

CLIENT ALERT: UNITED STATES IMPOSES NEW SANCTIONS ON IRAN – MINIMAL IMPACT ON SHIPPING

September 23, 2019

Introduction

On September 14th the Aramco facility in Abqaiq, Saudi Arabia was attacked by drones, sustaining significant damage. While Yemen’s Houthi rebels claimed responsibility for the attack, the United States has claimed that Iran was involved, which Iran has denied. In response to the attack President Trump immediately advised that new sanctions would be imposed upon Iran.

New Sanctions

As yet, the United States has not imposed any new broad sanctions against Iran. Instead, on September 20th the Treasury Department designated to the U.S. Specially Designated Nationals List (“SDN List”) the Central Bank of Iran and the National Development Fund (“NDF”) of Iran, as well as Etemad Tejarate Pars Co. A link to the Treasury Department press release on the designations is as follows:

Press release: <https://home.treasury.gov/news/press-releases/sm780>

All three entities were designated under the U.S. counterterrorism authority, Executive Order 13224 of September 25, 2001. According to the press release, the Central Bank was designated for providing financing to the Islamic Revolutionary Guards Corps (“IRGC”), its Qods Force (“IRGC-QF”) and Hizballah. The NDF was named to the SDN List for having been a major source of foreign currency to the IRGC-QF and to Iran’s Ministry of Defense and Armed Forces Logistics (“MODAFL”). Etemad Tejarate Pars, an Iran-based company, was designated for concealing financial transfers for MODAFL’s military purchases, including funds originating from the NDF.

The overall impact of these designations is difficult to assess. While designation to the U.S. SDN List blocks the property of any of these three entities located in the United States, it is not known whether they have any significant property in the United States. In addition, given the economic sanctions already in place against Iran, it is not clear whether these new designations will exert increased pressure. In announcing the sanctions, the United States notes that it has a longstanding policy of allowing the sale of agricultural commodities, food and medicine to Iran, and advises it will continue to consider requests related to humanitarian trade with Iran.

It seems unlikely that these sanctions will have any direct impact on international shipping, unless there are non-U.S. shipowners who are dealing with any of these three entities. U.S. persons were already generally prohibited from engaging in any transactions with Iranian entities. As to non-U.S. persons, it should be noted that in Section 1(d)(i) Executive Order 13224 provides for the blocking of property in the United States of any persons who are determined

“to assist in, sponsor, or provide financial, material, or technological support for, or financial or other services to or in support of, such acts of terrorism or those persons listed in the Annex to this order or determined to be subject to this order.”

Since the three entities listed above have been designated to the SDN List pursuant to Executive Order 13224, any person found to be providing them with financial assistance or support could be subject to sanctions. In addition, Section 5 of Executive Order 13224 provides for potential civil and criminal penalties for such persons.

It seems unlikely that entities in international shipping would be engaged in extensive activities with the Central Bank of Iran, the NDF or Etemad Tejarate Pars. However, to the extent that any non-U.S. entity is engaged with these designated Iranian entities, they should understand that those activities pose a risk of the imposition of sanctions by the United States.

This Client Alert is only a general summary for informational purposes. It and its content are not intended to be and should not be used or construed as legal advice. Readers should seek specific legal advice before acting with regard to the subjects mentioned herein.

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