



Iran-Related Civil Aviation Industry Advisory

Issued: July 23, 2019

Subject: Deceptive Practices by Iran with respect to the Civil Aviation Industry

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is issuing this Advisory to highlight for the civil aviation industry, including parties providing services to the industry, Iran's deceptive practices with respect to aviation matters. Industry parties who engage in or support unauthorized transfers of U.S.-origin aircraft or related goods, technology, or services to Iran, or who conduct business with designated Iranian airlines, risk OFAC enforcement or sanctions actions.

In particular, both U.S. and non-U.S. persons¹ operating in the civil aviation industry face potential civil and criminal consequences for violating OFAC's sanctions programs, including by engaging in unauthorized transfers of U.S.-origin aircraft or related goods, technology, or services to Iran. Additionally, non-U.S. persons could be designated or made subject to other sanctions actions for engaging in unauthorized activities with persons designated in connection with Iran's proliferation of weapons of mass destruction, support for international terrorism, or human rights abuses (collectively, "designated Iran-related persons")—including, as of the date of this Advisory: Mahan Air, Caspian Air, Meraj Air, Pouya Air, Dena Airways, Al-Naser Airlines, Syrian Air, Dart Airlines, Khors Aircompany, Kyrgyz Trans Avia, Qeshm Fars Air, and UM Air—as well as any Iranian individual or entity on OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List)² (other than a non-designated Iranian depository institution), such as Iran Air.³

Persons considering continued aviation business with Iran need to understand the role that many Iranian commercial airlines play in supporting the Iranian regime's efforts to foment regional violence through terrorism, its weapons programs, and other destabilizing activity to include exploiting its own people through brutal human rights abuses against women, political opponents, and others. Iran has routinely relied upon Iranian commercial airlines to fly fighters and materiel to international locations in furtherance of Iranian state-sponsored terror operations. In conducting these flights, certain Iranian commercial airlines enable Iran's military support for the Assad regime by delivering lethal materiel including weapons shipments, prolonging the brutal conflict and the suffering of millions of Syrians.

¹ The term "U.S. person" includes any U.S. citizen, permanent resident alien, or entity organized under the laws of the United States or any jurisdiction within the United States (including foreign branches), or any person in the United States.

² This list may expand at any time based on OFAC sanctions actions. In particular, note that, as a result of the President's decision to cease U.S. participation in the Joint Comprehensive Plan of Action (JCPOA), on November 5, 2018, the U.S. government re-listed on the SDN List over 700 persons removed from the SDN List and/or other lists maintained by the U.S. government on January 16, 2016.

³ OFAC added Iran Air to the SDN List on November 5, 2018.

Mahan Air

Treasury designated Mahan Air on October 12, 2011 pursuant to Executive Order 13224 for providing financial, material, and technological support to the Islamic Revolutionary Guards Corps (IRGC) Qods Force (IRGC-QF). Mahan Air, which plays an integral role supporting the IRGC-QF and its regional proxies by transporting foreign fighters, weapons, and funds, has also transported IRGC-QF Commander Qasem Soleimani, who is sanctioned under United Nations Security Council Resolution 2231 and subject to a United Nations travel ban. Mahan Air and its affiliate Qeshm Fars Air operate several flights a week to Damascus on behalf of the IRGC-QF to support the atrocities and human suffering caused by the Assad regime. Several hundred IRGC-QF foreign fighters, including children as young as 14 years old, have died fighting Iran's war in Syria, and the bodies of slain foreign fighters have been flown back to Iran on board Mahan Air flights from Syria.



In addition to transporting weapons and fighters for the IRGC-QF, Mahan Air has been used by the IRGC as recently as March 2019 to transport bodies of Fatemiyoun Division fighters who are killed fighting in Syria back to several airports in Iran (Pictures obtained from Iran's Mashregh News and Javan Daily).

Additionally, Mahan Air has had an agreement with U.S.- and EU-designated Syrian Air under which Mahan Air provides civilian aircraft, other aviation-related materials, and maintenance services to Syrian Air. Mahan Air has concealed procurement for Syrian Air by conducting the transfers through third-party intermediaries in other countries.

In January 2019, Germany announced its decision to deny Mahan Air landing rights saying that "it is in Germany's diplomatic interest that there are no flights to Germany by companies that support the military conflict in Syria and contribute to the repression of people in war zones." In March 2019, France joined Germany and several other countries to deny Mahan Air landing rights due to the airline's involvement in transporting military equipment and personnel to Syria. We encourage any other country allowing Mahan Air to operate within its jurisdiction to follow suit.

