

## NEWSLETTER NO. 15 / 19

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### US Sanctions OFAC Advisory to the Maritime Petroleum Shipping Community. Sanctions Risks Related to Shipping Petroleum and Petroleum Products from Iran 4<sup>th</sup> September 2019

11th September 2019

On the 4th September 2019 the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued an advisory to the international shipping community on Sanctions Risks Related to Shipping Petroleum and Petroleum Products from Iran. For ready reference we have attached a copy of this advisory.

Whilst some of the contents of the advisory are a re-run of previous advices recently presented by OFAC it remains an important document to be read with some new underlining on sanctionable activity. The document also contains additional vessels which have been added to the existing SDN list.

The advisory states;

"Those who knowingly engage in significant transactions for the purchase, acquisition, sale, transport, or marketing of petroleum or petroleum products from Iran - knowingly provide significant support to an Iranian person of OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List), such as National Iranian Oil Company (NIOC), The National Iranian Tanker Company (NITC) and the Islamic Republic of Iran Shipping Lines (IRISL) – are at serious risk of being targeted by the United States for sanctions, *regardless of the location or nationality of those engaging in such activities.*"  
(italics added)

"Furthermore, persons providing bunkering services to vessels transporting petroleum or petroleum products from Iran risk being subject to sanctions unless an applicable waiver or exception applies."

N.B. in this regard OFAQ have updated their previous FAQ 296 with FAQ 691 which we attach copy of herewith.

The advisory moves on to again re-mark the US Sanctions reach to non-US persons;

“In addition, non-U.S. persons – including foreign financial institutions – may be subject to U.S. sanctions for knowingly conducting significant transactions for, or knowingly providing significant support to certain Iran-related persons on OFAC’s SDN List.....”

“Further, non-U.S. persons that knowingly own, operate, control, or insure a vessel that transports crude oil exported from Iran after the expiration of any applicable significant reduction exception could be subject to secondary sanctions under the Iran Sanctions Act.”

Examples of deceptive shipping practices and risk mitigation measures are again set out in line with previous advices. There is however under Insurance an additional clarification made, highlighted below in *italics*;

“Insurance: There is risk related to the provision of underwriting services or insurance or reinsurance to certain Iranian energy or maritime related persons or activity. In particular, persons who knowingly provide underwriting services or insurance or reinsurance to any Iranian person on the SDN List – such as NIOC, NITC, IRISL – are exposed to sanctions.

*Additionally, transactions involving the designated entity Kish Protection & Indemnity Club (aka Kish P&I), a major Iranian insurer, are considered sanctionable activity.”*

Whilst many notices and advisory notes are been issued by OFAC on sanctions (and not only relating to Iran but to other countries) it remains highly recommended to follow and read each publication in its entirety. Whilst seemingly repeating previous notices, there may be new aspects / information which is addressed, as with this Advisory, which have an impact upon the sanctions breadth and depth of application.

This Newsletter, and our information archive, can also be accessed at [www.plferrari.com](http://www.plferrari.com)

P L FERRARI & Co.

Disclaimer: This Newsletter provides only information of recent sanctions developments / official publications and is not to be construed as legal advice on sanctions or how to perform due diligence checks.



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

**OFAC Advisory to the Maritime Petroleum Shipping Community**

**Issued:** September 4, 2019  
**Subject:** Sanctions Risks Related to Shipping Petroleum and Petroleum Products from Iran

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is issuing this advisory to alert persons globally to the significant U.S. sanctions risks for parties involved in shipping petroleum or petroleum products from Iran after the expiration of any applicable significant reduction exceptions on May 2, 2019. These shipments create significant sanctions risk for entities and individuals in the shipping industry, including shipping companies, vessel owners, managers, operators, insurers, and financial institutions. Those who knowingly engage in significant transactions for the purchase, acquisition, sale, transport, or marketing of petroleum or petroleum products from Iran — or knowingly provide significant support to an Iranian person on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List), such as the National Iranian Oil Company (NIOC), the National Iranian Tanker Company (NITC), and the Islamic Republic of Iran Shipping Lines (IRISL) — are at serious risk of being targeted by the United States for sanctions, regardless of the location or nationality of those engaging in such activities. Further, persons providing bunkering services to vessels transporting petroleum or petroleum products from Iran risk being subject to sanctions unless an applicable waiver or exception applies. The United States continues to take strong action to deny the Government of Iran funds derived from the illicit exportation of petroleum or petroleum products from Iran.

