

RISKS OF DOING BUSINESS WITH IRAN: A RESOURCE GUIDE FOR GERMANY

EXECUTIVE SUMMARY

NOVEMBER 2018

The Islamic Republic of Iran promotes itself as a reliable business partner, hosts trade fairs and business forums in European capitals, and goes to great lengths to entice European businesses to invest in its economy. The governor of the Central Bank of Iran (CBI) traverses the continent, promoting the benefits of financial ties to the regime.

In May 2018, the United States designated Valiollah Seif, then-governor of Iran's Central Bank, for covertly funneling millions of dollars to Hezbollah on behalf of the Islamic Revolutionary Guard's (IRGC) Quds Force.¹ The very individuals who seek to persuade investors also engage in illicit finance, an illustration of how complicity goes to the very top.

Businesses, however, must pull back the veil of Iran's deceptive practices, front companies, and fraudulent activities to uncover the multitude of risks inherent in having Iran as a financial partner.

The Financial Action Task Force (FATF), an intergovernmental body that sets standards for anti-money laundering and counter-terror finance legislation, is one measure of Iran's corruption and illicit finance. In 2008, FATF placed Iran on its "blacklist" of high-risk and non-cooperative jurisdictions, posing a barrier to its reintegration with the global financial system. In short, the organization counseled banks to apply "enhanced due diligence measures" to business relationships and transactions with Iranian counterparties.²

FATF sought to work with the Iranian government on a reform plan, encouraging it to take concrete steps to bring its anti-money laundering and terror financing regulations to international standards. Instead, since 2016, seven times Iran failed to meet FATF's deadline to complete its plan. Iran has inserted many exemptions for terrorist organizations into its anti-money-laundering laws, making its legislation full of holes that were contrary to FATF's standards.

Moreover, Iran conditioned its acceptance of international conventions and protocols on whether FATF first removes it from its blacklist. In October 2018, FATF extended its deadline for Iran to complete its reform plan to

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1. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC – Qods Force," May 15, 2018. (<https://home.treasury.gov/news/press-releases/sm0385>)

2. "Public Statement – October 2018," *The Financial Action Task Force*, October 19, 2018. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2018.html>)

February 2019. However, the question remains: Is it actually more time that Iran needs? Or does Iran need to make a strategic decision to abandon bankrolling terrorism through its financial system?

A new report by the Federal Association of German Banks (Bundesverbandes deutscher Banken, or BdB) reached conclusions similar to FATF's. "Business with Iran is and remains risky for banks," according to its report released on October 19, 2018.³ German companies may be tempted to do business with the Islamic Republic of Iran, but doing so involves "high initial investment with initially low profitability," a risk that justifies what the report describes as "reluctant engagement" so far on the part of German banks.⁴ While noting that companies need to be mindful of American and international sanctions, the report concludes that the burden of mitigating this risk falls on "progress made by Iran itself."⁵

The lion's share of the risks stems from Iran's pervasive corruption, systematic money-laundering, legal risk, human rights violations, cyber security threats, persistent support for foreign terrorist organizations, and nontransparent corporate structures and shadow companies that seek to hide their true ownership interests.

Moreover, German intelligence detected Iranian attempts to procure German equipment and know-how for its weapons of mass destruction and nuclear programs, even after the 2015 nuclear deal.⁶

With the U.S. withdrawal from the 2015 nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), experts believe that Iran will increase its efforts to evade U.S. sanctions to fund malign activities and secure hard currency for the government of Iran. Thus, companies may think they are engaging with legitimate entities, but Iran uses a web of front companies to generate illicit revenues and finance nefarious activities. "Iran's deceptive practices," noted the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) in October 2018, "have been orchestrated not only by elements of their government such as the IRGC-Qods Force, but also by Central Bank of Iran officials who were at the highest levels."⁷

Sigal Mandelker, the U.S. under secretary of the Treasury for terrorism and financial intelligence, outlined one example. Iran – working on behalf of the Qods Force – used German-based front companies to mislead European suppliers and surreptitiously procure advanced printing machinery, special inks and watermarked paper. Using these, the Qods Force printed counterfeit Yemeni bank notes potentially valued at hundreds of millions of dollars. European companies were used to further Iran's subversive activities that undermine global security. "When we consider risks to the international financial system," Mandelker said, "what action is more problematic than

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3. Iris Quade, "Herausforderungen in Geschäft mit Bezug zum Iran (Challenges in Business with Iran)," *Bundesverbandes deutscher Banken* (Germany), October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)

4. Iris Quade, "Herausforderungen in Geschäft mit Bezug zum Iran (Challenges in Business with Iran)," *Bundesverbandes deutscher Banken* (Germany), October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)

5. Iris Quade, "Herausforderungen in Geschäft mit Bezug zum Iran (Challenges in Business with Iran)," *Bundesverbandes deutscher Banken* (Germany), October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)

6. Andrea Shalal, "Iran still trying to buy items for missile development: Germany," *Reuters*, October 11, 2017. (<https://www.reuters.com/article/us-germany-iran-missiles/iran-still-trying-to-buy-items-for-missile-development-germany-idUSKBN1CG2H8>); Benjamin Weinthal, "German Intel Report: Iran Seeks to Shatter States' Stability with WMD," *The Jerusalem Post* (Israel), July 15, 2018. (<https://www.jpost.com/Diaspora/Tehran-seeking-weapons-of-mass-destruction-562556>)

7. U.S. Department of the Treasury, Financial Crimes Enforcement Network, News Release, "FinCEN Advisory on the Iranian Regime's Illicit and Malign Activities and Attempts to Exploit the Financial System," October 11, 2018. (<https://www.fincen.gov/news/news-releases/fincen-issues-advisory-iranian-regimes-illicit-and-malign-activities-and>)

sending massive amounts of fake bank notes into the system?”⁸ She previously noted how “appalling” it is that Iran would risk destabilizing the currency of another country. The scheme, she said, “exposes how far elements of Iran are willing to undermine the laws of Iran’s European partners by actively circumventing European export controls.”⁹

In August 2018, approximately 120 German businesses were active on the ground in Iran, while 10,000 German companies transacted with Iran. Since the United States announced its decision to withdraw from the JCPOA, major German companies, including Siemens, Daimler, and Allianz, have announced they will halt their business with Iran.¹⁰

The purpose of this resource guide is to provide information about the many different kinds of risk that German businesses and financial institutions face when transacting with Iran. The information can be instructive for German businesses, policymakers, and national security community as well their American counterparts. The guide brings together independent rankings on the Iranian business environment, reports from German intelligence agencies, information about U.S. sanctions, reports from human rights monitoring organizations, major media coverage, and other sources. Readers may consult original material directly by following the links included in the guide’s footnotes.

This resource guide is not meant to offer legal advice, which should be provided by general counsel. However, it will provide governments, risk managers, and compliance officers with data sets to support enhanced and comprehensive due diligence before doing business with Iran.

Authors

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We welcome updates from companies and financial institutions and authorities on areas covered in this resource guide.

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8. Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Remarks at the Foundation for Defense of Democracies*, June 5, 2018. (<https://home.treasury.gov/news/press-releases/sm0406>)

9. Ian Talley, “U.S. Treasury Sanctions ‘Large-Scale’ Iran Counterfeiting Ring,” *The Wall Street Journal*, November 20, 2017. (<https://www.wsj.com/articles/u-s-treasury-sanctions-large-scale-iran-counterfeiting-ring-1511201419>)

10. David Adesnik and Saeed Ghasseminejad, “Foreign Investment in Iran: Multinational Firms’ Compliance with U.S. Sanctions,” *Foundation for Defense of Democracies*, September 10, 2018, pages 12-13. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

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SUMMARY

Many banks in Iran are tied to sanctioned entities and individuals. Private banks often have Iranian government shareholders who were previously or currently sanctioned. FDD's Emanuele Ottolenghi and Saeed Ghasseminejad have described Iran's private banks as a "scam," because "the government sold or transferred [bank] shares to government entities and public enterprises it owns or controls, and to government loyalists it can trust to serve its interests. Iran's regime has used its privatization laws to obfuscate its ongoing connection to designated Iranian entities in order to circumvent sanctions – with the result of bamboozling European judges and, in the process, undermining the EU sanctions regime aimed at peacefully preventing Iran from going nuclear."¹¹

Many of these banks conduct operations and have branches in Germany, including some that have violated U.S. and/or EU sanctions. Sanctions on Iranian banks were lifted in 2016 not because of demonstrated good behavior, but rather as part of the JCPOA. Because Iran's malign behavior has not changed, these banks – regardless of whether they are presently sanctioned – pose risks to German companies that interact with them. On November 5, 2018, the U.S. Treasury is scheduled to re-impose sanctions on more than a dozen banks.¹² Afterward, those who transact business with Iranian banks, or with Iran's Central Bank, risk getting caught conducting business with sanctioned entities that may be consequential for these companies.

