

CLIENT ALERT:

U.S. ISSUES NEW ECONOMIC SANCTIONS AGAINST IRAN

June 24, 2019

Today, June 24, 2019, President Trump signed a new Executive Order (“E.O.”) to impose additional sanctions with respect to Iran. The E.O. primarily targets Iran’s Supreme Leader Ayatollah Ali Khamanei and the Supreme Leader’s Office (SLO) and certain high-level associates and appointees. The sanctions seek to bar those designated pursuant to this E.O. from the international banking and financial system. The Executive Order is not yet numbered and is characterized as simply “Imposing Sanctions with Respect to Iran.” The E.O. is in part in response to Iran’s downing of an American drone last week.

The E.O. authorizes blocking sanctions on any person (not just a U.S. person) determined by the Secretary of the Treasury, in consultation with the Secretary of State:

- A. To be appointed by the Supreme Leader or SLO to a position as a state official, or as the head of any entity located in Iran or any entity located outside Iran that is owned or controlled by one or more entities in Iran;
- B. To be appointed to a position as a state official of Iran, or as the head of any entity located in Iran or any entity located outside of Iran that is owned or controlled by one or more entities in Iran, by any person appointed by the Supreme Leader, or the SLO;
- C. To have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or service to or in support of any person whose property and interests in property are blocked pursuant to this section;
- D. 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 section; or
- E. To be a member of the board of directors or a senior executive officer of any person whose property and interests in property are blocked pursuant to this section.

At the outset, these sanctions are targeting senior commanders of the navy, aerospace and ground forces of the Revolutionary Guard believed to be responsible for shooting down the drone. Accordingly, with the announcement of the E.O., the U.S. designated several military personnel to the Specially Designated Nationals (SDN) list.

The E.O. also specifically authorizes sanctions against foreign financial institutions. Foreign financial institutions may be sanctioned by having “strict conditions” imposed on their ability to open or maintain correspondent or payable-through accounts in the U.S. Such sanctions can be imposed if the foreign financial institution is determined to have knowingly conducted or facilitated any significant financial transaction for or on behalf of any person whose interests are blocked pursuant to this E.O. The goal is to pressure foreign financial institutions from engaging in transactions with the Supreme Leader, SLO or those other individuals designated under the E.O. and hence freeze those individuals out of the international banking and financial system.

Given the scope and text of this E.O., it is unlikely to have an added effect on vessel owners and vessels apart from the sanction programs that are already in effect. Nevertheless, the E.O. is further demonstration that the U.S. will continue to use its sanction programs to target non-U.S. persons in an effort to obtain the desired effect. Ship owners and their insurers should continue to exercise diligence in any transaction involving Iran or any individual or entity designated on the SDN list.

Disclaimer: This Client Alert provides only a general summary of the sanctions program discussed herein and is not intended to constitute comprehensive legal advice. Specific legal advice should be taken with respect to any individualized inquiry regarding any sanctions program. For additional clarification, please feel free to contact Bill Juska (juska@freehill.com), Gina Venezia (venezia@freehill.com) or Bill Pallas (pallas@freehill.com).

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