The United States is committed to aggressively enforcing our sanctions against the Iranian regime, denying it the financial means to sponsor terrorism and advance its ballistic missile program while permitting humanitarian trade benefitting the Iranian people. Targeting shipments of petroleum and petroleum products from Iran is a critical element of denying the Iranian regime access to financial resources to support its malign activities.

In connection with these activities, the United States is targeting private and public sector entities around the world that engage in sanctionable conduct, including those involved in procuring petroleum and petroleum products from Iran to Syria, China, and elsewhere. For example, in November 2018, August 2019, and September 2019, OFAC sanctioned individuals and entities in a number of countries involved in schemes in which the sale and shipment of Iranian oil to Syria provided hundreds of millions of dollars to Iran's terror proxy groups, including the Islamic Revolutionary Guard Corps Qods Force (IRGC-QF), Hizballah, and Hamas.

This advisory contains an annex providing a list of vessels that were identified on OFAC's

SDN List as property in which persons blocked pursuant to E.O. 13224 have an interest on September 4, 2019.<sup>1</sup> These blocked persons are part of an IRGC-QF-led network that shipped Iranian crude oil and condensate to Syria.

### **Sanctions Risks and OFAC's Iran-related Authorities**

Individuals and entities knowingly engaged in certain transactions relating to the purchase, acquisition, sale, transport, or marketing of petroleum and petroleum products from Iran or providing material support to certain Iran-related persons on the SDN List risk being sanctioned under U.S. sanctions authorities relating to Iran, unless an exception applies.

Below is a high-level overview of OFAC's Iran-related sanctions authorities; however, this overview is not intended to be a comprehensive summary of all U.S. sanctions authorities related to Iran. Please note this section is current as of the date of this advisory. The most up-to-date information can be found on Treasury's website and the hyperlinks listed in the footnotes below.

OFAC administers and enforces a comprehensive trade embargo against Iran, as set forth in the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR), issued under the authority of the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, among other authorities. The ITSR prohibits most direct and indirect transactions with Iran by U.S. persons or within the United States, unless authorized by OFAC or exempted by statute.<sup>2</sup> Further, absent an applicable exemption or OFAC authorization, foreign persons, including foreign financial institutions, are prohibited from processing transactions to or through the United States in violation of these prohibitions, including transactions through U.S. correspondent accounts for or on behalf of Iranian financial institutions, other persons located in Iran, or where the benefit of those services is otherwise received in Iran.

In addition, non-U.S. persons — including foreign financial institutions — may be subject to U.S. sanctions for knowingly conducting significant transactions for, or knowingly providing significant support to, certain Iran-related persons on OFAC's SDN List, including NIOC, NITC, and IRISL, unless an exception applies. Further, non-U.S. persons that knowingly own, operate, control, or insure a vessel that transports crude oil exported from Iran after the expiration of any applicable significant reduction exception could be subject to secondary sanctions under the Iran Sanctions Act. Even if an exception applies, the involvement of the IRGC or any other person designated in connection with Iran's support for international terrorism or its proliferation of weapons of mass destruction or their means of delivery is nonetheless subject to U.S. sanctions. The IRGC is identified by the United States as

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<sup>1</sup> NOTE: Blocked persons subject to sanctions and additional vessels identified as property in which a blocked person has an interest can be found on the SDN List, which can be searched [here](#). Please note that the transport of petroleum and petroleum products exported from Iran before May 2, 2019 to a country that received a significant reduction exception pursuant to section 1245 of the National Defense Authorization Act for Fiscal Year 2012 could be subject to a sanctions exception.

<sup>2</sup> The ITSR also prohibits entities owned or controlled by a United States person and established or maintained outside the United States ("U.S.-owned or -controlled foreign entities") from knowingly engaging in any transaction directly or indirectly with the Government of Iran or any person subject to the jurisdiction of the Government of Iran that would be prohibited by the ITSR if the transaction were engaged in by a United States person or in the United States.

a Foreign Terrorist Organization.

### **Deceptive Shipping Practices**

As the global community increases its pressure on the Iranian regime, persons associated with the petroleum shipping industry continue to deploy deceptive practices to facilitate Iranian transactions. Actors such as Iran's IRGC-QF attempt to evade U.S. and European sanctions by obfuscating the origin, destination, and recipient of oil shipments, including those in the Mediterranean Sea ultimately destined for Syria.

The following list provides examples of the types of tactics used to obfuscate the origin and destination of petroleum and petroleum products from Iran.

