

Circular From SWEDISH

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## How Far Reaching Are The Recent Iran Sanctions Against COSCO (Dalian) and Others?

On 25 September, the U.S. Office of Foreign Assets Control (OFAC) designated COSCO Shipping Tanker (Dalian) Co. Ltd. (COSCO Dalian), Kunlun Shipping Company Ltd., and certain other entities and individuals as Specially Designated Nationals (SDNs) under Executive Order 13846 for transporting Iranian oil and petroleum products contrary to U.S. sanctions. To this end, OFAC has confirmed as follows:

- The sanctions apply to the named entities and any entities in which they own, individually or in the aggregate, a 50 percent or greater interest, and
- 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

As to the scope of the sanctions, the Club's understanding is as follows:

- The sanctions apply to U.S. persons (i.e., U.S. companies and U.S. citizens), and foreign entities owned or controlled by U.S. persons, who must "block" the property of these sanctioned entities, and must refrain from directly or indirectly engaging in transactions with the sanctioned entities.
- The sanctions do not apply to non-U.S. persons. This conclusion is based on the observation that, although non-US persons often are prohibited to engage in significant transactions with SDNs under most U.S. sanction laws, the designations on 25 September appear to have been made pursuant to Section 3 of Executive Order 13846, which at least facially does not provide for designation of non-U.S. entities for providing material support or engaging in significant transactions with such non-Iranian SDNs. The Club understand that OFAC has confirmed this interpretation.

As a result of the above, non-U.S. persons would appear to remain free to have continued business dealings with the entities that became designated on 25 September on the following conditions:

- There cannot be any otherwise sanctionable activity such as trading in Iran petroleum and petroleum products or dealings with Iranian SDNs, and
- The business dealing cannot involve any U.S. nexus, for instance payment of any sums in US dollars

Source of Information: The Swedish Club