

ALERT

Multiple New Iran Sanctions Imposed and Proposed

May 26, 2011

During the month of May, the Administration and the Congress have increased pressure on persons engaged in business with Iran. Specifically, the Administration imposed new sanctions under the Iran Sanctions Act (as amended) on May 24, 2011, and issued a new Executive Order and imposed sanctions under the Iran, North Korea and Syria Nonproliferation Act on May 23. In addition, two bills have been introduced by Members of Congress that would further sanction certain persons engaged in business with Iran. The European Union also has imposed new measures on Iran.

The Iran Sanctions Act and the May 23 Executive Order

On May 23, 2011, the president signed an Executive Order authorizing the implementation of certain sanctions set forth in the Iran Sanctions Act (ISA), as amended.^[1] On May 24, 2011, three entities were added, pursuant to the Executive Order, to the Specially Designated Nationals List.^[2] These entities are as follows:

- Associated Shipbroking (Fontvieille, Monaco) [ISA]
- Royal Oyster Group (Dubai, United Arab Emirates) [ISA]
- Speedy Ship FZC (Dubai, United Arab Emirates) [ISA]

On May 24, pursuant to the ISA, as amended, the Secretary of State imposed sanctions on seven companies for their activities in support of Iran's energy sector.^[3] These entities are:

- PCCI (Jersey/Iran). The sanctions prohibit PCCI from U.S. foreign exchange transactions, U.S. banking transactions and all U.S. property transactions.

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- Royal Oyster Group (UAE). The sanctions prohibit the entity from U.S. foreign exchange transactions, U.S. banking transactions and all U.S. property transactions.^[4]
- Speedy Ship (UAE/Iran). The sanctions prohibit the entity from U.S. foreign exchange transactions, U.S. banking transactions and all U.S. property transactions.
- Tanker Pacific (Singapore). The sanctions ban the entity from securing financing from the Export-Import Bank of the United States, from obtaining loans over \$10 million from U.S. financial institutions and from receiving U.S. export licenses.^[5]
- Ofer Brothers Group (Israel). The sanctions ban the entity from securing financing from the Export-Import Bank of the United States, from obtaining loans over \$10 million from U.S. financial institutions and from receiving U.S. export licenses.^[6]
- Associated Shipbroking (Monaco). The sanctions ban the entity from engaging in U.S. foreign exchange transactions, U.S. banking transactions and all U.S. property transactions.
- Petróleos de Venezuela (PDVSA) (Venezuela). The sanctions prohibit the entity from competing for U.S. government procurement contracts, from securing financing from the Export-Import Bank of the United States and from obtaining U.S. export licenses. These sanctions do not apply to PDVSA subsidiaries and do not prohibit the importation of PDVSA-related crude oil into the United States.^[7]

Iran, North Korea and Syria Nonproliferation Act

On May 23, 2011, pursuant to the Iran, North Korea, and Syria Nonproliferation Act (INKSNA), the U.S. Department of State imposed sanctions on two Belarusian entities, three Chinese entities and one individual, five Iranian entities and one individual, one North Korean entity, two Syrian entities and one Venezuelan entity for transferring to or acquiring from Iran, North Korea, or Syria export-controlled equipment and technology, or for having the potential to make a material contribution to weapons of mass destruction or cruise or ballistic missile systems.^[8] These entities are subject to the following sanctions:

- A ban on U.S. Government procurement;
- A ban on U.S. Government assistance;
- A ban on U.S. Government sales of any item on the U.S. munitions list (USML);
- The termination of any sales of any defense articles, defense services or design and construction services controlled under the Arms Export Control Act; and
- A ban on the issuance of new licenses and the suspension of any existing licenses, for transfer to these entities of items controlled under the Export Administration Act of 1979 or Export Administration Regulations.

The Iran North Korea Syria Sanctions Consolidation Act of 2011

On May 23, 2011, Senator Menendez, along with several co-sponsors, introduced the Iran North Korea Syria Sanctions Consolidation Act of 2011, which, among other things, seeks to: (1) intensify pressure on companies that continue to do business with Iran's energy sector; (2) expand asset freezes on companies selling

prohibited military goods or technology to Iran, North Korea, or Syria; and (3) broaden the reach on INKSNA sanctions.^[9] The bill has not yet been referred to a committee.

The Iran Threat Reduction Act of 2011

On May 13, 2011, House Foreign Affairs Committee Chair Ros-Lehtinen, along with co-sponsors, introduced the Iran Threat Reduction Act of 2011, which would amend the ISA to, among other things, create additional tools through which to impose sanctions on Iran; increase the number of sanctions that the President is required to impose; and heighten the requirements for Presidential waiver of sanctions.^[10]

European Union Sanctions

On May 23, 2011, the European Union (EU) announced the imposition of a new round of sanctions on Iran, imposing asset freezes and travel bans on more than 100 Iranian individuals and entities for their involvement in Iran's nuclear program.^[11] These newest sanctions follow closely behind the EU's recent sanctioning of 32 Iranian officials for human rights abuses.^[12] Among the 100 entities added to the EU's list of sanctioned entities are:

- Europäisch-Iranische Handelsbank (EIH), a major bank based in Germany that has provided Iran access to Europe's financial markets. The EU sanctions freeze the banking activity of EIH.
- The Islamic Republic of Iran Shipping Line (IRISL) and several holding companies owned or controlled by the Islamic Republic of Iran Shipping Lines.
- Four current or former senior officials of the Atomic Energy Organization of Iran (AEOI) and the Chairman and Managing Director of IRISL.