**Falsifying Cargo and Vessel Documents:** Complete and accurate shipping documentation is critical to ensuring all parties to a transaction understand the parties, goods, and vessels involved in a given shipment. Bills of lading, certificates of origin, invoices, packing lists, proof of insurance, and lists of last ports of call are examples of documentation that typically accompanies a shipping transaction. Shipping companies have been known to falsify vessel and cargo documents to obscure the destination of petroleum shipments.

**Ship to Ship (STS) Transfers:** STS transfers are a method of transferring cargo from one ship to another while at sea rather than while located in port. STS transfers can conceal the origin or destination of cargo.

**Disabling Automatic Identification System (AIS):** AIS is a collision avoidance system, which transmits, at a minimum, a vessel's identification and select navigational and positional data via very high frequency (VHF) radio waves. While AIS was not specifically designed for vessel tracking, it is often used for this purpose via terrestrial and satellite receivers feeding this information to commercial ship tracking services. Ships meeting certain tonnage thresholds and engaged in international voyages are required to carry AIS at all times, consistent with applicable requirements; however, vessels carrying petroleum from Iran have been known to intentionally disable their AIS transponders or modify transponder data to mask their movements. This tactic can conceal the cargo's Iranian origin, or create uncertainty regarding the location of Iranian vessels and obfuscate STS transfers of Iranian cargo.

**Vessel Name Changes:** The owners of vessels that have engaged in illicit activities are known to change the name of a vessel in an attempt to obfuscate its prior illicit activities. For this reason, it is essential to research a vessel not only by name, but also by its International Maritime Organization (IMO) number.

### **Risk Mitigation Measures**

The risk of engaging in sanctionable activity or processing prohibited transactions can be potentially mitigated by implementing the following types of measures, many of which were

outlined in previous OFAC publications:

**Insurance:** There is sanctions risk related to the provision of underwriting services or insurance or reinsurance to certain Iranian energy- or maritime-related persons or activity. In particular, persons who knowingly provide underwriting services or insurance or reinsurance to any Iranian person on the SDN List — such as NIOC, NITC, or IRISL — are exposed to sanctions. Additionally, transactions involving the designated entity Kish Protection & Indemnity Club (aka Kish P&I), a major Iranian insurance provider, are considered sanctionable activity. The United States is not alone in its concerns with Kish P&I. Many countries' flagging registries do not accept vessels insured by Kish P&I to their registries.

**Verify Cargo Origin:** Individuals and entities receiving petroleum or petroleum products shipments should conduct appropriate due diligence to corroborate the origin of such goods when transported or delivered by vessels exhibiting deceptive behaviors or where connections to sanctioned persons or locations are suspected. Testing samples of the cargo's composition can reveal chemical signatures unique to Iranian oil fields. Publicizing cases where certificates of origin are known to be falsified can deter efforts to resell the goods to alternative customers.

**Strengthen Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Compliance:** Financial institutions and companies are strongly encouraged to employ risk mitigation measures consistent with Financial Action Task Force standards designed to combat money laundering, and terrorist and proliferation financing. This includes the adoption of appropriate due diligence policies and procedures by financial institutions and non-financial gatekeepers and promoting beneficial ownership transparency for legal entities, particularly as related to the scenarios outlined above.

**Monitor for AIS Manipulation:** Ship registries, insurers, charterers, vessel owners, or port operators should consider investigating vessels that appear to have turned off their AIS while operating in the Mediterranean and Red Seas and near China. Any other signs of manipulating AIS transponders should be considered red flags for potential illicit activity and should be investigated fully prior to continuing to provide services to, processing transactions involving, or engaging in other activities with such vessels.

**Review All Applicable Shipping Documentation:** Individuals and entities processing transactions pertaining to shipments potentially involving petroleum or petroleum products from Iran should ensure that they request and review complete and accurate shipping documentation. Such shipping documentation should reflect the details of the underlying voyage and reflect the relevant vessel(s), flagging, cargo, origin, and destination. Any indication that shipping documentation has been manipulated should be considered a red flag for potential illicit activity and should be investigated fully prior to continuing with the transaction. In addition, documents related to STS transfers should demonstrate that the underlying goods were delivered to the port listed on the shipping documentation.

**Know Your Customer (KYC):** As a standard practice, those involved in the maritime petroleum shipping community, including vessel owners and operators, are advised to conduct

KYC due diligence. KYC due diligence helps to ensure that those in the maritime petroleum shipping community are aware of the activities and transactions they engage in, as well as the parties, geographies, and country-of-origin and destination of the goods involved in any underlying shipments. This includes not only researching companies and individuals, but also the vessels, vessel owners, and operators involved in any contracts, shipments, or related maritime commerce. Best practices for conducting KYC on a vessel include researching its IMO number, which may provide a more comprehensive picture of the vessel's history, travel patterns, ties to illicit activities, actors, or regimes, and potential sanctions risks associated with the vessel or its owners or operators.

