



July 8, 2011

## IRISL and Affiliates Indicted on Financial Conspiracy Charges

by Andrea Stricker

On June 21, the District Attorney (DA) of Manhattan announced a [317-count indictment](#) against the Iranian government-owned shipping lines, Islamic Republic of Iran Shipping Lines (IRISL), and several of its affiliates and aliases. The indictment [charges](#) that between September 2008 and January 2011, IRISL and three affiliates operating out of Singapore, the United Arab Emirates (UAE), and Britain, seven other companies or aliases, and five individuals committed conspiracy to circumvent United States sanctions against Iran by illegally accessing New York banking institutions to send and receive more than \$60 million in payments. Iran [rejected](#) the U.S. indictment as unfairly aimed at harming its economy.

The Manhattan DA has taken a leading role in investigating and prosecuting Iran's use of New York financial institutions in violation of U.S. sanctions. The DA [previously indicted](#) a Chinese individual and his company for financial transactions made to outfit Iran with ballistic missile related goods, and successfully fined [European banks](#) for conducting Iran-origin financial transactions with New York banks.

Arresting, fining, or otherwise prosecuting the indicted suspects or entities is difficult because they reside outside U.S. jurisdiction, often in countries that have little legal relationship with the United States. However, the DA is likely to seek extradition and other countries should cooperate in this effort.

This case signals an important, ongoing readiness of the United States to investigate and deter Iranian violations of U.S. sanctions. It may force Iran to shut down or rename some of these operations. It raises the profile of IRISL's activities globally, some of which are undoubtedly related to Iran's ongoing illicit procurement activities for its nuclear, missile, and conventional military programs. It also sends a positive message about the ability of financial institutions to detect illicit transfers.

This case also shows that Iran continues in its efforts to circumvent sanctions and reveals ways in which the United States and other countries can make progress at closing the gaps.

### Circumventing National and International Sanctions

National and international sanctions against IRISL and its affiliates are, as the U.S. indictment indicates, "...designed to interrupt IRISL's business operations" insofar as they serve the needs of Iran's weapons of mass destruction (WMD) programs. The indictment states, "These restrictions [present] significant problems for IRISL because, without access to U.S. financial institutions, IRISL could not make or receive U.S. dollar payments relating to its commercial activities."

In September 2008, the United States [added](#) IRISL and 15 related entities, in addition to 123 IRISL vessels, to the Specially Designated Nationals List (SDN List) for their involvement in transporting or proliferating WMD. Three of the IRISL affiliates sanctioned in 2008 were indicted by the New York DA: Asia Marine Network Pte Ltd., located in Singapore; Oasis Freight Agencies, located in the UAE; and Irinvestship Ltd, located in Britain. Their aliases and operators were also indicted. Between August 2010 and February 2011, the United States designated an additional 109 individuals and entities relating to IRISL and several more vessels. The European Union (EU) also designated IRISL entities associated with Iran's WMD proliferation activities in July 2010. The designated entities are forbidden from accessing U.S. or EU banks.

In March 2008, the United Nations Security Council passed [resolution 1803](#) which called upon member states to "inspect the cargoes to and from Iran, of aircraft and vessels, at their airports and seaports, owned or operated by...Islamic Republic of Iran Shipping Line..." if there were reason to believe WMD related materials were aboard. [Resolution 1929](#), passed in June 2010, sanctioned three affiliates of IRISL and called upon member states to communicate "any information available on transfers or activity by...vessels owned or operated by the IRISL to other companies that may have been undertaken in order to evade the sanctions of, or in violation of the provisions of, resolutions 1737 (2006), 1747 (2007), 1803 (2008) or this resolution, including renaming or re-registering of aircraft, vessels or ships..."

Following its sanctioning, IRISL took steps to obscure the actual ownership of its vessels by creating "a web of shell companies stretching across Europe and Asia," according to an [investigative piece](#) by *The New York Times*. It regularly changed ships' flag names and the names of the companies or individuals operating them, even moving entire shipping industries under new names "virtually overnight" according to records seen by *The Times*. A *Times* visit to the given address of one entity under indictment by the United States, Hafiz Darya Shipping Lines (HDS Lines), located in Tehran, revealed that the address was a club used by IRISL employees. Upon further investigation, Hafiz Darya Shipping Lines and another indicted entity, Sapid Shipping Co., were actually located at IRISL headquarters. The managers of the various entities were found to be high-level IRISL employees.

The result of this maneuvering was that blacklists could not keep up with the "camouflage" used by the sanctioned entities, which handicapped financial transaction screening systems designed to detect illicit financial transactions by IRISL-owned or -affiliated entities.

### **The Alleged Scheme**

Beginning on or about September 10, 2008, according to the indictment, IRISL and affiliates Asia Marine, Oasis Freight, and Irinvestship "began using alias names and shell companies to gain access to the United States financial system to continue conducting their financial operations." "By substituting their corporate co-defendants' names," wrote the Manhattan DA in a [press release](#), "IRISL and its sanctioned affiliates deceived banks in New York into processing financial transactions that would have otherwise been blocked and seized. The result was the falsification of the records of banks located in Manhattan involving over \$60 million in illegal payments." In the months following the 2008 sanctioning by the United States of IRISL, Asia Marine, Oasis Freight, and Irinvestship, New York financial institution screening systems blocked many transactions by the companies.