Dealing with Iran's Central Bank and its central banker also pose risks for businesses. In May 2018, the United States designated Valiollah Seif, then-governor of Iran's Central Bank, for covertly funneling millions of dollars to Hezbollah on behalf of the Iranian supreme leader's personal terror force and militia, known as the Islamic Revolutionary Guard Corps (IRGC), and its extraterritorial branch, the Quds Force.¹³

On July 25, 2018, Iran named a new central banker, Abdolnasser Hemmati. Rather than appoint someone with a record that would signal to the international market that Iran was turning over a new leaf, the regime appointed an official with a history of illicit finance. Hemmati previously served as CEO and chairman of the board of several banks sanctioned by both the U.S. and the EU for weapons procurement and sanctions evasion. The reported involvement of the central bank governors in money laundering and illicit finance illustrates the degree to which Iran's entire financial system is compromised.

In 2012, the United States sanctioned the Central Bank itself, noting that the move stemmed from "the deceptive practices of the Central Bank of Iran and other Iranian banks to conceal transactions of sanctioned parties, the deficiencies in Iran's anti-money laundering regime and the weaknesses in its implementation, and the continuing

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11. Emanuele Ottolenghi and Saeed Ghasseminejad, "Fake Privatization," *The Jerusalem Post* (Israel), February 27, 2013. (<https://www.jpost.com/Opinion/Op-Ed-Contributors/Fake-privatization>)

12. U.S. Department of the Treasury, "Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA)," May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

13. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

and unacceptable risk posed to the international financial system.”¹⁴ The Central Bank of Iran is scheduled to have sanctions re-imposed on it on November 5, 2018.

Key Points:

- German banks have demonstrated they recognize the risks of transacting with Iran. Since the United States withdrew from the JCPOA, “80 to 85 percent of all payments to German banks [from Iranian banks] are being rejected,” noted Helmut Gottlieb, director of the Hamburg branch of Iranian-owned Bank Melli.¹⁵ Only an estimated “40 to 50 of Germany’s 900 cooperative banks ... are still processing payments linked to Iranian deals.”¹⁶ While Germany’s central bank, the Bundesbank, and the EU’s Single Euro Payments Area (SEPA) system both prohibit any refusal to process Iran’s payments, the Bundesbank says it cannot force banks to process the payments.¹⁷
- In October 2018, the Federal Association of German Banks, the Bundesverbandes deutscher Banken (BdB), released a policy paper outlining the many risks Iran poses to banks with which it does business.¹⁸ It noted that there is a general lack of corresponding relationships with and expertise on the structure of Iranian banks.¹⁹ The paper further noted that payments from Iranian banks are often slow and prone to failure, and there are high initial investment costs with low profitability and high risk for German banks. The BdB paper concluded that doing business with Iranian banks poses a big challenge for German banks, and the cost-benefit analysis makes it unattractive.²⁰
- On October 24, 2018, *The Jerusalem Post* reported that the Hamburg-based bank Varengold conducts business with Iran Air, on which U.S. sanctions is scheduled to be re-imposed on November 5, 2018.²¹ German banks that facilitate transactions with entities on the Treasury Department’s list of Specially Designated Nationals are subject to U.S. secondary sanctions. Additionally, German banks represented on the board of the Society for Worldwide Interbank Financial Telecommunication (SWIFT) may be subject to financial sanctions if SWIFT provides messaging services to the Central Bank of Iran or other designated Iranian financial institutions. (See Banking Risk: Potential Sanctions on the SWIFT Network.)

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14. Tyler Stapleton and Saeed Ghasseminejad, “Iran hires financial arsonist to fight its financial fires,” *The Hill*, September 18, 2018. (<https://thehill.com/opinion/international/407221-iran-hires-financial-arsonist-to-fight-its-financial-fires>)

15. Mathias Brüggmann, Elisabeth Atzler, and Frank Wiebe, “German banks pull plug on trade with Iran,” *Handelsblatt Global* (Germany), October 2, 2018. (<https://global.handelsblatt.com/finance/german-banks-trade-payments-sanctions-iran-968648>)

16. Mathias Brüggmann, Elisabeth Atzler, and Frank Wiebe, “German banks pull plug on trade with Iran,” *Handelsblatt Global* (Germany), October 2, 2018. (<https://global.handelsblatt.com/finance/german-banks-trade-payments-sanctions-iran-968648>)

17. Mathias Brüggmann, Elisabeth Atzler, and Frank Wiebe, “German banks pull plug on trade with Iran,” *Handelsblatt Global* (Germany), October 2, 2018. (<https://global.handelsblatt.com/finance/german-banks-trade-payments-sanctions-iran-968648>)

18. Iris Quade, “Herausforderungen in Geschäft mit Bezug zum Iran (Challenges in Business with Iran),” *Bundesverbandes deutscher Banken* (Germany), October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)

19. Iris Quade, “Herausforderungen in Geschäft mit Bezug zum Iran (Challenges in Business with Iran),” *Bundesverbandes deutscher Banken* (Germany), October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)

20. Iris Quade, “Herausforderungen in Geschäft mit Bezug zum Iran (Challenges in Business with Iran),” *Bundesverbandes deutscher Banken* (Germany), October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)

21. Benjamin Weinthal, “Exclusive: German Bank Holds Account for Soon to Be Sanctioned Iran Air,” *The Jerusalem Post* (Israel), October 24, 2018. (<https://www.jpost.com/International/EXCLUSIVE-German-bank-holds-account-for-soon-to-be-sanctioned-Iran-Air-570217>)

Ayatollah Khamenei's Control of Banking Sector and Ensuing Risks

Iran's supreme leader, Ayatollah Ali Khamenei, controls much of the banking sector, both public and private, through the Execution of Imam Khomeini's Order (EIKO), a holding company founded by Khamenei's predecessor, Ayatollah Ruhollah Khomeini, in the 1980s.²² According to a 2013 Reuters report, EIKO "holds stakes in nearly every sector of Iranian industry, including finance, oil, telecommunications, the production of birth-control pills and even ostrich farming," and maintains a giant real estate portfolio.²³ The report noted that EIKO's holdings in publicly traded companies to be at \$3.4 billion and its total worth at \$95 billion.²⁴ Designated by the U.S. Treasury in June 2013, EIKO's sanctions were lifted after the JCPOA, allowing foreign businesses to transact with EIKO and its subsidiaries without the risk of sanctions.²⁵ However, Washington is scheduled to re-impose sanctions on EIKO on November 5, 2018.²⁶

U.S. Secretary of State Mike Pompeo described EIKO, also known as Setad, as a "personal, off-the-books hedge fund worth \$95 billion, with a 'b.' That wealth is untaxed, it is ill-gotten, and it is used as a slush fund for the IRGC. The ayatollah fills his coffers by devouring whatever he wants. ... Seizing land from religious minorities and political rivals is just another day at the office for this juggernaut that has interests in everything from real estate to telecoms to ostrich farming. All of it is done with the blessing of Ayatollah Khamenei."²⁷

German Banks with Ties to Iran: Europäisch-Iranische Handelsbank

The Hamburg-based Europäisch-Iranische Handelsbank (EIH) – European-Iranian Commerce Bank – operates freely in Europe, despite being previously sanctioned by the U.S. and the EU for providing services to designated Iranian institutions involved in nuclear proliferation and weapons exportation. Iranian state-owned and registered with Germany's central bank, EIH was designated in September 2010 by the United States for providing financial services to sanctioned Iranian banks.²⁸

Stuart Levey, then-U.S. under secretary for terrorism and financial intelligence, noted EIH was a "key financial lifeline for Iran," explaining it "facilitated billions of dollars worth of transactions on behalf of Iranian banks

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22. Behnam Ben Taleblu and Saeed Ghasseminejad, "Iran's supreme leader has a business empire - the US must sanction it," *The Hill*, November 1, 2017. (<https://thehill.com/opinion/national-security/358203-irans-supreme-leader-has-a-business-empire-the-us-must-sanction-it>)

23. Steve Stecklow, Babak Dehghanpisheh, and Yeganeh Torbati, "Khamenei controls massive financial empire built on property seizures," *Reuters*, November 11, 2013. (<https://www.reuters.com/investigates/iran/#article/part1>)

24. Steve Stecklow, Babak Dehghanpisheh, and Yeganeh Torbati, "Khamenei controls massive financial empire built on property seizures," *Reuters*, November 11, 2013. (<https://www.reuters.com/investigates/iran/#article/part1>)

