

Aviation Industry and Iran-Related Sanctions: Be Mindful of Deceptive Practices

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On 23 July 2019 the U.S. Department of the Treasury's Office of Foreign Assets Control (the "OFAC") issued the "Iran-Related Civil Aviation Industry Advisory" (the "Advisory") to warn civil aviation industry of deceptive practices that Iran employs to obtain aircraft, aircraft parts or related services in circumvention of U.S. sanctions.

The Advisory reminds that both U.S. and non-U.S. persons¹ in the civil aviation industry may face civil and criminal consequences for violation of OFAC's sanctions programs. The targeted activities are mostly unauthorized transfers of U.S.-origin aircraft, related goods, technology or services to Iran. Non-U.S. persons may also themselves be designated on sanctions lists or become subject to other sanctions actions for unauthorized activities with Iranian sanctioned persons as well as for causing sanctions violations by a U.S. person or facilitating deceptive transactions on behalf of such Iranian sanctioned persons.

The Advisory highlights the deceptive practices that Iranian persons may seek to employ to evade U.S. sanctions, namely:

Front companies and other pass-through entities. Entities in third countries in Europe, the Middle East, Africa, and Asia are used to conceal or obfuscate the ultimate Iranian beneficiary of unauthorized aviation goods, technology or services.

Third-party suppliers. Suppliers in multiple jurisdictions in Europe, East Asia and the Middle East may deliver to Iran aircraft parts originating in North America and Europe. Suppliers that maintain offices in Teheran may also instruct Iranian airlines to remit payments to accounts in third countries.

Misrepresenting. Iranian persons may willfully misrepresent the Iran-related sanctions to suppliers, dealers, brokers, re-insurers and other intermediaries.

False authorization by OFAC. Iranian persons may claim their activities are authorized by OFAC without providing copies of any OFAC licenses.

¹ A U.S. person is (i) a U.S. citizen or permanent resident (i.e., "green card" holder), (ii) an entity organized under the laws of the United States and its foreign branches and (iii) any person, regardless of citizenship, physically present in the United States. 31 CFR 560.314.

Specific third countries. Iranian persons may source unauthorized aviation goods, technology or services from third countries known to have strong reputations for aircraft maintenance, repair and overhaul operations, but limited export control or sanctions enforcement capabilities.

General trading firms located in free trade zones. Such firms engage in although they do not ordinarily appear to deal in aviation goods or placing orders for U.S.-origin aircraft parts or components.

Complicated trading chains. Iranian persons place orders for U.S.-origin aircraft parts or components from firms in one country for delivery to freight forwarding or logistics firms in a second country.

Aviation market participants must therefore be particularly cautious when supplying products or services that might eventually end up in Iran. The Advisory also gives helpful insight into what OFAC considers deceptive practices in a broader sense which may be relevant for other sanctions programs, including those affecting Russia.

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Please do not hesitate to contact us with any questions.



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