CINA FERNANDEZ
MAKE THE COMPLEX SIMPLE

CASE STUDY SUMMARY · SANCTIONS, OWNERSHIP & SUPPLY

Arcadia Precision Industries

A US manufacturer's sole supplier is majority-owned by a man the EU and UK have just designated. The US has not. The individual UBO is sanctioned, but the products are not subject to any trade restrictions. Twelve days later the ownership changes.

BOARD MEETS
23 NOV 2026
PAPER DUE 20 NOV

1 Arcadia's Profile

$6.4bn	19,400	31/14	11%
REVENUE	STAFF	PLANTS/COUNTRIES	DEFENCE

US-listed maker of power semiconductor modules, sensors and motion control for rail (EN 50155), medical imaging (IEC 60601), grid, aerospace and defence. Its parts run live railways, scanners and substations, so supply cannot simply stop. **You are the compliance officers.**

IT DE NL PL IE EU subsidiaries US SG CN

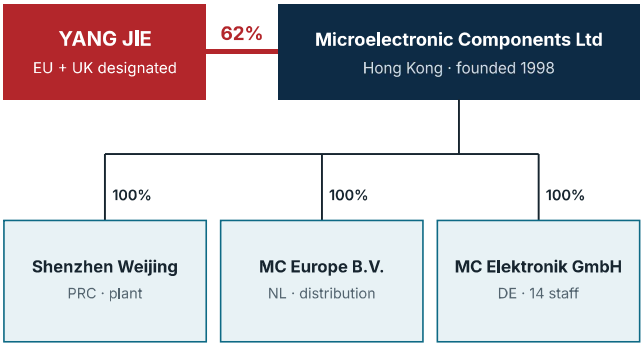
2 Designation Background · 30 Oct, 00:01 CET

The EU designates **Yang Jie**, owner of **62%** of Microelectronic Components Ltd (MC), Hong Kong: Arcadia's sole qualified source of a custom gate driver ASIC and ceramic substrate, and a customer for 11 years. The UK follows the same day. **Grounds:** helping circumvent EU export restrictions on controlled microelectronics.

EU · LISTED | UK · LISTED | US · NOT LISTED

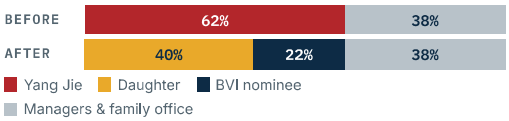
Not on the OFAC SDN List · no MC entity designated anywhere · Shenzhen plant not on the BIS Entity List.

3 Ownership and Control



4 The Restructuring · 13 Nov

The sale report letter says Yang Jie gave 40% to his daughter and 22% to a BVI nominee, resigned as chairman and renamed MC. A Hong Kong opinion says MC is no longer owned or controlled by him. MC wants shipments to resume under the binding six-month forecast.



RED FLAGS

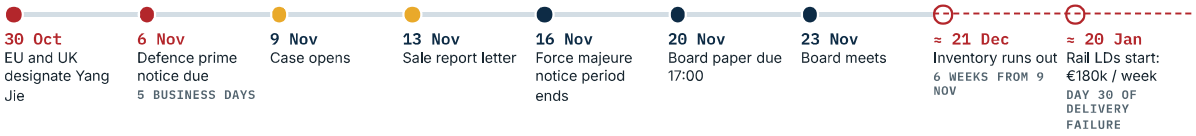
- 12 days after designation
- Daughter (24, student): no evident means
- Bank account moved offshore
- Both stakes just under 50%
- Nominee director is MC's CFO
- Opinion paid for by MC

Ownership has changed. Has control?

5 What Is at Stake

$74m	6 wks	14–22 mo	€8.9m	$8.6m	€5.4m
ANNUAL SPEND	INVENTORY	TO REQUALIFY	OWED BY MC	OWED TO MC	HELD BY MC
Sole qualified source	Then a line halts	Rail and medical; cannot be compressed	Frozen, collectable or set-off?	USD, cleared in New York	Tooling (Shenzhen), stock (Rotterdam)

6 Key Dates



Designation and hard deadlines · Case milestones · Notice and board dates · Projected from case facts, if supply stops

7 The Bank's Position

A bank may lawfully decline lawful business, need not explain, and will act before any authority responds.

- **Frozen batch:** €2.4m held at the Italian cash-pool bank; 31 unrelated payments caught, including Polish payroll.
- **Clearing leg:** the $8.6m payable puts a New York correspondent in the middle.
- **Covenant:** no Group member may deal with anyone owned or controlled by a designated person.

8 Questions for the Room

- **Who is bound?** Ohio CCO, US-national plant manager in Regensburg, Singapore, the Suzhou JV.
- **Are there any relevant derogations? Who licenses what?** Italian bank, German contract, Polish warehouse, Irish licence.
- **Is MC Europe B.V. frozen?** Would 48%, or 48% plus board control, change it?
- **The bank declines anyway.** Is that lawful?
- **The €8.9m.** Frozen or collectable? Can it be set off against the $8.6m?
- **Suspend or continue?** Which deadline falls first? Who is told first?

Deliverable: two sentences for the board. "My recommendation would be …" and "The greatest difficulty is …"