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26. Tzvi Kahn, "The U.S. Should Sanction Iran's Key Slush Fund and Its Brutal Custodian," *National Review*, September 15, 2018. (<https://www.nationalreview.com/2018/09/iran-sanctions-should-target-ebrahim-raisi-slush-fund>)

27. Secretary of State Mike Pompeo, "Supporting Iranian Voices," *Remarks at the Ronald Regan Presidential Library and Center for Public Affairs*, July 22, 2018. (<https://www.state.gov/secretary/remarks/2018/07/284292.htm>)

28. "Germany probes huge Iran cash transfer request," *Deutsche Welle* (Germany), July 10, 2018. (<https://www.dw.com/en/germany-probes-huge-iran-cash-transfer-request/a-44595446>); U.S. Department of the Treasury, Press Release, "Treasury Department Targets Iranian-Owned Bank in Germany Facilitating Iran's Proliferation Activities," September 7, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg847.aspx>)

previously designated for proliferation-related activities.”²⁹ These transactions included a 2009 deal in which EIH facilitated a nearly \$350,000 transaction between “a weapons exporter and a subsidiary of WMD proliferator Iran Electronics Industries.”³⁰ In 2007, the bank facilitated nearly \$1 million in business for an Iranian WMD proliferator and helped Iran’s missile program purchase material worth over \$3 million.³¹ *The Wall Street Journal* reported EIH was also “involved in a broad sanctions-evasion scheme, conducting euro-denominated transactions” on behalf of the sanctioned Bank Sepah.³²

EIH Bank’s supervisory board comprises individuals who have also held top leadership roles at banks previously designated by the U.S. and EU for their roles in supporting Iran’s nuclear program.³³ The supervisory board members have included Mohammad-Reza Pishrow, who held top roles at previously sanctioned Bank Saderat and Sina Bank, and Ali Divandari, who served as chairman at previously sanctioned Bank Mellat and was designated by the U.S. Treasury in 2009 for his role in supporting the proliferation of weapons of mass destruction.³⁴ EIH Bank’s shareholders include the sanctioned Bank of Industry and Mine, Bank Mellat, and Bank Saderat Iran.³⁵

As part of the JCPOA, the United States and the EU agreed to remove sanctions on the bank, despite any evidence that EIH halted its illicit financial practices. As FDD’s Mark Dubowitz and Annie Fixler have written, “EIH is acting as a hub that mediates on behalf of European banks looking to transact with Iranian banks. These European banks are outsourcing their due diligence, ‘know-your-customer,’ and other compliance responsibilities to an Iranian bank operating in Germany with a long rap sheet of financial crimes. With EIH managing risks for these European banks, there is a threat to the integrity of the European banking sector, their regulators and auditors, as well as a significant spillover threat to U.S. financial markets.”³⁶

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29. U.S. Department of the Treasury, Press Release, “Written Testimony by Under Secretary for Terrorism and Financial Intelligence Stuart Levey Before the House Committee on Foreign Affairs,” December 1, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/TG985.aspx>)

30. U.S. Department of the Treasury, Press Release, “Treasury Department Targets Iranian-Owned Bank in Germany Facilitating Iran’s Proliferation Activities,” September 7, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg847.aspx>)

31. U.S. Department of the Treasury, Press Release, “Treasury Department Targets Iranian-Owned Bank in Germany Facilitating Iran’s Proliferation Activities,” September 7, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg847.aspx>)

32. Peter Fritsch and David Crawford, “Small Bank in Germany Tied to Iran Nuclear Effort,” *The Wall Street Journal*, July 18, 2010. (<http://www.wsj.com/articles/SB10001424052748704229004575371341662207242>)

33. “Europaisch-Iranische Handelsbank AG,” *Iran Watch*, January 16, 2016. (<http://www.iranwatch.org/iranian-entities/europaisch-iranische-handelsbank-ag>); “Annual Report 2013,” *Europaisch-Iranische Handelsbank*, 2013. (http://www.eihbank.de/pdf/eihbank_GB2013.pdf); “Board of Directors,” *Bank of Industry and Mines* (Iran), accessed October 31, 2018. (<http://en.bim.ir/board-of-directors/default.bim>); “Board of Directors,” *Future Bank* (Iran), accessed October 31, 2018. (<http://www.futurebank.com.bh/brdOfDirectors.asp>); additional data available upon request.

34. “Mohammad Reza Pishrow,” *Bloomberg*, accessed October 31, 2018. (<https://www.bloomberg.com/research/stocks/private/person.asp?personId=83672289&privcapId=105658788>); U.S. Department of the Treasury, Press Release, “Treasury Designates Bank Mellat Subsidiary and Chairman Under Proliferation Authority,” November 5, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg355.aspx>); “Europaisch-Iranische Handelsbank AG,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/europaisch-iranische-handelsbank-ag>)

35. “Europaisch-Iranische Handelsbank AG,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/europaisch-iranische-handelsbank-ag>)

36. Mark Dubowitz and Annie Fixler, “The Iran Deal’s Fatal Flaws After One Year: Emboldened Iran and Diminished American Deterrence,” *Foundation for Defense of Democracies*, July 2016, page 28. (<https://www.fdd.org/wp-content/uploads/2016/07/Dubowitz-Fixler-Fatal-Flaws-After-One-Year.pdf>)

EIH was involved more recently with an apparent effort to circumvent U.S. sanctions, posing a risk to others who hold assets in the bank. On August 1, 2018, Germany's central bank, the Deutsche Bundesbank, adopted a financial policy regarding cash transfer payments that prevented EIH from sending 300 million euros in cash, equivalent to about \$400 million, to the Iranian regime.³⁷ The Iranian regime had requested the transfer sometime in July 2018, apparently in order to stock up on foreign cash before the United States re-imposed sanctions.³⁸ The German publication *Bild* reported: "American and Israeli intelligence services are alarmed. They are concerned that the cash money will, for instance, be used to finance terrorism."³⁹

The new policy regarding cash transfer payments allows the Bundesbank to stop transactions if their execution could "end important relationships with central banks and financial institutions of third countries," according to a copy of the rules provided by the Bundesbank.⁴⁰ This new rule grants the Bundesbank the power to require more information on certain transactions that may be related to illicit financing of terrorist organizations.⁴¹ Iran withdrew its request for the funds on September 4, 2018.⁴²

EIH has publicly recognized its vulnerability to renewed U.S. sanctions. It states on its website, "In view of the unilateral termination of the nuclear agreement with Iran by U.S. President Donald Trump, we would like to inform you that this does not automatically entail sanctions for Europäisch-Iranische Handelsbank AG. Nevertheless, business policy decisions by European banks may result in short term or medium term restrictions on payments. We will closely monitor the policy responses and announce possible implications for our business."⁴³

European Investment Bank: Risk of Ties to Iran

The European Investment Bank (EIB) is a European Union bank, owned by the member states of the EU. EIB is the subject of a civil enforcement proceeding filed by Israeli legal advocacy organization Shurat HaDin on behalf of victims of Iranian terrorism. The courts have awarded the plaintiffs billions of dollars in judgments against Iran, most of which remain unsatisfied. Shurat HaDin was reacting to reports by the EU, which claimed the bank would maintain commercial ties with Iran and continue to trade with Tehran in defiance of the U.S. sanctions. The legal group called upon the EIB to identify all Iranian assets it holds and turn them over to the victims of Iranian terrorism, to whom the Islamic regime owes over \$43 billion in unresolved court awards.⁴⁴

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37. Benjamin Weinthal, "Germany's central bank imposes rule to stop cash delivery to Tehran," *The Jerusalem Post* (Israel), August 2, 2018. (<https://www.jpost.com/Israel-News/Germanys-central-bank-imposes-rule-to-stop-cash-delivery-to-Tehran-563975>)

38. Benjamin Weinthal, "Report: Germany considers Iranian bid to withdraw 300 million Euros cash," *The Jerusalem Post* (Israel), July 9, 2018. (<https://www.jpost.com/Middle-East/Report-Germany-considers-Iranian-bid-to-withdraw-300-million-euros-cash-562002>)

39. Benjamin Weinthal, "Report: Germany considers Iranian bid to withdraw 300 million Euros cash," *The Jerusalem Post* (Israel), July 9, 2018. (<https://www.jpost.com/Middle-East/Report-Germany-considers-Iranian-bid-to-withdraw-300-million-euros-cash-562002>)

40. Bojan Pancevski, Tom Fairless, and Patricia Kowsmann, "After U.S. Push, Berlin Plans Rules That Could Block Iran Transaction," *The Wall Street Journal*, August 3, 2018. (<https://www.wsj.com/articles/after-u-s-push-berlin-plans-rules-that-could-block-iran-transaction-1533316211>)

