

CLIENT ALERT

U.S. Government Pressures Iran's Leadership with Additional Sanctions

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Key Takeaways:

- Through a June 24, 2019 Executive Order (EO), President Trump imposed new sanctions on Iran's Supreme Leader's Office and the Supreme Leader of Iran, Ayatollah Ali Khamenei;
- Under the authority of EO 13224, OFAC also designated eight Iranian military commanders, including the commander of the IRGC Aerospace Force, whose bureaucracy was reportedly responsible for downing the U.S. drone on June 20, 2019;
- The June 24 EO authorizes the imposition of secondary sanctions on foreign financial institutions that knowingly conduct or facilitate any significant financial transaction for any person whose property and interests are blocked pursuant to this EO. It also authorizes the Secretary of the Treasury to prohibit the opening, and prohibit or impose strict conditions on maintaining, U.S. correspondent accounts or payable-through accounts by foreign financial institutions.

New Iran Sanctions

On June 24, President Trump issued an Executive Order (EO), "Imposing Sanctions with Respect to Iran," which imposes sanctions on Iran's Supreme Leader's Office (SLO) and targets certain persons appointed by the SLO. Coupled with this action, and pursuant to EO 13224 (under which the Iranian Revolutionary Guard (IRGC) is designated), the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designated eight individuals linked to the SLO and the Islamic Revolutionary Guard Corps (IRGC). Pursuant to the June 24 EO, the Administration also identified as a Specially Designated National (SDN) the Supreme Leader of Iran – Ayatollah Ali Khamenei.

Through these actions, the U.S. continues to use list-based sanctions to pressure Iran. Within this past month, OFAC designated Iran's largest petrochemical holding group, Persian Gulf Petrochemical Industries Company, and its network of subsidiaries and sales agents, for providing financial support to the engineering conglomerate of the IRGC. The entities designated produce 40% of Iran's petrochemical production capacity and are responsible for 50%

of Iran's petrochemical exports. Shortly thereafter, OFAC designated an Iraqi company, South Wealth Resources Company, and two individuals tied to it, for being a financial conduit for the IRGC-Qods Force.

With respect to the new sanctions, U.S. Secretary of the Treasury Steven T. Mnuchin explained in the press release:

The United States is targeting those responsible for effectuating the Iranian regime's destructive influence in the Middle East. IRGC commanders are responsible for the Iranian regime's provocative attacks orchestrated in internationally recognized waters and airspace, as well as Iran's malign activities in Syria.

Most recently, on June 20, the IRGC shot down a U.S. military drone over the Strait of Hormuz, drawing national and international attention. Iranian authorities stated that the drone was flying in Iranian air space, whereas the U.S. Department of State issued a press release stating that the drone was flying within international air space.

Notably, Amirali Hajizadeh, commander of the IRGC Aerospace Force, whose bureaucracy was reportedly responsible for downing the U.S. unmanned aircraft on June 20, 2019, was one of the eight military commanders designated by OFAC a few days later.

The June 24 Executive Order:

Blocks all property and interests subject to U.S. jurisdiction and prohibits transfers, payments, exports, and withdrawals for:

- the Supreme Leader of the Islamic Republic of Iran – Ayatollah Ali Khamenei;
- the SLO;
- any person designated by the Secretary of Treasury and Secretary of State that meets the following criteria:
 - a person appointed by the Supreme Leader or the SLO as a state official or head of any entity controlled by one or more entities in Iran;
 - a person appointed by an official that was appointed by the Supreme Leader or the SLO as a state official or head of any entity controlled by one or more entities in Iran;
 - have materially assisted, sponsored, or provided any kind of support (financial or otherwise) to any person whose property is blocked;
 - a board member or a senior executive officer of any person whose properties and interests are blocked.

The EO also authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to impose **secondary sanctions** on foreign financial institutions that knowingly conduct or facilitate any significant financial transaction for any person whose property and interests are blocked. This means that the EO authorizes the U.S. Government to directly sanction foreign banks and other financial institutions that conduct certain business with those designated under the EO. It also authorizes the Secretary of the Treasury to prohibit the opening, and prohibit or impose strict conditions on maintaining, U.S. correspondent accounts or payable-through accounts by foreign financial institutions.

Further, the EO prohibits any donations to any person designated under this EO and suspends the unrestricted immigrant and nonimmigrant entry into the U.S. of aliens determined to meet one of the previously listed criteria.

The Iranian Government has responded to the new sanctions by mocking the Administration and calling into question offers to open a dialogue.

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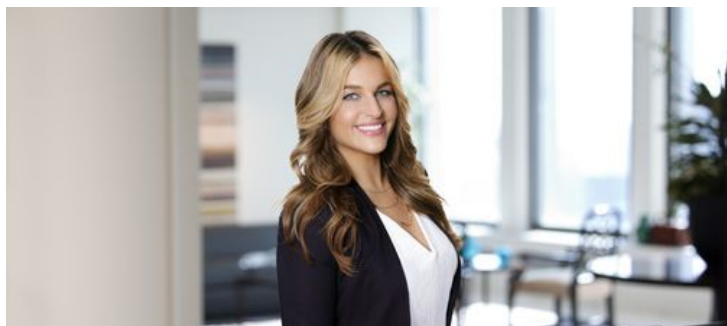
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