Mahan Air, at increasing risk of insolvency, has a demonstrated record of failing to pay its debt obligations to service providers in the civil aviation community. International insurers may also refuse to pay claims relating to Mahan Air to minimize exposure to sanctions.

Iran employs deceptive schemes—as described in this advisory—to illicitly procure U.S.-origin aircraft parts from across the world. These efforts, often directed by senior level Iranian officials, constitute a deliberate and persistent pattern to deceive and exploit legitimate businesses, financial institutions, and governments.

Treasury is committed to continued action to target the resources Iran uses to suppress its people, sponsor terrorism, and engage in human rights abuses and other destabilizing activities. General sales agents⁴ and other entities that continue to provide services to U.S.-designated Iranian airlines like Mahan Air remain at risk of sanctions actions. Potentially sanctionable activities—when conducted for or on behalf of a designated person—could include:

- Financial services
- Reservations and ticketing
- Freight booking and handling
- Procurement of aircraft parts and equipment
- Maintenance
- Airline ground services
- Catering
- Interline transfer and codeshare agreements
- Refueling contracts

Since early 2018, the United States has designated 10 entities that have provided support to Mahan Air, including front companies procuring spare aircraft parts;⁵ general sales agents providing services in Malaysia,⁶ Thailand,⁷ and Armenia;⁸ and Qeshm Fars Air,⁹ which helps Mahan Air facilitate the IRGC-QF's malign activities.

The civil aviation industry should be alert to deceptive practices used by some Iranian persons, designated airlines, and their agents or affiliates to acquire unauthorized U.S.-origin aircraft or related goods, technology, or services subject to U.S. jurisdiction in violation of U.S. sanctions prohibitions.

U.S. Sanctions Related to Iran

U.S. sanctions relating to Iran cover a wide range of activities. U.S. primary sanctions under the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR) broadly prohibit U.S. persons and U.S.-owned or -controlled foreign entities¹⁰ from

⁴ A general sales agent (GSA) is a third party that provides services to an airline under the airlines brand, including sales and marketing, administrative services, and financial services.

⁵ See <https://home.treasury.gov/news/press-releases/sm0395>.

⁶ See <https://home.treasury.gov/news/press-releases/sm423>.

⁷ See <https://home.treasury.gov/news/press-releases/sm484>.

⁸ See <https://home.treasury.gov/news/press-releases/sm590>.

⁹ See <https://home.treasury.gov/news/press-releases/sm590>.

¹⁰ The term “U.S.-owned or -controlled foreign entity” means an entity that is owned or controlled by a U.S. person and established or maintained outside the United States. See 31 C.F.R. § 560.215. Under the ITSR, U.S.-owned or -controlled foreign entities are prohibited from knowingly engaging in any transaction, directly or indirectly, with the Government of Iran or any person subject to the jurisdiction of the Government of Iran that would be prohibited pursuant to the ITSR if engaged in by a U.S. person or in the United States. *Id.*

engaging in transactions with or involving Iran, the Government of Iran, and Iranian financial institutions, unless the transactions are exempt from regulation or expressly authorized by OFAC. These prohibitions generally also apply to transactions in or transiting the United States (e.g., transactions that directly or indirectly involve U.S. financial institutions).

In addition, foreign financial institutions and other non-U.S. persons may be exposed to sanctions, including prohibitions or strict conditions on U.S. correspondent or payable-through accounts, for doing certain business with or involving Iran. Additional information on these sanctions, including those sanctions that have been re-imposed following the United States' decision to cease participation in the JCPOA, can be found at <https://www.treasury.gov/resource-center/sanctions/Programs/pages/iran.aspx>.

- U.S. Person Prohibitions. The ITSR prohibits the exportation, reexportation, sale, or supply, directly or indirectly, from the United States or by a U.S. person, wherever located, of any goods, technology, or services (including aircraft and related goods, technology or services) to Iran, unless the transactions are exempt from regulation or authorized by OFAC. U.S. persons and U.S.-owned or -controlled foreign entities are also prohibited from engaging in any transaction or dealing in or related to goods, technology or services for exportation, reexportation, sale, or supply, directly or indirectly, to Iran or the Government of Iran.

Furthermore, under the ITSR, U.S. persons are generally prohibited from engaging in any transaction or dealing involving the Government of Iran or Iranian financial institutions and are obligated to block the property and interests in property of such persons if they come within a U.S. person's possession or control, again unless the transactions are exempt or authorized by OFAC.