41. Bojan Pancevski, Tom Fairless, and Patricia Kowsmann, "After U.S. Push, Berlin Plans Rules That Could Block Iran Transaction," *The Wall Street Journal*, August 3, 2018. (<https://www.wsj.com/articles/after-u-s-push-berlin-plans-rules-that-could-block-iran-transaction-1533316211>)

42. "Reports: Iran drops bid to transfer millions out of Germany," *The Associated Press*, September 4, 2018. (<https://www.seattletimes.com/business/reports-iran-drops-bid-to-transfer-millions-out-of-germany/>)

43. *Eihbank*, accessed October 31, 2018. (<http://www.eihbank.de/en/>)

44. "Israeli NGO sues European Investment Bank for Suspected Ties with Iran," *The Jerusalem Post* (Israel), July 30, 2018. (<https://www.jpost.com/Arab-Israeli-Conflict/American-terror-victims-sues-European-Investment-Bank-for-ties-with-Iran-563725>)

In response to the filing of the lawsuit, an EIB spokesperson noted, “The European Investment Bank has never invested in Iran ... and does not intend to do so in the future.”⁴⁵ After America’s withdrawal from the JCPOA, “There is no European bank which is presently able to do business in and with Iran,” said EIB President Werner Hoyer after America’s withdrawal from the JCPOA. He added, “We have to take note of the fact that we would risk the business model of the bank if we were active in Iran.”⁴⁶

Banks that hold Iranian assets are currently subject to U.S. sanctions – imposed on August 7, 2018 – on the purchase and acquisition of U.S. dollars by the government of Iran, on the purchase of Iranian sovereign debt, and on significant transactions using rials or maintaining significant funds in rials. Sanctions slated to be imposed on November 5, 2018, will further target banks that hold Iranian assets, as these sanctions, according to the U.S. Treasury, will prohibit “transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions” as well as the “provision of underwriting services, insurance, or reinsurance.”⁴⁷

The lawsuit against EIB demonstrates that banks – even ones that do not operate in the United States but hold Iranian assets – are subject to lawsuits by victims of Iranian terrorism and others who seek to seize Iranian assets to settle judgements against Iran.

Designated Iranian Banks Operating in Germany

Numerous Iranian banks conduct operations and have branches in Germany, including a number that have violated U.S. and/or EU sanctions. Many of these banks are linked to the Iranian regime and provide millions of dollars in funding to Tehran’s destabilizing activities. The lifting of sanctions on Iranian banks in 2016 was part of the JCPOA, rather than a result of a change in behavior.

- **Bank Sepah:** A state-owned bank with branches across Iran and in Paris, Rome, and Frankfurt, Bank Sepah was previously sanctioned by the U.S., EU, and UN for its involvement in helping Iran obtain missiles.⁴⁸ All three parties lifted sanctions after the JCPOA. “Bank Sepah is the financial linchpin of Iran’s missile procurement network and has actively assisted Iran’s pursuit of missiles capable of carrying weapons of mass destruction,” said then-U.S. Under Secretary of the Treasury for Terrorism and Financial Intelligence Stuart Levey in 2007.⁴⁹
- **Bank Mellī,** also known as the National Bank of Iran, has a branch in Hamburg.⁵⁰ Bank Mellī was sanctioned by the U.S. Treasury on October 25, 2007, for providing “services to entities involved in Iran’s nuclear and ballistic

45. “Israeli NGO sues European Investment Bank for Suspected Ties with Iran,” *The Jerusalem Post* (Israel), July 30, 2018. (<https://www.jpost.com/Arab-Israeli-Conflict/American-terror-victims-sues-European-Investment-Bank-for-ties-with-Iran-563725>)

46. Robin Emmot and Alissa de Carbonnel, “European Investment Bank casts doubt on EU plan to salvage nuclear deal,” *Reuters*, July 18, 2018. (<https://www.reuters.com/article/us-iran-nuclear-eu/european-investment-bank-casts-doubt-on-eu-plan-to-salvage-nuclear-deal-idUSKBN1K81BD>)

47. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018, page 3. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

48. Benjamin Weinthal, “Germany sanctions Iran’s Bank Sepah,” *The Jerusalem Post* (Israel), November 17, 2017. (<https://www.jpost.com/Middle-East/Iran-News/Germany-sanctions-Irans-Bank-Sepah-514522>)

49. Benjamin Weinthal, “Germany sanctions Iran’s Bank Sepah,” *The Jerusalem Post* (Israel), November 17, 2017. (<https://www.jpost.com/Middle-East/Iran-News/Germany-sanctions-Irans-Bank-Sepah-514522>)

50. “BMI Branches,” *Bank Mellī Iran*, accessed October 31, 2018. (<https://bmi.ir/en/branchlist.aspx?smnuid=10041>)

missile programs,” including the UN-sanctioned Iranian military wing Defense Industries Organization (DIO).⁵¹ Bank Melli also was used by the IRGC to channel \$100 million to the Quds Force between 2002 and 2006, and “has employed deceptive banking practices to obscure its involvement from the international banking system,” including requesting the removal of its name from financial transactions involving the IRGC.⁵²

- Bank Melli was removed from both U.S. and EU sanctions lists on January 16, 2016, as part of the JCPOA.⁵³ The UN Security Council, in Resolution 1803 in 2008, warned countries to exercise caution when working with Bank Melli and Bank Saderat (see below, *Bank Saderat*) “in order to avoid such activities contributing to the proliferation-sensitive nuclear activities, or to the development of nuclear weapon delivery systems.”⁵⁴ The Central Bank of Iran has used Bank Melli as a means to evade sanctions. In November 2011, the U.S. Treasury’s Financial Crimes Enforcement Network noted: “In mid-2011, the CBI transferred several billion dollars to designated banks, including Saderat, Mellat, EDBI and Melli, through a variety of payment schemes. In making these transfers, the CBI attempted to evade sanctions by minimizing the direct involvement of large international banks with both CBI and designated Iranian banks.”⁵⁵
- **Bank Saderat**, which controls Iran’s largest banking network, has branches in Frankfurt and Hamburg.⁵⁶ Bank Saderat was sanctioned by the U.S. Treasury on October 25, 2007, for “channel[ing] funds to terrorist organizations, including Hizballah and EU-designated terrorist groups Hamas, PFLP-GC, and Palestinian Islamic Jihad,” on behalf of the Iranian government.⁵⁷ The UN Security Council adopted a resolution in March 2008 warning countries to be cautious when transacting with Bank Saderat (and Bank Melli – see above). The EU sanctioned the bank in July 2010 for providing services to three Iranian entities, including the Defense Industries Organization.⁵⁸ Bank Saderat’s London subsidiary, between 2001 and 2006, was used by Iran’s Central Bank to send \$50 million to Hezbollah front companies.⁵⁹ Bank Saderat continues to be sanctioned by the U.S.

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51. Department of the Treasury, Press Release, “Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism,” October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

52. Department of the Treasury, Press Release, “Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism,” October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

53. U.S. Department of the Treasury, “JCPOA-related Designation Removals, JCPOA Designation Updates, Foreign Sanctions Evaders Removals, NS-ISA List Removals; 13599 List Changes,” January 16, 2016. (https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/updated_names.aspx); “Bank Melli,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/bank-melli>)

54. United Nations Security Council, Resolution 1803, March 3, 2008. (http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1803%282008%29)

55. U.S. Department of the Treasury, Press Release, “Finding that the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern,” November 18, 2011, page 18. (<http://www.treasury.gov/press-center/press-releases/Documents/Iran311Finding.pdf>)

56. Laurence Norman and Nektaria Stamouli, “Greece Defies EU, U.S. on Sanctions for Iran’s Bank Saderat,” *Wall Street Journal*, November 2, 2016. (<https://www.wsj.com/articles/greece-blocked-eu-sanctions-on-irans-bank-saderat-1478020581>); “Branches,” *Bank Saderat Iran*, accessed October 31, 2018. (<https://www.bsi.ir/en/Pages/Branches/Branches.aspx>)

57. Department of the Treasury, Press Release, “Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism,” October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

58. Simon Chin and Valerie Lincy, “Another Iranian Bank Receives Early Sanctions Relief,” *Wisconsin Project on Nuclear Arms Control*, October 28, 2016. (<https://www.wisconsinproject.org/another-iranian-bank-receives-early-sanctions-relief/>)

59. Simon Chin and Valerie Lincy, “Another Iranian Bank Receives Early Sanctions Relief,” *Wisconsin Project on Nuclear Arms Control*, October 28, 2016. (<https://www.wisconsinproject.org/another-iranian-bank-receives-early-sanctions-relief/>)

