. government's new comprehensive strategy to coordinate and strengthen government efforts to combat TCOs, Attorney General Eric Holder emphasized the importance of the Administration's renewed focus on TCOs. As he stated, "the problem of transnational organized crime networks isn't new. But after a wide-ranging, year-long review - the first study of its kind in more than 15 years - our understanding of what exactly we're up against has never been more complete or more clear. And our efforts to prevent and combat transnational organized crime have never been more urgent." [3]

The EO blocks all property and interests in property within the jurisdiction of the United States of the organizations identified in the Annex to the EO, and prohibits U.S. persons from engaging in transactions with these organizations. Moreover, to promote federal agency cooperation in dealing with TCOs, the EO also authorizes the U.S. Department of the Treasury, in consultation with the Departments of Justice and State, to impose sanctions on any individual or entity identified as having provided support to organizations designated as TCOs. [4]

The new TCO program could mean one of two things for a company's compliance program. First, taken together with OFAC's February 14, 2008 guidance on entities controlled by specially designated nationals (SDNs), it could mean that U.S. Persons have to conduct

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additional due diligence to ensure they are not dealing in property in which a designated TCO maintains a 50 percent controlling stake. Second, and perhaps more likely, the compliance burden will mirror that resulting from OFAC's designations of narcotics organizations under E.O. 12978 and the Foreign Narcotics Kingpin Designation Act and terrorist organizations under E.O. 13224. In the latter, we have not yet seen OFAC aggressively pursue enforcement actions against entities for engaging in transactions with 50 percent owned or controlled (but not designated) entities.

July 25 Designations

The EO imposes sanctions on the following organizations:

The Brothers' Circle (Eurasia): This multi-ethnic criminal group consists of top leaders from several Eurasian criminal organizations, and is heavily based in Russia and the former Soviet Union countries. However, with aspirations to achieve global criminal influence, this organization is extending its criminal network into the Middle East, Africa, and Latin America. The Brothers' Circle acts as a central coordinating body for national criminal organizations. [5]

The Camorra (Italy): The Camorra is considered to be the largest organized criminal organization in Italy. Composed of a loose collection of criminal groups from Southern Italy, the Camorra operates internationally and engages in such nefarious criminal activity as drug trafficking and counterfeiting. [6]

The Yakuza (Japan): The Yakuza is composed of major Japanese organized crime organizations and includes over 80,000 members. The organization's profits come from drug trafficking as well as other major criminal activities, including weapons trafficking, human trafficking and white-collar crime. Though based in Japan, the Yakuza's activities are global in scope, as the Yakuza has relationships with criminal affiliates throughout Asia, Europe and the Americas, and is engaged in drug trafficking and money laundering in the United States. [7]

Los Zetas (Mexico): Based in Mexico, Los Zetas, which was formerly the armed unit of the Gulf Cartel, is a brutally violent TCO that is believed to have thousands of members throughout Mexico, Central America and the United States. Los Zetas is actively involved in drug trafficking into the United States, and engages in extortion, money laundering, intellectual property theft and human smuggling. Given their violation of U.S. narcotics laws, Los Zetas members have been named in several federal indictments in the United States. Further, in 2009, the President designated Los Zetas as a significant foreign narcotics trafficker pursuant to the Foreign Narcotics Kingpin Designation Act and, since 2009, Treasury's Office of Foreign Assets Control (OFAC) has designated several leaders of the organization pursuant to the Kingpin Act. In addition to engaging in the aforementioned criminal activities, Los Zetas members are responsible for mass murders in Mexico and Guatemala, and were responsible for the killing of an Immigration and Customs Enforcement (ICE) Special Agent. [8]

This article was co-authored by John B. Reynolds, III and Cari N. Stinebower.

[1] See 76 Fed. Reg. 44,757 (July 27, 2011).

[2] See Department of Treasury Fact Sheet, available at <http://www.treasury.gov/press-center/press-releases/Pages/tg1255.aspx>.

[3] See Attorney General Eric Holder Speaks at the Announcement of the Transnational Organized Crime Strategy, available at <http://www.justice.gov/iso/opa/ag/speeches/2011/ag-speech-110725.html>.

[4] See 76 Fed. Reg. 44,757 (July 27, 2011).

[5] See Department of Treasury Fact Sheet, available at <http://www.treasury.gov/press-center/press-releases/Pages/tg1255.aspx>.

[6] See *id.*

[7] See *id.*

[8] See *id.*