



## MEMBER ALERT

29 April 2020

### What is the status of Iran sanctions against COSCO (Dalian) and others?

On September 25, 2019, the Trump Administration imposed sanctions on the following entities pursuant to E.O. 13846 for knowingly engaging in a significant transaction for the transport of oil from Iran despite the expiration of China's Significant Reduction Exception ("SRE").

- (a) COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co, Ltd.
- (b) China Concord Petroleum Co., Limited
- (c) Kunlun Shipping Company Limited
- (d) Pegasus 88 Limited

The Trump Administration also imposed sanctions on the following entities which own or control one or more of the four companies listed above due to these two entities' knowledge of the shipping companies' sanctionable conduct:

- (a) COSCO Shipping Tanker (Dalian) Co., Ltd.
- (b) Kunlun Holding Company Ltd.

Further, the following individuals, all executive officers of one or more of the above six companies, are also sanctioned for their role in the transaction in question:

- (a) Bin Xu
- (b) Yi Li
- (c) Yu Hua Mao
- (d) Luqian Shen
- (e) Yazhou Xu

On January 31, 2020, COSCO Shipping Tanker (Dalian) Co., Ltd. and Yazhou Xu were removed from the SDN List. COSCO Shipping Tanker (Dalian) Seaman & Ship Management Co Ltd., remains on the SDN List.

### 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 will be exposed to a risk of sanctions if they engage in certain transactions with certain SDNS, the designations on 25 September appear to have been made pursuant to Section 3 of Executive Order 13846, which does not provide for designation of non-U.S. entities for providing material support or engaging in significant transactions with persons or entities sanctioned under that section.

As a result of the above, non-U.S persons remain free to have continued business dealings with the entities that became designated on 25 Septembers 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

[OFAC: Iran-related Designations; Issuance of Iran-related Frequently Asked Question](#) (25 Sept 2019)