

Update: New Actions Taken Against Iran Shipping Lines and Its Affiliates; New Iran Designations

June 24, 2011 (Updated July 1, 2011)

The United States government continues to ratchet up pressure on the Government of Iran. This week saw three actions: (1) the identification of ten shipping companies as Specially Designated Nationals (SDNs); (2) the indictment of the Islamic Republic of Iran Shipping Lines (IRISL); and (3) the identification of Iran Air, Tidewater Middle East Co. and related persons as SDNs. With the exception of the Tidewater Middle East Co. (Tidewater), designation, these actions will likely have little impact on U.S. entities' compliance programs because U.S. persons were already prohibited from engaging in transactions with entities in Iran and the Government of Iran, wherever located. The designation of Tidewater as an SDN may have an impact on persons involved in licensed exports of goods to Iran since OFAC-licensed goods will now have to be shipped into Iran without using Tidewater's services. Tidewater maintains operations in seven Iranian ports.^[1]

IRISL Designations

On Monday, June 20, 2011, the U.S. Department of the Treasury, pursuant to Executive Order 13382, ^[2] announced the designation of ten shipping companies and three individuals affiliated with IRISL given IRISL's involvement with Iran's ballistic missile program, and its continued attempts to evade U.S. sanctions by establishing new affiliates, subsidiaries and front companies. ^[3] The Treasury-designated entities are as follows: ^[4]

- **Pacific Shipping, Great Ocean Shipping Services, Azores Shipping, Atlantic Intermodal, Crystal Shipping, and Pearl Shipping** - According to Treasury, each of these companies is

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based in the United Arab Emirates and has acted for or on behalf of Oasis Freight Agency, an IRISL affiliate.

- **Sinose Maritime Pte. Ltd.** - According to Treasury, Sinose is a Singapore entity and an agent of both IRISL and Asia Marine Network, an IRISL front company located in Singapore.
- **Leading Maritime** - a Singapore entity.
- **Santex Lines Limited** - IRISL's regional office in China.
- **Fairway Shipping** - According to Treasury, Fairway Shipping is a UK shipping company controlled by Mohammad Hadi Pajand, an individual designated as an SDN in 2010 for serving as the company secretary and director of designated entities affiliated with IRISL.

The Treasury-designated individuals are as follows: Mohammad Moghaddami Fard and Ahmad Tafazoli (top IRISL managers and executives); and Alireza Ghezel Ayagh (Managing Director for Asia Marine Network and a director of Leading Maritime). [5]

IRISL Indictment

In an effort coordinated with Treasury, on June 20, 2011, Manhattan District Attorney Cyrus R. Vance, Jr., announced a 317-count indictment of eleven companies and five individuals for their involvement in a conspiracy orchestrated by IRISL and its affiliates to evade sanctions. The companies subject to the indictment are as follows: IRISL; Hafiz Darya Shipping Lines; Safiran Payam Darya Shipping Company; Asia Marine Network Pte. Ltd.; Sinose Maritime Pte. Ltd.; Leading Maritime Pte. Ltd.; Oasis Freight Agencies; Great Ocean Shipping Services LLC; Pacific Shipping Company; Irinvestship Ltd.; and Fairway Shipping Limited. [6]

The indictment alleges that during "the time period of the conspiracy, the defendants engaged in illicit commercial transactions through correspondent bank accounts domiciled in New York County totaling in excess of \$60 million." [7] Specifically, the indictment states that despite OFAC's September 10, 2008 designation of IRISL, Asia Marine Freight, Oasis Freight, and Irinvestship, among other companies, as proliferators of weapons of mass destruction, these companies began using other defendant companies as aliases and shell companies in order to access the U.S. financial system and conduct their business activities.[8] While the indictment identifies the U.S. financial institutions used to clear transactions on behalf of the IRISL entities, the investigation division for the Manhattan DA's Office made clear that these banks were not complicit in the conspiracy, as "[t]hey were deceived in these wire payments." [9]

Tidewater Middle East Co. and Iran Air Designations

On June 23, Treasury announced the designation of one individual and five entities as SDNs. These are as follows:

- **Shahriyari, Behnam** - According to Treasury, Mr. Shahriyari was designated because he acts for or on behalf of Liner Transport Kish, an IRGC-linked shipping company designated as an SDN in December 2010.

- **Behnam Shahriyari Trading Company** - Mr. Shahriyari operates this company.
- **IranAir** - Iran Air is Iran's national air carrier, operating a fleet of approximately 40 aircraft covering 35 international and 25 domestic destinations.
- **IranAir Tours** - Iran Air Tours serves as Iran Air's domestic air carrier, operating a fleet of 14 aircraft connecting 13 Iranian cities.
- **Mehr-e Eqtesad-e Iranian Investment Company** - Mehr-e Eqtesad-e Iranian Investment Company is owned or controlled by IRGC-created Mehr Bank, designated as an SDN in December 2010.
- **Tidewater Middle East Co.** - Mehr-e Eqtesad-e Iranian Investment Company, Mehr Bank and the IRGC own Tidewater.

OFAC Issues General License Allowing Limited Shipments through Tidewater-Operated Ports

On June 24, OFAC issued General License No. 4 which authorizes licensed shipments of certain agricultural commodities, medicine and medical products to proceed through Tidewater-operated ports where: (1) the contract for export pre-dates June 23, 2011 and (2) the contract calls for shipment through Tidewater or one of the seven ports Tidewater operates. Where there is no explicit language regarding port of entry, it appears the General License would not apply and, at least until the extent of Tidewater's control over Iranian ports not listed in the designation is clarified, the exporter would have to ship goods into Iran via a non-designated airline or over land. The General License is valid through August 23, 2011 and provides the limited purpose of allowing shipments at sea or to be shipped in the next two weeks to be completed. Going forward, licensed exports to Iran will likely have to be sent via air or over land, adding further difficulties for U.S. exporters of licensed products to Iran.

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

[1] Tidewater maintains operations at the following ports:

- Bandar Abbas (Shahid Rajaei Container Terminal)
- Bandar Imam Khomeini Grain Terminal
- Bandar Anzali
- Khorramshahr Port (one terminal)
- Assaluyeh Port
- Aprin Port
- Amir Abad PortComplex

See Treasury Sanctions Major Iranian Commercial Entities, Treasury Press Release (June 24, 2011), available at: <http://www.treasury.gov/press-center/press-releases/Pages/tg.aspx>.

[2] Signed by the President on June 28, 2005, Executive Order 13382 is geared towards prohibiting the transactions and freezing the assets of weapons of mass destruction proliferators and their supporters, thereby isolating them financially. See Executive Order 13382-Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters, 70 Fed. Reg. 38,567 (July 1, 2005).

[3] See <http://www.treasury.gov/press-center/press-releases/Pages/tg1212.aspx>.

[4] See *id.*

[5] See *id.*

[6] See *id.*; see also <http://www.scribd.com/doc/58312392/IRISL-Indictment-Final>.

[7] See <http://www.scribd.com/doc/58312392/IRISL-Indictment-Final>.

[8] See *id.*

[9] See US Treasury expands IRISL Sanctions; Manhattan DA Indicts, *The Wall Street Journal* (June 20, 2011).