

CLIENT ALERT: THE UNITED STATES DESIGNATES FOREIGN SHIPPING ENTITIES TO THE SDN LIST UNDER THE IRANIAN SANCTIONS

September 25, 2019

Today the Department of Treasury's Office of Foreign Assets Control ("OFAC") issued new Iran-related sanctions targeting several non-U.S. individuals and companies who are involved in the shipping industry. These individuals and companies have been added to the Specially Designated Nationals ("SDN") list after being determined by OFAC to meet the criteria for the imposition of sanctions under Executive Order ("E.O.") 13846. E.O. 13846 was issued in August 2018 and re-imposed U.S. sanctions with respect to Iran (including its secondary sanctions) after the U.S. exited the Joint Comprehensive Plan of Action.

The new SDN designations include the following entities:

- CHINA CONCORD PETROLEUM CO., LIMITED
- COSCO SHIPPING TANKER (DALIAN) CO., LTD. (a.k.a. COSCO SHIPPING TANKER DALIAN; a.k.a. DALIAN OCEAN SHIPPING CO., LTD.; a.k.a. DALIAN OCEAN SHIPPING COMPANY; a.k.a. DALIAN YUANYANG YUNSHU GONGSI; a.k.a. DALIAN YUANYANG YUNSHU YOUXIAN GONGSI; a.k.a. DALIAN ZHONGYUAN HAIYUN YOU PIN YUNSHU YOUXIAN GONGSI
- COSCO SHIPPING TANKER (DALIAN) SEAMAN AND SHIP MANAGEMENT CO., LTD. (a.k.a. COSCO SHIPPING SEAMAN SHP MGMT),
- KUNLUN HOLDING COMPANY LTD.,
- KUNLUN SHIPPING COMPANY LIMITED
- PEGASUS 88 LIMITED

In conjunction with these designations, OFAC issued a new FAQ concerning the impact of the designation of the COSCO entities. The FAQ states:

Do sanctions on COSCO Shipping Tanker (Dalian) Co. and COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co. apply to their corporate parent and affiliates?

COSCO Shipping Tanker (Dalian) Co. and COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co. were determined by the Secretary of State on September 25, 2019, to meet the criteria for the imposition of sanctions under Executive Order (E.O.) 13846, and the Secretary of State imposed certain sanctions, including blocking, on these entities. The blocking sanctions apply only to these listed entities and any entities in which they own, individually or in the aggregate, a 50 percent or greater interest. Sanctions do not apply to these entities' ultimate parent, COSCO Shipping Corporation Ltd. (COSCO). Similarly, sanctions do not apply to COSCO's other subsidiaries or affiliates (e.g., COSCO Shipping Holdings), provided that such entities are not owned 50 percent or more in the aggregate by one or more blocked persons. U.S. persons, therefore, are not prohibited from dealing with COSCO, its non-blocked subsidiaries, or non-blocked affiliates to the extent the proposed dealings do not involve any blocked person, or any other activities prohibited pursuant to any OFAC sanctions authorities. Similarly, non-U.S. persons do not face sanctions risk for engaging in transactions with COSCO, its non-blocked subsidiaries, or non-blocked affiliates. [09-25-2019]

The designations come on the heels of the Advisory issued by OFAC earlier this month to the shipping industry warning of the U.S.'s intent to "aggressively" enforce sanctions against Iran and target shipments of sanctioned products. (See FHM Client Alert dated Sept. 9, 2019.) Neither the announcement of the designations nor the FAQ articulates the specific activities the above companies engaged in to warrant their designation to the SDN list.

Today's action further illustrates that the U.S. will target foreign ship owners and vessels for engaging in sanctionable trade with Iran or involving Iranian-origin products. The consequences for being found to have violated U.S. sanctions or engaged in sanctionable conduct can be significant and, as evidenced by today's actions, can include the naming of a non-U.S. person to the SDN list or other sanctions. It is thus imperative that those operating in the shipping industry exercise utmost caution. Effective risk assessment should continue to be exercised in dealings involving Iran or petroleum, petroleum products or petrochemicals that might be of Iranian origin.

We continue to monitor developments in this area and are available to assist clients 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 against Iran, please feel free to contact the authors, Bill Juska at juska@freehill.com or Gina Venezia at venezia@freehill.com.

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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