- Non-U.S. Person Prohibitions. Under the ITSR, non-U.S. persons are prohibited from reexporting from a third country, directly or indirectly, any goods, technology, or services that have been exported from the United States, if (1) undertaken with knowledge or reason to know that the reexportation is intended specifically for Iran or the Government of Iran, and (2) the item is subject to U.S. export licensing requirements. This prohibition applies to the reexportation by non-U.S. persons of foreign-made items with 10 percent or more U.S.-controlled content by value. Foreign-made aircraft, including aged aircraft, may contain 10 percent or more U.S.-controlled content by value.

Additionally, non-U.S. persons who own U.S.-origin aircraft or aircraft containing 10 percent or more U.S.-controlled content by value should be vigilant when entering into leases of their aircraft to guard against unauthorized subleases of the aircraft to Iranian airlines.

Non-U.S. persons may also violate the ITSR by directly or indirectly exporting services from the United States, or by causing other persons to violate U.S.

sanctions against Iran. For example, a non-U.S. person that processes a U.S. dollar-denominated transaction through a U.S. financial institution pertaining to the unauthorized procurement, sale, delivery, or provision of goods or services to Iran, the Government of Iran, or an Iranian airline or entity could be subject to an enforcement action by OFAC, even if the transaction is otherwise conducted wholly outside of the United States.

- Potential Exposure, including for Non-U.S. Persons, to Other Sanctions Actions. Separately, persons who provide material support to designated Iran-related persons or Iranian persons on OFAC's SDN List could be subject to sanctions and added to the SDN List. Furthermore, foreign financial institutions that knowingly conduct or facilitate significant financial transactions for or on behalf of certain designated Iran-related persons—including, as of the date of this Advisory, Iran Air, Mahan Air, Caspian Air, Meraj Air, Pouya Air, Dena Airways, Al-Naser Airlines, Syrian Air, Dart Airlines, Khors Aircompany, Kyrgyz Trans Avia, Qeshm Fars Air and UM Air—may be exposed to sanctions, which may include designation and listing on the SDN List or restrictions on or loss of access to the U.S. financial system. OFAC may also sanction non-U.S. persons who have violated, attempted to violate, or caused a violation of U.S. sanctions against Iran or Syria, or foreign persons who have facilitated deceptive practices on behalf of persons subject to U.S. sanctions against Iran or Syria as Foreign Sanctions Evaders pursuant to Executive Order 13608.
- Additional Designation Authorities. In addition to sanctions against Iran described above, OFAC administers sanctions against terrorists and their supporters, as set forth in Executive Order 13224 and the Global Terrorism Sanctions Regulations, 31 C.F.R. part 594 (GTSR), and proliferators of weapons of mass destruction and their supporters, as set forth in Executive Order 13382 and the Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. part 544 (WMDPSR). U.S. persons are generally prohibited from engaging in any transactions or dealings with individuals or entities designated under the GTSR or WMDPSR, such as Mahan Air, and are obligated to block the property and interests in property of such persons if they come within a U.S. person's possession or control. Both the GTSR and WMDPSR prohibit U.S. persons and non-U.S. persons from dealing in blocked property or interests in property in the United States. Further, persons who engage in the unauthorized transfer aircraft or related goods, technology, or services, or who otherwise provide material support to persons designated under those authorities, risk being sanctioned themselves under those authorities.

Termination of JCPOA Statement of Licensing Policy and Revocation of Related Licenses. On May 8, 2018, the President announced his decision to cease the United States' participation in the JCPOA, and to begin re-imposing the U.S. nuclear-related sanctions that were lifted to effectuate the JCPOA sanctions relief. This included the revocation of OFAC's Statement of Licensing Policy for Activities Related to the Export or Re-export to Iran of Commercial Passenger Aircraft and Related Parts and Services

("JCPOA SLP") on May 8, 2018, as well as the revocation of specific licenses that had been issued pursuant to the JCPOA SLP. Accordingly, OFAC will no longer evaluate license applications under the JCPOA SLP.

Maintenance of the Safety of Flight Statement of Licensing Policy and Temporary Sojourn General License. OFAC will continue to evaluate civil aviation-related license applications under the safety of flight statement of licensing policy found in the ITSR at 31 C.F.R. § 560.528. To the extent exporters believe that proposed transactions qualify for the safety of flight statement of licensing policy in 31 C.F.R. § 560.528, exporters may submit applications pursuant to that provision and must clearly describe how the proposed activities fall within its parameters. Applications should include a complete listing of all goods (including, for example, parts, components, accessories, attachments, systems, and equipment), technology, and services being proposed for export. Please note that General License J-1, which authorizes the reexportation to Iran of certain civil aircraft on temporary sojourn remains in effect.¹¹ In addition, exporters should review the Export Administration Regulations to determine whether a BIS license is required in addition to OFAC authorization.