**Clear Communication with International Partners:** Parties to a shipping transaction may be subject to different sanctions regimes depending on the parties and jurisdictions involved, so clear communication is a critical step for international transactions. Discussing applicable sanctions frameworks with parties to a transaction can ensure more effective compliance.

**Leverage Available Resources:** There are several organizations that provide commercial shipping data, such as ship location, ship registry information, and ship flagging information. This data should be incorporated into due diligence best practices, along with available information from OFAC as outlined below in the "Sanctions Resources" section of this advisory.

### **Consequences of Violating U.S. Sanctions or Engaging in Sanctionable Conduct**

Individuals and entities engaged in certain transactions involving petroleum or petroleum products from Iran or certain Iran-related persons on the SDN List should be aware that engaging in such conduct may result in designation or other sanctions under U.S. sanctions authorities unless an exception applies.

In addition, violations of the ITSR could result in civil enforcement actions or criminal penalties for persons or transactions subject to U.S. jurisdiction.

Persons that violate the ITSR can be subject to significant civil monetary penalties.<sup>3</sup> OFAC investigates and enforces violations of its regulations as outlined in its Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A. For more information regarding civil monetary penalties and other administrative actions taken by OFAC, see the Civil Penalties and Enforcement Information portion of OFAC's web site.

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<sup>3</sup> Pursuant to Section 4 of the Federal Civil Penalties Inflation Adjustment Act (1990 Pub. L. 101-410, 104 Stat. 890; 28 U.S.C. 2461 note), as amended by the Debt Collection Improvement Act of 1996 (Pub. L. 104-134, 110 Stat. 1321-373) and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (Pub. L. 114-74, 129 Stat. 599, 28 U.S.C. 2461 note) (collectively, the FCPIA Act), requires each federal agency with statutory authority to assess civil monetary penalties (CMPs) to adjust CMPs annually for inflation according to a formula described in section 5 of the FCPIA Act.

## **Sanctions Resources**

For additional guidance regarding the U.S. sanctions programs on Iran, please consult OFAC's Iran Sanctions [FAQs](#) pages. For questions or concerns related to OFAC sanctions regulations and requirements, including to disclose a potential violation of U.S. sanctions regulations, please contact OFAC's Compliance Hotline at 1-800-540-6322 or via [OFAC\\_Feedback@treasury.gov](mailto:OFAC_Feedback@treasury.gov). To submit a request for a specific OFAC license, see [OFAC Licensing](#).

## ANNEX

*The following vessels were identified on OFAC's SDN List on September 4, 2019 as property in which persons blocked pursuant to E. O. 13224 have an interest. This list is in addition to the nearly 200 vessels identified as blocked property pursuant to Executive Order 13599 on November 5, 2018. Please see OFAC's March 25, 2019 Advisory to the Maritime Petroleum Shipping Community for additional information on sanctions risks related to petroleum shipments involving Iran and Syria.*

### **Non-Exhaustive List of Vessels in Which Persons Blocked Pursuant to E.O. 13224 Have an Interest**

<b>Vessel Name</b>	<b>IMO</b>
ADRIAN DARYA 1 <sup>4</sup>	9116412
BONITA QUEEN <sup>5</sup>	9105906
DELICE <sup>6</sup>	9125138
DESTINY <sup>7</sup>	9177155
DEVREZ	9120994
HAPPINESS I	9212905
JASMINE <sup>8</sup>	9105085
SARAK <sup>9</sup>	9226968
SINOPA	9172038
SOBAR <sup>10</sup>	9221970
SOLAN <sup>11</sup>	9155808
TOUR 2	9364112

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<sup>4</sup> Formerly GRACE 1

<sup>5</sup> Formerly KAMILA

<sup>6</sup> The DELICE and the DEVREZ also are identified pursuant to E.O. 13599 as property in which IRISL has an interest.

<sup>7</sup> The DELICE, DESTINY, DEVREZ, HAPPINESS I, and SINOPA also are identified pursuant to E.O. 13599 as property in which NITC has an interest.

