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U.S Sanctions: Iran

The U.S. authorities have introduced further sanctions in relation to Iran which potentially impact both U.S. and non-U.S. persons operating in the shipping industry. Freehill Hogan & Mahar have produced another helpful client alert which we reproduce below.

“ In response to the recent developments involving Iran and the United States, the U.S. authorities issued a new [Executive Order](#) (“E.O.”) on 10 January 2020, imposing sanctions with respect to additional sectors of Iran, namely the construction, mining, manufacturing, and textiles sectors

Broadly speaking, Section 1 of the E.O. authorizes the imposition of sanctions against anyone (including non-U.S. persons) who is determined by the U.S. authorities to have engaged in any of the following:

- i) to operate in the construction, mining, manufacturing, or textiles sectors of the Iranian economy, or any other sector of the Iranian economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State;
- ii) to have knowingly engaged, on or after the date of this order, in a significant transaction for the sale, supply, or transfer to or from Iran of significant goods or services used in connection with a sector of the Iranian economy specified in, or determined by the Secretary of the Treasury, in consultation with the Secretary of State, pursuant to, subsection (a)(i) of this section;
- iii) to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, any person whose property and interests in property are blocked pursuant to this order; or
- iv) to be owned or controlled by, or to have acted or purported to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to this order.

The entities/persons designated pursuant to this E.O. can be added to the U.S. Specially Designated Nationals (“SDN”) list.

The E.O. authorizes sanctions with respect to foreign financial institutions in connection with transactions involving the designated sectors.

The E.O. states that the prohibitions in section 1 including the making of “any contribution or provision of funds, goods, or services by, to, or for the benefit of any person” who is designated and blocked under this order; and the receipt of any contribution or provision of funds, goods, or services from any such person.

The E.O. does not define the meaning of “significant.” As with other sanction programs, it is believed that significance will be examined on a case-by-case basis depending on the totality of the circumstances. Presumably, factors that might be considered include (a) the size, number, and frequency of the transactions; (b) the nature of the transactions, or the goods or services, including their type, complexity, and commercial purpose; (c) the level of awareness of management and whether the transactions are part of a pattern of conduct; (d) the nexus of the person that engaged in the transactions and the prohibited activities; (e) the impact of the transactions on the objectives of the E.O. at issue; and (f) whether the transactions attempt to obscure or conceal the actual parties or true nature of the transactions, or evade sanctions. This guidance thus leaves considerable discretion to OFAC.

Insofar as the shipowning community is concerned, continued utmost diligence should be exercised in any trades involving Iran to evaluate whether blocked persons are involved as this E.O. expands the sectors of the Iranian economy which are targeted for sanctions and can result in a greater scope of the entities that are named to the SDN List. In addition, voyages to and from Iran should be examined to ensure the prohibitions described in this E.O. are not implicated, particularly since operating in the sectors described could be broadly construed by the U.S. authorities.”

Freehill continues to monitor developments in this area and are available to assist in understanding and examining how these developments may affect their business opportunities. If you have any questions about the contents of this alert or would like further information regarding U.S. sanctions, please feel free to contact the authors, Bill Juska at juska@freehill.com or Gina Venezia at venezia@freehill.com.

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