

OFFICE OF FOREIGN ASSETS CONTROL

IRANIAN TRANSACTIONS REGULATIONS
31 C.F.R PART 560

GUIDANCE ON TRANSSHIPMENTS TO IRAN

SUMMARY

- Except as otherwise authorized, the Iranian Transactions Regulations, 31 C.F.R. Part 560, broadly prohibit the exportation, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, technology, or services to Iran or the Government of Iran.
- The prohibitions include exportation to a person in a third country undertaken with knowledge or reason to know, that such goods, technology, or services are intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Iran or the Government of Iran.

FACTUAL CONTEXT

A U.S. company engaged in the manufacture and sale of equipment contacted OFAC after learning that one of its non-U.S. person distributors in a third country had sold a small quantity of its products to Iran. The products were supplied from the distributor's general inventory and were not purchased from the U.S. manufacturer for the specific purpose of filling an Iranian order. The seller holds a minority interest in the foreign parent of its distributor and is knowledgeable about the general nature of the distributor's business activities. There was a concern that similar sales might occur in the future and the company contacted OFAC for guidance.

GUIDANCE

The Treasury Department's Office of Foreign Assets Control ("OFAC") is charged with the enforcement of various economic sanctions programs, including the U.S. economic embargo against the Government of Iran as promulgated in the Iranian Transactions Regulations, 31 CFR Part 560 (the "Regulations"), under the authority of the International Emergency Economic Powers Act, 50 U.S.C. 1701 et seq. ("IEEPA").

Section 560.204 of the Regulations broadly prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any goods, technology, or services to Iran or the Government of Iran.

It is important to note that the prohibited sales to Iran through a non-U.S. person in a third country are not limited to those situations where the seller has explicit knowledge that the goods were specifically intended for Iran, but includes those situations where the seller had reason to know that the goods were specifically intended for Iran, including when the third party deals exclusively or predominately with Iran or the Government of Iran.

"Reason to know" that the seller's goods are intended for Iran can be established through a variety of circumstantial evidence, such as: course of dealing, general knowledge of the industry or customer preferences, working relationships between the parties, or other criteria far too numerous to enumerate. Minority ownership by the seller in the third party distributor may also be relevant to the seller's knowledge of the goods intended destination, but is not controlling.

A violation involving indirect sales to Iran may be based upon the actual knowledge of the U.S. supplier at the time of its sale, or upon determination that the U.S. supplier had reason to know at the time of sale that the goods were specifically intended for Iran. OFAC would consider all the relevant facts and circumstances in order to determine the actual or imputed knowledge on the part of the U.S. supplier.

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