



UPDATE /// JANUARY 13, 2020

U.S. Expands Sanctions on Iranian Metals and Textiles Industry and Senior Officials

The Trump Administration on January 10, 2020, issued broad new secondary sanctions with respect to Iran's construction, mining, manufacturing, and textiles sectors in an effort to target additional sources of revenue used by the Iranian regime, as well as with respect to additional members of the Iranian leadership. The expansion of secondary sanctions authority to cover new sectors of the Iranian economy means that non-U.S. companies and financial institutions previously doing business in these sectors now face additional sanctions risk.¹

- The new executive order² authorizes the Treasury Secretary to:
 - Block the assets of persons operating in Iran's construction, mining, manufacturing, or textiles sectors, as well as other sectors of the Iranian economy to be later determined;
 - Impose secondary sanctions against non-U.S. persons that have knowingly engaged in a "significant" transaction for the sale, supply, or transfer to or from Iran of "significant" goods or services used in connection with the construction, mining, manufacturing, or textiles sectors; and,
 - Prohibit (or impose strict conditions on) correspondent account relationships with any non-U.S. financial institution that knowingly conducts a significant financial transaction for the sale or supply of goods in these sectors or with a designated person.³
- The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) also designated under existing authorities eight senior Iranian officials, as well as 17 Iranian metals producers and mining companies, a network of three China- and Seychelles-based entities, and a vessel involved in the transfer of metals to and from Iran.⁴
- This executive order expands the sectors in Iran's economy subject to sanctions, notably to include textiles. It continues the Administration's efforts to exert broad pressure across the Iranian economy.

Non-U.S. financial institutions should be aware that they may face possible sanctions or significant fines or penalties for providing financial services to businesses operating in those sectors in Iran. They should also be aware that any

banks with which they maintain correspondent account relationships operating in those sectors could expose them to sanctions risk.

- Financial institutions should assess their exposure to all sectors of the Iranian economy, and should be aware of sanctions evasion techniques that Iran is known to have used in the past.⁵ Such evasion techniques have included the use of front and shell companies, obscured ownership and interests in transactions, and other deceptive tactics.⁶
- Financial institutions should refresh due diligence on all correspondent account relationships with exposure to Iran and assess what measures their correspondents are taking to manage sanctions risk.

As tensions between the United States and Iran continue, the President has made clear that he will increase the economic pressure on Iran. New designations under this executive order are likely, and persons involved in these sectors of the Iranian economy are increasingly likely to be targeted.

Endnotes

¹ White House, “Executive Order Imposing Sanctions with Respect to Additional Sectors of Iran,” sect. 1(a)(ii).

² White House, “Executive Order Imposing Sanctions with Respect to Additional Sectors of Iran,” January 10, 2020, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/20200110_iran_co.pdf.

³ White House, “Executive Order Imposing Sanctions with Respect to Additional Sectors of Iran,” sect. 2(b).

⁴ Treasury Department, “Treasury Targets Iran’s Billion Dollar Metals Industry and Senior Regime Officials,” January 10, 2020, <https://home.treasury.gov/news/press-releases/sm870>. See also White House, “Executive Order Imposing Sanctions with Respect to Additional Sectors of Iran,” sect. 1(a).

⁵ See, e.g., FinCEN Advisory FIN-2018-A006, “Advisory on the Iranian Regime’s Illicit and Malign Activities and Attempts to Exploit the Financial System,” <https://www.fincen.gov/sites/default/files/advisory/2018-10-12/Iran%20Advisory%20FINAL%20508.pdf>.

⁶ *Id.* See also Under Secretary Sigal Mandelker “Speech Before the Foundation for Defense of Democracies,” June 5, 2018, <https://home.treasury.gov/news/press-releases/sm0406>.