Civil and Criminal Consequences of Engaging in Prohibited Iran-related Activities. U.S. and non-U.S. persons who violate the ITSR, GTSR, or WMDPSR may be subject to a civil monetary penalty of up to the greater of \$302,584 or twice the value of each underlying transaction for each violation.¹² Willful violations of these sanctions can also be criminally prosecuted by the Department of Justice and are punishable by a fine of up to \$1,000,000 and/or imprisonment of up to 20 years.

Deceptive Practices Used To Acquire Aircraft and Related Goods, Technology, or Services in Violation of the ITSR, GTSR, or WMDPSR. Some of the deceptive practices that Iranian persons and their agents and affiliates have used to acquire U.S.-origin aircraft or related goods, technology, or services in violation of the ITSR, GTSR, or WMDPSR include the following:

- Using front companies and other pass-through entities in third countries in Europe, the Middle East, Africa, and Asia to conceal or obfuscate the ultimate Iranian beneficiary of U.S.-origin aircraft and aviation-related materials or foreign-made aircraft containing 10 percent or more U.S.-controlled content by value. For example, on May 24, 2018, Treasury designated an illicit network

¹¹ For more information regarding General License J-1, please visit: https://www.treasury.gov/resource-center/sanctions/Programs/Documents/iran_glj_1.pdf.

¹² Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74 (FCPIA), OFAC adjusted its civil monetary penalty amounts on August 1, 2016, February 10, 2017, March 19, 2018, and June 14, 2019 and will adjust those amounts annually. The current adjusted civil monetary penalty amount is applicable to civil monetary penalties assessed after August 1, 2016, whose associated violations occurred after November 2, 2015, the date of enactment of the FCPIA. Any violations occurring on or before November 2, 2015, are subject to OFAC's prior civil monetary penalty amounts. On June 14, 2019, consistent with the FCPIA, as amended, OFAC adjusted the maximum civil penalty amounts available for violations of sanctions issued pursuant to the International Emergency Economic Powers Act to \$302,584 or twice the value of the underlying transaction.

concealed by Turkish front companies that surreptitiously procured U.S.-origin parts for Mahan Air. This network purchased airline aviation parts from foreign vendors, with delivery to Istanbul, and then forwarded those parts, including U.S.-origin, export-controlled goods, to Mahan Air.

- Iranian persons continue to circumvent U.S. sanctions and procure U.S.-origin aircraft parts through third-party suppliers from multiple jurisdictions in Europe, East Asia and the Middle East, with many parts originating from suppliers in North America and Europe. In certain cases, European suppliers maintain offices in Tehran and have instructed Iranian airlines to remit payments to accounts in third countries.
- Misrepresenting to suppliers, dealers, brokers, re-insurers, and other intermediaries that sanctions against Iran have been lifted.
- Claiming activities are authorized by OFAC without providing copies of any OFAC licenses purportedly held by the parties.
- Sourcing U.S.-origin aircraft, non-U.S.-origin aircraft containing 10 percent or more U.S.-controlled content by value, and U.S.-origin 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.
- Using general trading firms located in free trade zones, which do not ordinarily appear to deal in aviation goods, to place orders for U.S.-origin aircraft parts or components.
- Placing 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.

Intermediaries, such as escrow companies and brokers, should remain vigilant for possible falsified or fabricated documentation relating to OFAC licenses, aircraft registration information, insurance data, overflight movements, use of front companies, and other deceptive practices intended to conceal the ultimate end-users of aircraft or related goods, technology, or services. Such intermediaries should also be on heightened alert for concealed or obscured end-users when delivery of aircraft involves overflight of or stopovers in Iran.

Questions about U.S. economic and trade sanctions on Iran should be directed to OFAC's Compliance Hotline at 1-800-540-6322 or 202-622-2490.

OFAC's Economic Sanctions Enforcement Guidelines may be found at:
https://www.treasury.gov/resource-center/sanctions/Documents/fr74_57593.pdf.

OFAC's Online License Application page may be found at:
<https://www.treasury.gov/resource-center/sanctions/Pages/licensing.aspx>