<sup>8</sup> Formerly EMMA

<sup>9</sup> Formerly RISE DESTINY

<sup>10</sup> Formerly RISE DIGNITY

<sup>11</sup> Formerly RISE GLORY

**296. Will the provision of bunkering services to a non-Iranian vessel carrying non-sanctionable goods to or from Iran be subject to sanctions?**

If a non-Iranian vessel is transporting non-sanctionable goods to or from Iran, the bunkering of that non-Iranian vessel in a country other than Iran — and related payments for these bunkering services — will not be subject to sanctions, only if (1) the transaction either does not involve U.S. persons (including U.S. financial institutions) or U.S.-owned or -controlled foreign entities, or the transaction is exempt from OFAC regulation or authorized by OFAC if it does involve U.S. persons (including U.S. financial institutions) or U.S.-owned or -controlled foreign entities, and (2) the transaction does not involve persons on OFAC’s List of Specially Designated Nationals and Blocked Persons (SDN List) that have been designated in connection with Iran’s support for international terrorism or proliferation of weapons of mass destruction, including designated Iranian financial institutions or the Islamic Revolutionary Guard Corps (IRGC), or activity that is subject to other sanctions authorities. [09-05-2019]

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**691. Will the provision of bunkering services to a non-Iranian vessel carrying sanctionable goods to or from Iran be subject to sanctions?**

If a non-Iranian vessel is transporting sanctionable goods to or from Iran (including, but not limited to, petroleum, petroleum products, or petrochemical products from Iran; goods used in connection with the automotive sector of Iran; or iron, iron products, aluminum, aluminum products, steel, steel products, copper, or copper products from Iran), bunkering of that non-Iranian vessel in a country other than Iran — and related payments for these bunkering services — risk being subject to sanctions unless an applicable waiver or exception applies. For example, persons providing bunkering services to a non-Iranian vessel transporting petroleum or petroleum products from Iran could be designated under subsection 1(a)(ii) of [E.O. 13846](#) if such activities involve the provision of material support for, or goods or services to or in support of, NIOC or NICO. Persons that knowingly provide bunkering services to a non-Iranian vessel carrying only petroleum or petroleum products from Iran could likewise be sanctioned under section 3(a)(ii) of E.O. 13846 if that transaction is determined to be a significant transaction for the purchase, acquisition, sale, transport, or marketing of those items. [09-05-2019]

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## **692. Will the provision of bunkering services for an Iranian vessel be subject to sanctions?**

Section 1244(d)(1) of [IFCA](#) makes sanctionable knowingly selling, supplying, or transferring to or from Iran significant goods or services used in connection with Iran's energy, shipping, or shipbuilding sectors. (See [FAQ 289](#) above for an interpretation of "significant.") The provision of bunkering services to a vessel flying the flag of the Islamic Republic of Iran, or owned, controlled, chartered, or operated directly or indirectly by, for, or on behalf of the Government of Iran (GOI) or an Iranian person, could be sanctionable under this authority, regardless of whether the transaction involves persons that have been determined to be part of Iran's energy, shipping, or shipbuilding sectors pursuant to Section 1244(c) of IFCA. Likewise, pursuant to section 1244(d)(2) of IFCA, a foreign financial institution could be exposed to sanctions if it knowingly conducts or facilitates a significant financial transaction for the sale, supply, or transfer to or from Iran of goods or services used in connection with Iran's energy, shipping, or shipbuilding sectors. Payments for the provision of bunkering services to a vessel flying the flag of the Islamic Republic of Iran or owned, controlled, chartered, or operated directly or indirectly by, for, or on behalf of the GOI or an Iranian person could be sanctionable under this authority, regardless of whether the transaction involves persons that have been determined to be part of Iran's energy, shipping, or shipbuilding sectors pursuant to Section 1244(c) of IFCA. (See [FAQ 295](#)).

In addition, the bunkering by non-U.S. persons of an Iranian vessel that has been identified as blocked property of an Iranian person on OFAC's List of Specially Designated Nationals and Blocked Persons — and the making of related payments for these bunkering services — risk being designated themselves.

However, the provision of bunkering services for an Iranian vessel transporting goods subject to an exception, such as agricultural commodities, food, medicine, or medical devices, to Iran, or subject to an applicable waiver — and the making of related payments for these bunkering services — will not be exposed to sanctions, unless the transactions involve persons on the SDN List that have been designated under E.O. 13224 or E.O. 13382 in connection with Iran's support for international terrorism or proliferation of weapons of mass destruction, including certain designated Iranian financial institutions or the Islamic Revolutionary Guard Corps (IRGC), as described in section 104(c)(2)(E) of CISADA, or activity that is subject to other sanctions authorities. [09-05-2019]