Treasury. The EU removed sanctions against Bank Saderat in late October 2016 after Greece blocked the EU sanctions so it could acquire low-cost energy resources from Iran.⁶⁰

- **Middle East Bank** is a privately owned Iranian bank. In April 2018 it announced plans to open a branch in Hamburg.⁶¹ The U.S. Treasury designated the bank as a sanctioned company on August 29, 2014, as “part of an executive order signed by President Barack Obama in February 2012 that blocked the assets and property of Iranian financial institutions.”⁶² The U.S. Treasury identified the bank as an entity “involved in expanding Iran’s proliferation program, supporting terrorism in the region, and helping Iran evade U.S. and international sanctions,” and warned that “foreign persons that are found to be facilitating deceptive transactions for any persons subject to Iran-related sanctions, such as those listed today, could themselves be exposed to sanctions.”⁶³
- **Sina Bank**, which also presents itself as a privately owned Iranian bank, announced plans to open its first Germany branch in Munich in August 2016.⁶⁴ Though a private bank in name, Sina Bank is controlled by Ayatollah Khamenei through the bank’s main shareholder, the Foundation of the Oppressed, also known as the Mostazafan Foundation.⁶⁵ On July 26, 2010, the European Union designated the bank as an entity “involved in nuclear or ballistic missile activities,” noting Sina Bank “contributes to the financing of the regime’s strategic interests.”⁶⁶ An EU General Court judgement in 2014 abrogated the sanctions, but the bank was relisted in November 2014, after the EU determined it provided “financial support to the Government of Iran through the Mostazafan Foundation.”⁶⁷ As part of the JCPOA, the EU removed the bank from the EU sanctions list.⁶⁸ In 2010, the U.S. named Sina Bank as a bank “owned or controlled by the Government of Iran.”⁶⁹ Though the U.S. Treasury removed the bank from its Specially Designated Nationals (SDN) list after the JCPOA, it remains prohibited for U.S. parties to transact with it due to its ownership by the government of Iran.⁷⁰ It will be re-added

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60. Laurence Norman and Nektaria Stamouli, “Greece Defies EU, U.S. on Sanctions for Iran’s Bank Saderat,” *The Wall Street Journal*, November 2, 2016. (<https://www.wsj.com/articles/greece-blocked-eu-sanctions-on-irans-bank-saderat-1478020581>); “Branches,” *Bank Saderat Iran*, October 31, 2018. (<https://www.bsi.ir/en/Pages/Branches/Branches.aspx>)

61. “Three Iranian Banks to Open Branches in Germany,” *Iran Watch*, April 28, 2018. (<https://www.iranwatch.org/news-brief/three-iranian-banks-open-branches-germany>)

62. Jonathan Saul, “Iranian banking newcomer struggles as fear of sanctions hits humanitarian deals,” *Reuters*, October 6, 2014. (<https://www.reuters.com/article/us-iran-bank-idUSKCN0HV1HH20141006>)

63. U.S. Department of the Treasury, Press Release, “Treasury Targets Networks Linked to Iran,” August 29, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl2618.aspx>)

64. “Sina Bank Set to Open Munich Branch,” *Financial Tribune* (Iran), October 5, 2017. (<https://financialtribune.com/articles/economy-business-and-markets/73587/sina-bank-set-to-open-munich-branch>)

65. Emanuele Ottolenghi and Saeed Ghasseminejad, “The Banking Provisions in the Joint Plan of Action Between Iran and the P5+1,” *Foundation for Defense of Democracies*, January 10, 2014. (<https://www.fdd.org/analysis/2014/01/10/the-banking-provisions-in-the-joint-plan-of-action-between-iran-and-the-p51/>)

66. Council Implementing Regulation (EU) No 668/2010 of 26 July 2010 implementing Article 7(2) of Regulation (EC) No 423/2007 concerning restrictive measures against Iran, *Official Journal of the European Union*. (<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:195:0025:0036:EN:PDF>)

67. Council Implementing Regulation (EU) No 1202/2014 of 7 November 2014 implementing Regulation (EU) No 267/2012 concerning restrictive measures against Iran, *Official Journal of the European Union* (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R1202&from=EN>); “Sina Bank,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/sina-bank>)

68. “Sina Bank,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/sina-bank>)

69. “Sina Bank,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/sina-bank>)

70. “Sina Bank,” *Iran Watch*, January 16, 2016. (<https://www.iranwatch.org/iranian-entities/sina-bank>)

to the SDN list no later than November 5, 2018.⁷¹ On October 16, 2018, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) designated Sina Bank and Parsian Bank (see below) pursuant to Executive Order 13224 for "assisting, sponsoring, or providing financial, material, or technological support for, or financial or other services to or in support of, Andisheh Mehvaran Investment Company."⁷² Andisheh Mehvaran Investment Company is controlled by a series of front companies that provide funding to the Basij Resistance Force (Basij), a paramilitary force controlled by the IRGC.⁷³ The Basij militia "recruits, trains, and deploys child soldiers to fight in IRGC-fueled conflicts across the region," according to the U.S. Treasury.⁷⁴

- **Parsian Bank** announced in September 2016 that it would open a branch in Munich.⁷⁵ As of October 2018, it appears the bank has yet to open its German branch. FDD's Emanuele Ottolenghi and Saeed Ghasseminejad have noted that Parsian Bank is a private Iranian bank controlled by Ayatollah Khamenei "through various subsidiaries of Setad Ejrayi, the U.S.-sanctioned Imam Khomeini Foundation, alongside Iran Khodro, the government-controlled car manufacturer."⁷⁶ The U.S. Treasury has designated both Parsian Bank and its aforementioned shareholders. Parsian Bank is part of the Execution of Imam Khomeini's Order (EIKO), Khamenei's personal fund.⁷⁷

Iran's Central Bank and Central Banker

The Central Bank of Iran

- There are security and economic risks to transacting with Iran's Central Bank. On August 7, 2018, the U.S. Treasury Department re-imposed sanctions on certain transactions involving the CBI, such as "the purchase or acquisition of U.S. dollars banknotes by the Government of Iran."⁷⁸ On November 5, 2018, the U.S. Treasury is scheduled to re-impose sanctions "on transactions by foreign financial institution with the Central Bank of

71. U.S. Department of the Treasury, "Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA)," May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

72. U.S. Department of the Treasury, Press Release, "Treasury Sanctions Vast Financial Network Supporting Iranian Paramilitary Force that Recruits and Trains Child Soldiers," October 16, 2018. (<https://home.treasury.gov/news/press-releases/sm524>)

73. U.S. Department of the Treasury, Press Release, "Treasury Sanctions Vast Financial Network Supporting Iranian Paramilitary Force that Recruits and Trains Child Soldiers," October 16, 2018. (<https://home.treasury.gov/news/press-releases/sm524>)

74. U.S. Department of the Treasury, Press Release, "Treasury Sanctions Vast Financial Network Supporting Iranian Paramilitary Force that Recruits and Trains Child Soldiers," October 16, 2018. (<https://home.treasury.gov/news/press-releases/sm524>)

75. "Three Iranian banks to open branches in Munich," *Reuters*, September 4, 2016. (<https://www.reuters.com/article/iran-germany-banks-idUSL8N1BG0JV?rpc=401>)

76. Emanuele Ottolenghi and Saeed Ghasseminejad, "The Banking Provisions in the Joint Plan of Action Between Iran and the P5+1," *Foundation for Defense of Democracies*, January 10, 2014. (<https://www.fdd.org/analysis/2014/01/10/the-banking-provisions-in-the-joint-plan-of-action-between-iran-and-the-p51/>)

77. Emanuele Ottolenghi and Saeed Ghasseminejad, "The Banking Provisions in the Joint Plan of Action Between Iran and the P5+1," *Foundation for Defense of Democracies*, January 10, 2014. (<https://www.fdd.org/analysis/2014/01/10/the-banking-provisions-in-the-joint-plan-of-action-between-iran-and-the-p51/>)

78. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

Iran” and “on the provision of specialized financial messaging services to the Central Bank of Iran.”⁷⁹ Moreover, Treasury said it would revoke previously authorized waivers and licenses.⁸⁰

- The Central Bank serves as a hub for illicit finance. FDD’s Annie Fixler and Behnam Ben Taleblu write that in June 2010, “the CBI was explicitly mentioned in the toughest UN Security Council resolution on Iran, 1929, which highlighted the bank’s support for ‘proliferation-sensitive nuclear activities, or to the development of nuclear weapon delivery systems.’”⁸¹ This means the UN found that the CBI facilitated Iran’s nuclear and missile programs.⁸²
- In May 2018, the U.S. Treasury announced it had partnered with the United Arab Emirates to “disrupt an extensive currency exchange network in Iran and the UAE that has procured and transferred millions in U.S. dollar-denominated bulk cash to Iran’s IRGC Qods Force (IRGC-QF) to fund its malign activities and regional proxy groups.”⁸³ The Treasury noted the CBI was “complicit in the IRGC-QF’s scheme and actively supported this network’s currency conversion and enabled its access to funds that it held in its foreign bank accounts.”⁸⁴