A full list of the designated entities was published in the May 24, 2011 Official Journal of the European Union.^[13]

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A more detailed analysis of these developments is forthcoming.

This article was co-authored by John B. Reynolds, III and Cari N. Stinebower.

[1] See <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20110523.aspx>; <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20110524.aspx>.

[2] See <http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20110524.aspx>.

[3] See <http://www.state.gov/r/pa/prs/ps/2011/05/164132.htm>.

[4] As noted above, pursuant to the President's May 23, 2011 Executive Order, Royal Oyster Group, Speedy Ship FZC and Associated Shipbroking were added to OFAC's Specially Designated Nationals (SDN) List, which blocks their assets and generally prohibits U.S. persons from engaging in transactions involving these entities. In contrast to OFAC's SDN designation, under the ISA, as amended, the Secretary of State can choose from a menu of sanctions. For these three entities, the following sanctions were identified as appropriate: a prohibition from U.S. foreign exchange transactions, U.S. banking transactions, and all U.S. property transactions. Other transactions generally remain permissible however U.S. persons should anticipate that transactions (including the provision of services) involving these ISA-designated entities will be subject to heightened scrutiny.

[5] News reports indicate that Tanker Pacific (Singapore) is a subsidiary of the Ofer Brothers Group (Israel). See Wayne Ma, *2nd UPDATE: Tanker Pacific Denies U.S. Allegations Of Iran Trade*, *The Wall Street Journal* (May 25, 2011).

[6] Initial research identifies no legal entity named "Ofer Brothers Group." The Ofer Brothers Group's website identifies itself as a "diverse cluster of companies" that, among other investments, runs Israel's biggest shipping company and holds a 51 percent stake in Israel's fourth largest bank. Many in the business community hope that the U.S. government will promptly clarify the target of its sanctions against Ofer Brothers Group.

[7] The State Department's decision expressly to exclude PDVSA's subsidiaries raises a question about the Department's intent with respect to the subsidiaries of other designated entities.

[8] See <http://www.state.gov/r/pa/prs/ps/2011/05/164129.htm>. These entities are as follows:

- Belarusian entities - Belarusian Optical Mechanical Association and BelTechExport;
- Chinese entities and individuals - Mr. Karl Lee, Dalian Sunny Industries, Dalian Zhongbang Chemical Industries Company, and Xian Junyun Electronic
- Iranian entities and individuals - Milad Jafari, Defense Industries Organization, Islamic Republic of Iran Shipping Lines (IRISL), Islamic Revolutionary Guard Corps Qods Force, SAD Import-Export Company, and Shahid Bakeri Industries Group (SBIG)
- North Korean entity - Tangun Trading
- Syrian entities - Industrial Establishment of Defense and Scientific Studies and Research Center (SSRC)
- Venezuelan entity - Venezuela Military Industries Company (CAVIM)

[9] Iran North Korea Syria Sanctions Consolidation Act of 2011, S.R. 1048, 112th Cong. See AFP, US senators introduce Iran sanctions bill (May 23, 2011), available at <http://www.google.com/hostednews/afp/article/ALeqM5jhlj6qxvljSHXy9vhdVLS9esBHhg?docId=CNG.31087bd0b1c2741a2b104c2812fe3980.13e1>.

[10] Iran Threat Reduction Act of 2011, H.R. 1905, 112th Cong., available at http://www.foreignpolicy.com/files/fp_uploaded_documents/110516_HR%201905%20-%20Iran%20Threat%20Reduction%20Act.pdf. See also U.S. House of Representatives Committee on Foreign Affairs, Ros-Lehtinen Introduces New Iran Sanctions Legislation to Close Loopholes, Mandate Enforcement (May 16, 2011), available at http://www.internationalrelations.house.gov/press_display.asp?id=1823.

[11] See Official Journal of the European Union, Council Implementing Regulation (EU) No 503/2011 of 23 May 2011 implementing Regulation (EU) No 961/2010 on Restrictive Measures Against Iran (May 24, 2011), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:136:0026:0044:EN:PDF>.

[12] See <http://www.businessweek.com/ap/financialnews/D9ND3IN82.htm>.

[13] See Official Journal of the European Union, Council Implementing Regulation (EU) No 503/2011 of 23 May 2011 implementing Regulation (EU) No 961/2010 on Restrictive Measures Against Iran (May 24, 2011).