The indictment lists the other "aliases or corporate alter egos" used by IRISL: Hafiz Darya Shipping Lines (HDS Lines) and Safiran Payam Darya Shipping Company (Sapid Shipping Co. or Sapid Shipping). Asia Marine (based in Singapore) used the names: Sinose Maritime Pte Ltd. (Sinose Maritime) and Leading Maritime Pte Ltd. (Leading Maritime). Oasis Freight (based in the United Arab Emirates) used the names Great Ocean Shipping Services LLC (Great Ocean Shipping) and Pacific Shipping Company (Pacific Shipping). Irinvestship (located in Britain) used the name Fairway Shipping Limited (Fairway).

### ***Singapore operation: Asia Marine and aliases***

Following its sanctioning by the United States in 2008, IRISL and Asia Marine continued to operate out of Singapore using the aliases Sinose Maritime and Leading Maritime. An indicted individual, Cheong Kheng Guan, was the director of each. They both functioned as agents of Hafiz Darya Shipping Lines, and Leading Maritime acted as an agent of Sapid Shipping Co.

The arrangement for a joint venture between Sinose Maritime and IRISL began as early as March 2006. Following the institution of U.S. sanctions in 2008, Asia Marine and Sinose Maritime together established Leading Maritime. The entities opened U.S. bank accounts in the name of Leading Maritime. Cheong Kheng Guan and another indicted individual, Alireza Ghezelayagh, were listed on the account. The indictment indicates that between September 2008 and March 2010, Sinose Maritime and Fairway Shipping Limited (located in Britain and also affiliated with the alleged Singapore scheme) allegedly sent 23 wire transfers worth more than \$18 million through banks in New York County. From August 2009 until June 2010, Leading Maritime or Fairway allegedly sent 97 wire transfers amounting to a total of more than \$23 million. These transactions allegedly caused “the falsification of business records of those financial institutions,” according to the indictment.

### ***UAE operation: Oasis Freight and aliases***

Oasis Freight, located in the UAE, faced similar obstacles following the passage of U.S. sanctions against it in 2008. According to the indictment, it used the names Great Ocean Shipping and Pacific Shipping to circumvent financial sanctions. An indicted individual, Alireza Davoudzadeh, was the director of each. Great Ocean Shipping was an agent of Hafiz Darya Shipping Lines, and Pacific Shipping was an agent of Hafiz Darya Shipping Lines and Sapid Shipping Co.

During the month of March 2010, Great Ocean Shipping allegedly sent three wire transfers totaling more than \$76,000 through New York financial institutions. From November 2009 until May 2010, Pacific Shipping allegedly sent five wire transfers worth \$5.2 million. Some of these transactions may have allegedly involved the British alias Fairway Shipping Limited.

### ***Britain operation: Irinvestship and alias***

Irinvestship, located in the United Kingdom, also faced obstacles to accessing the U.S. financial system after being designated in September 2008. That month, Irinvestship allegedly began operating under the alias Fairway Shipping Limited. An indicted individual, Mohammad Hadi Pajand, directed Fairway and was an employee of Irinvestship. He was designated by U.S. sanctions in 2010.

Between October 2008 and March 2010, Fairway allegedly sent 36 wire transfers amounting to more than \$16 million through New York County banks.

### **Lessons**

Sanctions are making business more difficult for Iran. Any country relies on shipping to conduct major portions of its international trade and commerce. The fact that Iran must constantly stay ahead of sanctions raises the cost of doing business.

This case study shows a continuing need for an international legal framework to govern trafficking so that violators of sanctions regimes can be brought to justice without the obstacle of jurisdictional issues.

Other U.S. district attorneys in major financial cities could usefully investigate and indict Iranian violations of sanctions. Iran no doubt accesses U.S. financial institutions in other cities besides New York to send and receive payments. More investigations and prosecutions would likely catch additional financial sanctions' violations and send a stronger message to Iran.

Other countries should also increase their investigations of Iran's violations of financial sanctions. They should do their utmost to enforce their own national or regional sanctions on Iran as well as U.N. Security Council sanctions.

This case successfully raises the profile of IRISL's illicit activities globally, some of which are undoubtedly related to Iran's ongoing illicit procurement activities to outfit its nuclear, missile, and conventional military programs.

This case shows that financial screening systems can detect violations of sanctions, but that they lag behind the pace of Iran's camouflage techniques. Because screening systems rely in part on being able to flag the names of businesses or operators conducting illicit transactions, changing a company's or an operator's name and opening an account in these names to circumvent screening systems may not be detected for some time. In order to overcome this gap, financial institutions need assistance from governments, and in particular, intelligence communities, in order to keep up with Iran's latest schemes.