Valiollah Seif (Former Governor of the CBI)

- Valiollah Seif served as governor of the Central Bank of Iran from 2013 until he was fired on July 25, 2018.⁸⁵
- Working on behalf of IRGC-QF, Seif transferred millions of dollars to Hezbollah and the Iraqi al-Bilad Islamic Bank.⁸⁶ As a result, in May 2018, the U.S. Treasury Department designated Seif as a Specially Designated Global Terrorist and imposed sanctions both on him and on any entity that conducts business with him.⁸⁷
- In designating Seif, Secretary Mnuchin said: “It is appalling, but not surprising, that Iran’s senior-most banking official would conspire with the IRGC-QF to facilitate funding of terror groups like Hizballah, and it undermines

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79. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

80. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the August 6, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

81. Annie Fixler and Behnam Ben Taleblu, “Return of the Sanctions: Banks Should Steer Clear of the Central Bank of Iran,” *The National Interest*, May 16, 2018. (<https://nationalinterest.org/feature/return-the-sanctions-banks-should-steer-clear-the-central-25853>)

82. Annie Fixler and Behnam Ben Taleblu, “Return of the Sanctions: Banks Should Steer Clear of the Central Bank of Iran,” *The National Interest*, May 16, 2018. (<https://nationalinterest.org/feature/return-the-sanctions-banks-should-steer-clear-the-central-25853>)

83. U.S. Department of the Treasury, Press Release, “United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF,” May 10, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0383>)

84. U.S. Department of the Treasury, Press Release, “United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF,” May 10, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0383>)

85. Rick Gladstone, “Iran’s Top Banker is Dismissed in Shake-Up as U.S. Sanctions Take a Toll,” *The New York Times*, July 25, 2018. (<https://www.nytimes.com/2018/07/25/world/middleeast/iran-central-banker-sanctions.html>)

86. Michael Gordon, “U.S. Sanctions Iran’s Central Bank Governor, Alleges Hezbollah Ties,” *The Wall Street Journal*, May 15, 2018. (<https://www.wsj.com/articles/u-s-sanctions-irans-central-bank-governor-alleges-hezbollah-ties-1526413596>)

87. “U.S. hits head of Iran’s central bank with terror sanctions,” *The Associated Press*, May 15, 2018. (<https://www.politico.com/story/2018/05/15/us-iran-central-bank-sanctions-588640>); U.S. Department of the Treasury, Press Release, “Treasury Targets Iran’s Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force,” May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

any credibility he could claim in protecting the integrity of the institution as a central bank governor. ... The United States will not permit Iran's increasingly brazen abuse of the international financial system."⁸⁸

- Iranian Judiciary spokesman Gholam Hossein Mohseni Ejei announced on September 9, 2018, that Seif was being investigated for alleged involvement in corruption cases.⁸⁹
- Seif's termination, which followed a historic drop in the value of the rial, came just days after an investigation into his alleged role in economic corruption. Nevertheless, on September 13, 2018, President Rouhani named Seif his special advisor on monetary and banking affairs.⁹⁰
- On September 23, 2018, the regime banned Seif from leaving Iran.⁹¹

Abdolnasser Hemmati (New Governor of the CBI)

- Abdolnasser Hemmati was named as the Central Bank of Iran's new governor in July 2018. Hemmati previously served as managing director of Bank Melli (2013-2016) and Sina Bank (2006-2013), both of which have been sanctioned by the U.S. and the EU.⁹²
- During Hemmati's term as managing director, the U.S. Treasury designated Sina Bank in 2010 as an entity owned or controlled by the Iranian government.⁹³ The following year, the EU designated Hemmati for his leadership of Sina Bank, though it decided to cancel this penalty in 2014 after Hemmati won his appeal in the General Court of the Council of the European Union.⁹⁴
- Prior to his banking work, Hemmati worked for the Islamic Republic of Iran Broadcasting, from 1989 to 1994.⁹⁵ As deputy head of its political office, Hemmati played a key role in spreading the clerical regime's propaganda, including broadcasting forced confessions of Iranian dissidents.⁹⁶

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88. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

89. "Ex-CBI chief under investigation over corruption case: Judiciary," *Tehran Times* (Iran), September 9, 2018. (<https://www.tehrantimes.com/news/427334/Ex-CBI-chief-under-investigation-over-corruption-case-Judiciary>)

90. "Rouhani appoints Seif as special adviser on monetary affairs," *Mehr News* (Iran), September 14, 2018. (<https://en.mehrnews.com/news/137754/Rouhani-appoints-Seif-as-special-adviser-on-monetary-affairs>)

91. Ladane Nasser, "Iran Bans Former Central Bank Governor Seif from Leaving Country," *Bloomberg*, September 23, 2018. (<https://www.bloomberg.com/news/articles/2018-09-23/iran-bans-former-central-bank-governor-seif-from-leaving-country>)

92. "Iran Tabs New Heads of Key Economic Agencies Amid Struggling Economy," *Haaretz* (Israel), July 25, 2018. (<https://www.haaretz.com/middle-east-news/iran/iran-tabs-new-heads-of-key-economic-agencies-amid-struggling-economy-1.6313842>)

93. Saeed Ghasseminejad and Behnam Ben Taleblu, "Iran's New Central Bank Governor Tied to Sanctioned Entities," *Foundation for Defense of Democracies*, August 3, 2018. (<https://www.fdd.org/analysis/2018/08/03/irans-new-central-bank-governor-tied-to-sanctioned-entities/>)

94. Saeed Ghasseminejad and Behnam Ben Taleblu, "Iran's New Central Bank Governor Tied to Sanctioned Entities," *Foundation for Defense of Democracies*, August 3, 2018. (<https://www.fdd.org/analysis/2018/08/03/irans-new-central-bank-governor-tied-to-sanctioned-entities/>)

95. "Abdolnasser Hemmati," *Bloomberg*, accessed October 31, 2018. (<https://www.bloomberg.com/research/stocks/private/person.asp?personId=105915905&privcapId=25160067>)

96. Saeed Ghasseminejad and Behnam Ben Taleblu, "Iran's New Central Bank Governor Tied to Sanctioned Entities," *Foundation for Defense of Democracies*, August 3, 2018. (<https://www.fdd.org/analysis/2018/08/03/irans-new-central-bank-governor-tied-to-sanctioned-entities/>)

Potential Sanctions on the SWIFT Network

- In 2012, the U.S. Congress enacted the Iran Threat Reduction and Syria Human Rights Act of 2012, legislation that allowed the president to impose sanctions on entities that provided financial messaging services to the Central Bank of Iran or any other designated Iranian financial institution.⁹⁷ The CBI and other Iranian banks were subsequently disconnected from the financial messaging service Society for Worldwide Interbank Financial Telecommunication (SWIFT).⁹⁸ After the implementation of the JCPOA, Iranian banks were reconnected to SWIFT.⁹⁹
- Following the U.S. withdrawal from the JCPOA, the U.S. Treasury warned that sanctions could be imposed on specialized financial messaging services like SWIFT unless they disconnected the CBI and all other re-designated Iranian banks by November 4, 2018.¹⁰⁰
- On August 22, 2018, 16 U.S. senators sent a letter to Treasury Secretary Steven Mnuchin urging him to “take all necessary steps to ensure [SWIFT] disconnects the Central Bank of Iran (CBI) and all other designated Iranian financial institutions.”¹⁰¹ This letter indicates that members of Congress are, as was the case in 2012, determined to put full pressure on SWIFT to ensure Iranian banks are not harming the integrity of the international financial system.
- In September 2018, France, Germany, the UK, Russia, and China announced a plan to create a special payments channel to facilitate trade with Iran as an alternative to SWIFT.¹⁰² However, major European oil companies said they will likely not utilize this channel as it does not guarantee protection from U.S. sanctions. The chief executive of Total, Patrick Pouyanné, announced his company “cannot afford to take the risk of being banned from using the U.S. financial system,” and would not be joining the EU in its attempts to circumnavigate U.S. sanctions.¹⁰³
- Germany has potential financial and legal exposure to potential U.S. sanctions targeting SWIFT if the company continues serving designated Iranian banks after November 4, 2018. Commerzbank and Deutsche Bank are represented on SWIFT’s board of directors.¹⁰⁴ Continued Iranian access to the European Central Bank’s Target2 real-time gross settlement system, which uses SWIFT messaging services to process euro transactions, could pose sanctions risks for ECB officials as well.¹⁰⁵

