

## CLIENT EXPORT ALERT

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The Treasury Department's Office of Foreign Assets Control ("OFAC") published a Federal Register notice on August 25, 2006, designating Great Wall Airlines Company Limited (a.k.a "Great Wall Airlines") as a "proliferation" entity on the Specially Designated Nationals List ("SDNL"). The notice also blocked Great Wall Airlines' property pursuant to Executive Order 13382 of June 28, 2005, *Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters*. Although published on August 25<sup>th</sup>, the designation is effective as of August 15, 2006.

OFAC's designation and blocking actions have wide implications for a number of companies in the aircraft industry throughout the supply chain, even though the airline announced a suspension of operations. The impacted entities include manufacturers, distributors, freight forwarders and shippers of all levels aircraft segments – e.g., systems, subsystems, parts, components and related equipment. In addition, OFAC's action affects not only U.S. facilities and financial institutions, but foreign business units as well and transcends industries. OFAC authorizations are now required for any interaction involving Great Wall Airlines and U.S. companies or their foreign branches.

To the extent U.S. companies are currently involved in activities with Great Wall Airlines, all such activity must cease until an OFAC authorization is obtained or an exception to that requirement applies. In addition, if a U.S. company holds any property in Great Wall Airlines, that property is blocked by operation of law and no further actions may proceed with that property absent OFAC's express authorization. This means that, if a company is in the process of repairing a Great Wall aircraft engine in one of its facilities, the company may not complete the repair without OFAC approval. Financial transactions, such as loans to Great Wall Airlines, letters of credit and EFTs are also subject to the same standards and require an entity to seek OFAC authorization immediately before participating in the transaction. Failure to comply subjects the participants to civil and related sanctions. Blocked payments at U.S. banks cannot be released without OFAC authorization. Any refund on a company's books due Great Wall Airlines for returned parts is also blocked and may not be paid without OFAC authorization. Whether OFAC will issue authorization under these or other circumstances depends on a number of factors, including foreign policy considerations and U.S. national security interests. Often, OFAC will make these licensing decisions only upon consultation with other U.S. Government agencies, such as the Department of State.

The full details concerning the OFAC designation of Great Wall Airlines are as follows: Great Wall Airlines Company Limited (a.k.a Great Wall Airlines; a.k.a. Changcheng Hangkong), 1600 Century Road, Shanghai 200122, China; C.R. No. 001144 (China) Issued 20 Oct 2005 expires 19 Oct 2035. U.S. companies should be on the alert for shipments or other transactions involving any Great Wall Airlines locations other than this address. The possibility that any inadvertent transaction could occur anywhere within the U.S. or foreign industry supply and manufacturing chain or financial community compounds each day unless word is sent out quickly as part of a company's global compliance program.

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