

Sanctions 03 Nov, 2020

Iran sanctions: Designation of Strait Shipbrokers, Singapore



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It was announced on 29 October 2020 that Strait Shipbrokers in Singapore as well as its executive Murtuza Mustafaunir Basrai had been added to the U.S. SDN list.

This may have impacts on Members' fixtures where Strait has been or might prospectively be involved.

The State Department press release noted that Strait was sanctioned under Section 3(a)(ii) of Executive Order 13846 for knowingly engaging in a significant transaction involving the purchase, acquisition, sale, transport or marketing of petroleum products from Iran. The SDN designation takes immediate effect and there is no wind-down period. It also applies to any entity which is 50% or more owned by the sanctioned entities.

In view of the differing impacts of U.S. primary and secondary sanctions, the Club's U.S. attorneys Freehill Hogan and Mahar suggest, in broad terms, the following practical effects of Strait's designation on U.S. and non-U.S. persons:

U.S Persons

- As of the date of the SDN designation, no U.S. person may provide any funds, goods or services to or for the benefit of Strait or its sanctioned executive. This means that U.S. persons cannot engage in transactions with or for the benefit of Strait and cannot effect any payments to Strait regardless of currency.
- U.S. persons must block any property in which Strait has an interest. As such, if Strait is owed any money for pre-SDN-designation transactions, the U.S. person must not pay Strait. That payment must be blocked. The U.S. person may also have to report the blocking to OFAC.
- For pending and future charters, Strait should not be involved and cannot be paid its commission if there is a U.S. nexus to the trade including the involvement of U.S. persons and charter hire/freight in U.S. Dollars.
- U.S. persons (including shareholders or directors) should not be involved in any decision or approval related to transactions involving Strait or bestowing a benefit on Strait.

Non-U.S Persons

- Because the authority under which Strait was sanctioned does not have a broad secondary sanction provision, Strait may continue to be involved in current and future fixtures as broker provided that the charter has no U.S. nexus as described above, including the involvement of any U.S. persons.
- No payments can be made to Strait in U.S. Dollars or that involve U.S. banks or their foreign branches and likely also their foreign subsidiaries.
- Strait should not be paid in another currency if the underlying charter hire/freight was paid in U.S. Dollars as this might be construed as Strait being conferred a benefit or receiving funds that have an original U.S. nexus. Consequently, if Strait is to be paid a commission, the underlying payment of freight, hire and demurrage should also be in a different currency.
- The situation is more challenging if the hire/freight/demurrage has already been paid in U.S. Dollars and the only outstanding is the commission. If a Member falls into this situation all the facts surrounding the pending transaction should be examined by US attorneys in order to assess the sanctions risks.
- In practical terms there might be difficulties now paying Strait by non-U.S. persons even in another currency than U.S. Dollars, because many foreign banks are often reluctant to transact any payments once a party is on the SDN list.

As noted, the above is intended to be a brief summary of the situation with Strait and its executive. Members are strongly advised to carefully consider the impacts of these designations on both payments due to Strait against current or past fixtures and whether to engage in new fixtures where Strait are involved. They should contact the Managers for further advice on this or any other sanctions issue.