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97. Mark Dubowitz, “Swift Sanctions: Frequently Asked Questions,” *Foundation for Defense of Democracies*, October 10, 2018. (<https://www.fdd.org/analysis/2018/10/10/swift-sanctions-frequently-asked-questions/>); Mark Dubowitz and Richard Goldberg, “Iran, Get Ready for the Battle Rial,” *The Wall Street Journal*, May 21, 2018. (<https://www.wsj.com/articles/iran-get-ready-for-the-battle-rial-1526941983>)

98. Mark Dubowitz, “Swift Sanctions: Frequently Asked Questions,” *Foundation for Defense of Democracies*, October 10, 2018. (<https://www.fdd.org/analysis/2018/10/10/swift-sanctions-frequently-asked-questions/>)

99. Mark Dubowitz, “Swift Sanctions: Frequently Asked Questions,” *Foundation for Defense of Democracies*, October 10, 2018. (<https://www.fdd.org/analysis/2018/10/10/swift-sanctions-frequently-asked-questions/>)

100. Mark Dubowitz, “Swift Sanctions: Frequently Asked Questions,” *Foundation for Defense of Democracies*, October 10, 2018. (<https://www.fdd.org/analysis/2018/10/10/swift-sanctions-frequently-asked-questions/>)

101. Megan Keller, “GOP lawmakers urge Iran’s expulsion from SWIFT banking network,” *The Hill*, August 23, 2018. (<https://thehill.com/policy/national-security/403301-gop-lawmakers-urge-irans-expulsion-from-swift-banking-network>)

102. Mehreen Khan and Henry Foy, “EU, Russia and China agree special payments system for Iran,” *Financial Times*, September 25, 2018. (<https://www.ft.com/content/4aa03678-c0a7-11e8-8d55-54197280d3f7>)

103. Michael Peel, David Sheppard, and David Keohane, “Oil industry snubs EU effort to deny Trump sanctions on Iran,” *Financial Times*, October 4, 2018. (<https://www.ft.com/content/6eef944e-c6ef-11e8-ba8f-ee390057b8c9>)

104. “The SWIFT Board of Directors,” *SWIFT*, accessed October 31, 2018. (<https://www.swift.com/about-us/organisation-governance/board-members?tl=en#topic-tabs-menu>)

105. Mark Dubowitz and Jonathan Schanzer, “Targeting Tehran’s Euros,” *The Wall Street Journal*, February 18, 2013. (<https://www.wsj.com/articles/SB10001424127887324162304578301923244240266>)

SUMMARY

Iran has a history of violating international financial standards and using trade with Europe to achieve its illicit aims. Iran has used money and resources acquired from legitimate business transactions with German companies to facilitate, among others, counterfeiting operations and chemical weapons attacks on civilians. As the U.S. continues to re-impose sanctions on Iran, German companies should be vigilant about complying with these sanctions. German companies that are found transacting with sanctioned Iranian entities face hefty U.S. fines.

The U.S. Treasury has designated officials at the highest levels of Iran's government and of the IRGC for illegal operations designed to flout EU export laws and support Iran's illicit activities. The IRGC, on which the EU and UN levied sanctions prior to the implementation of the JCPOA, controls between 20 and 40 percent of Iran's economy.¹⁰⁶ Then-U.S. National Security Advisor H.R. McMaster said in February 2018: "When you invest in Iran, you're investing in the IRGC. You might as well cut the Islamic Revolutionary Guard Corps a check and say, 'Please use this to commit more murder across the Middle East.'"¹⁰⁷

Key Points

- In May 2018, Reuters reported: "Even companies that don't have direct U.S. business ties could be put on a blacklist for breaching secondary sanctions. This would prevent them from doing business with U.S. companies, for example receiving shipments from the United States, said Philipp Andree, an Iran expert at Germany's DIHK Chambers of Industries and Commerce."¹⁰⁸
- As FDD's Mark Dubowitz notes, "London-based hedge fund Sturgeon Capital estimates that only 10 percent of companies on the Tehran Stock Exchange are 'sanctions-compliant,' not exposed to entities that were or continued to be sanctioned."¹⁰⁹
- At least 667 Iranian companies have been identified through open-source research as having "significant IRGC influence either through equity shares or positions on the board of directors."¹¹⁰ The U.S. and EU both maintain sanctions on the IRGC.¹¹¹

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106. Greg Bruno, Jayshree Bajoria, and Jonathan Masters, "Iran's Revolutionary Guard," *Council on Foreign Relations*, June 14, 2013. (<http://www.cfr.org/iran/irans-revolutionary-guards/p14324>); Emanuele Ottolenghi and Saeed Ghasseminejad, "Who Really Controls Iran's Economy?" *The National Interest*, May 20, 2015. (<http://nationalinterest.org/feature/who-really-controls-irans-economy-12925>); Babak Dehghanpisheh and Yeganeh Torbati, "Firms linked to Revolutionary Guards to win sanctions relief under Iran deal," *Reuters*, August 9, 2015. (<https://www.reuters.com/article/us-iran-nuclear-sanctions/firms-linked-to-revolutionary-guards-to-win-sanctions-relief-under-iran-deal-idUSKCN0QE08320150809>)

107. Benjamin Weinthal, "Fear of U.S. sanctions ends German companies fueling Iranian FM's plane," *The Jerusalem Post* (Israel), February 28, 2018. (<https://www.jpost.com/Israel-News/Fear-of-US-sanctions-ends-German-companies-fueling-Iranian-FMs-plane-543937>)

108. Riham Alkousaa and Caroline Copley, "Germany's Mittelstand seek ways to keep doing business with Iran," *Reuters*, May 24, 2018. (<https://www.reuters.com/article/us-iran-nuclear-germany/germanys-mittelstand-seek-ways-to-keep-doing-business-with-iran-idUSKCN1IP2YL>)

109. Mark Dubowitz, "Auditing Standards for Clients Doing Business with Iran," *Foundation for Defense of Democracies*, April 19, 2017. (<https://www.fdd.org/analysis/2017/04/17/auditing-standards-for-clients-doing-business-with-iran/>)

110. Mark Dubowitz, "Auditing Standards for Clients Doing Business with Iran," *Foundation for Defense of Democracies*, April 19, 2017. (<https://www.fdd.org/analysis/2017/04/17/auditing-standards-for-clients-doing-business-with-iran/>)

111. Mark Dubowitz, "Auditing Standards for Clients Doing Business with Iran," *Foundation for Defense of Democracies*, April 19, 2017. (<https://www.fdd.org/analysis/2017/04/17/auditing-standards-for-clients-doing-business-with-iran/>)

- The costs to foreign companies of transacting with sanctioned companies can be significant. In addition to billions in dollars forfeited and millions of dollars in fines, companies experience stock price falls. For example, Standard Chartered stock declined in September 2015 by nearly four percent after public accounts surfaced that the bank transacted Iranian persons in a potential breach of U.S. sanctions.¹¹²
- In July 2016, Germany's *Bild* and Israel's *The Jerusalem Post* published findings from a joint-investigation that the German Accreditation Council, a German government quality control agency, and TÜV InterCert SAAR, a private certification agency, issued certificates to Iranian banks, construction companies, and other firms, in violation of EU sanctions and the federal agency's policy.¹¹³ Bank Saderat, which the EU sanctioned for providing "financial services for entities procuring on behalf of Iran's nuclear and ballistic missile programs," was among the Iranian entities that received a certificate between October 2012 and January 2016.¹¹⁴
- German energy and oil companies demonstrated that they recognized the risks associated with dealing with Iran when they refused to refuel Iranian Foreign Minister Javad Zarif's airplane when he travelled to Germany for the Munich Security Conference in February 2018.¹¹⁵ The German military was forced to refuel Zarif's plane after no local companies supplied the fuel.¹¹⁶
- On August 7, 2018, the EU began enforcing a Blocking Statute, which "forbids EU persons from complying with [extra-territorial] sanctions."¹¹⁷ However, the compliance chief of a major German bank noted, "All banks can decide not to do business related to Iran, for example, if it entails a strategic business risk or because we can't rule out that the Revolutionary Guards may be involved in the end."¹¹⁸

German Banks that Violated Sanctions

- German banks that run afoul of U.S. sanctions have had to pay large fines, as Deutsche Boerse's Luxemburg-based subsidiary Clearstream did in 2014 when it agreed to a \$152 million settlement after allegations that it provided the Iranian government access to U.S. financial institutions.¹¹⁹ A U.S. Treasury press release reported, "From at least December 2007 through June 2008, Clearstream held an account at a U.S. financial institution in New York through which the [Central Bank of Iran] maintained a beneficial ownership interest in 26 securities,

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 112. Richard Partington, "Standard Chartered Falls on Report of Iranian Sanctions Breach," *Bloomberg*, September 21, 2015. (<http://www.bloomberg.com/news/articles/2015-09-21/standard-chartered-falls-on-report-of-iranian-sanctions-breach>)

113. Benjamin Weinthal and Björn Stritzel, "German Government Agency Involved in Violation of Iran Sanctions," *The Jerusalem Post* (Israel), July 14, 2016. (<https://www.jpost.com/International/German-government-agency-involved-in-violation-of-iran-sanctions-460331>)

114. Benjamin Weinthal and Björn Stritzel, "German Government Agency Involved in Violation of Iran Sanctions," *The Jerusalem Post* (Israel), July 14, 2016. (<https://www.jpost.com/International/German-government-agency-involved-in-violation-of-iran-sanctions-460331>)

115. Benjamin Weinthal, "Fear of U.S. sanctions ends German companies fueling Iranian FM's plane," *The Jerusalem Post* (Israel), February 28, 2018. (<https://www.jpost.com/Israel-News/Fear-of-US-sanctions-ends-German-companies-fueling-Iranian-FMs-plane-543937>)

116. Alexander Pearson, "German military forced to fuel Iranian Foreign Minister Zarif's plane in Munich-report," *Deutsche Welle* (Germany), February 28, 2018. (<https://www.dw.com/en/german-military-forced-to-fuel-iranian-foreign-minister-zarifs-plane-in-munich-report/a-42766029>)

117. "Updated Blocking Statute in support of Iran nuclear deal," *European Commission*, August 7, 2018. (http://ec.europa.eu/dgs/fpi/what-we-do/blocking_statute_en.htm)

118. Mathias Brüggemann, Elisabeth Atzler, and Frank Wiebe, "German banks pull plug on trade with Iran," *Handelsblatt Global* (Germany), October 2, 2018. (<https://global.handelsblatt.com/finance/german-banks-trade-payments-sanctions-iran-968648>)

119. Anna Yukhananov and Aruna Viswanatha, "Deutsche Boerse to pay \$152 million in U.S. sanctions probe," *Reuters*, January 23, 2014. (<https://www.reuters.com/article/us-usa-deutscheboerse/deutsche-boerse-to-pay-152-million-in-u-s-sanctions-probe-idUSBREA0M1V720140123>)

with a nominal value of \$2.813 billion, and exported certain associated securities-related services to the CBI. Clearstream, as intermediary, served as the channel through which the CBI held interests in these securities and transferred those interests at a later date, thereby exporting custody and related services from the United States to the CBI.”¹²⁰ In January 2018, Iran’s Central Bank announced it would sue Clearstream for \$4.9 billion of assets that are frozen in Clearstream accounts or the same amount in damages.¹²¹

- On March 12, 2015, Commerzbank AG was forced to pay \$1.45 billion in fines to investigating agencies such as the New York Department of Financial Services, U.S. Department of Justice, the Federal Reserve, and others, after investigators found it was violating U.S. sanctions on Iran.¹²² Commerzbank AG also agreed to fire numerous employees.¹²³ According to Benjamin Lawsky, superintendent of New York’s Department of Financial Services, “bank employees helped facilitate transactions for sanctioned clients such as Iran and Sudan, and a company engaged in accounting fraud.”¹²⁴
- Additionally, Commerzbank admitted that in 2005, it created a “safe payment solution” for an Iranian shipping company client, which had been designated by the United States for involvement in weapons of mass destruction proliferation, enabling the client to conduct transactions using the U.S. financial system.¹²⁵
- On November 4, 2015, Deutsche Bank fired six employees and paid \$258 million in fines after it violated U.S. sanctions laws for conducting business with customers in Iran and other sanctioned countries between 1999 and 2006.¹²⁶

Iran Using Front Companies to Procure German Goods

On October 6, 2012, the Israel Defense Forces (IDF) shot down a foreign unmanned drone believed to be gathering intelligence, near Beer Sheva, Israel.¹²⁷ Two German companies, Siemens and Bockstiegel, helped manufacture the drone, which Hezbollah launched.¹²⁸ The drone was sold to a made-up Iranian company serving as a front for the

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120. U.S. Department of the Treasury, Press Release, “Treasury Department Reaches Landmark \$152 Million Settlement with Clearstream Banking, S.A.,” January 23, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl2264.aspx>).

121. “Iran’s central bank claims billions from German stock exchange,” *Agence-France Presse*, January 18, 2018. (<https://www.timesofisrael.com/irans-central-bank-claims-billions-from-german-stock-exchange/>)

122. Jonathan Marino, “A German bank will pay a \$1.45 billion fine for handling transactions for sanctioned countries,” *Business Insider*, March 12, 2015. (<https://www.businessinsider.com/commerzbank-will-pay-145-billion-fine-2015-3>)

123. Jonathan Marino, “A German bank will pay a \$1.45 billion fine for handling transactions for sanctioned countries,” *Business Insider*, March 12, 2015. (<https://www.businessinsider.com/commerzbank-will-pay-145-billion-fine-2015-3>)

124. Jonathan Marino, “A German bank will pay a \$1.45 billion fine for handling transactions for sanctioned countries,” *Business Insider*, March 12, 2015. (<https://www.businessinsider.com/commerzbank-will-pay-145-billion-fine-2015-3>)

125. U.S. Department of Justice, Press Release, “Commerzbank AG Admits to Sanctions and Bank Secrecy Violations, Agrees to Forfeit \$563 Million and Pay \$79 Million Fine,” March 12, 2015. (<https://www.justice.gov/opa/pr/commerzbank-ag-admits-sanctions-and-bank-secrecy-violations-agrees-forfeit-563-million-and>)

126. Liz Moyer, “Deutsche Bank to Pay \$258 Million and Fire 6 in Settlement,” *The New York Times*, November 4, 2015. (<https://www.nytimes.com/2015/11/05/business/dealbook/deutsche-bank-to-pay-258-million-and-fire-6-in-settlement.html>)

127. “IDF shoots down drone that penetrated deep into Israel,” *Associated Press* and *The Times of Israel* (Israel), October 6, 2012. (<https://www.timesofisrael.com/idf-shoots-down-drone-that-penetrated-deep-into-israel/>)

128. Michal Schmulovich, “Hezbollah drone manufactured in Germany,” *The Times of Israel* (Israel), October 17, 2012. (<http://www.timesofisrael.com/hezbollahs-drone-reportedly-manufactured-in-germany-and-sold-to-iran-lebanese-paper-reports/>)

IRGC.¹²⁹ Siemens built the drone's camera and remote control parts, and Bockstiegel created light metal parts for the drone.¹³⁰

Case Study: Iran Using German Front Companies for Counterfeiting

On November 20, 2017, the United States announced the designation of an IRGC-Quds Force counterfeiting network.¹³¹ The network used German front companies to circumvent European export restrictions and produce counterfeit Yemeni money.¹³² For many years, Iran has supported Houthi militants in Yemen.

Reza Heidari, an Iranian businessman who was the managing director of Rayan Printing, was designated by the U.S. Treasury for acting for, or on behalf of, the IRGC-QF.¹³³ Heidari procured printing materials and equipment from European companies for use in the counterfeiting scheme. Rayan Printing, Heidari's company, printed counterfeit Yemeni bank notes worth hundreds of millions of dollars for the IRGC-QF.¹³⁴

In November 2017, the U.S. Treasury also designated two Germany-based companies, ForEnt Technik GmbH and Printing Trade Center GmbH (PTC), which were front companies used by Heidari to “deceive European suppliers, circumvent export restrictions, and acquire advanced printing machinery, security printing machinery, and raw materials in support of the IRGC-QF's counterfeit currency capabilities.”¹³⁵ Treasury Secretary Steven Mnuchin emphasized the seriousness of the charges, stating, “Counterfeiting strikes at the heart of the international financial system.”¹³⁶

In June 2018, Under Secretary of Treasury for Terrorism and Financial Intelligence Sigal Mandelker said that Iran “used German-based front companies to deceive European suppliers and surreptitiously procure advanced printing machinery, security printing machinery, and raw materials such as watermarked paper and specialty inks on behalf of the Qods Force. The Qods Force in turn used these items to print counterfeit Yemeni bank notes, potentially worth hundreds of millions of dollars, to support Iran's destabilizing activities. Yet another effort to gain access to currency. This time it was fake notes and Europe and Yemen were the

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129. Michal Schmulovich, “Hezbollah drone manufactured in Germany,” *The Times of Israel* (Israel), October 17, 2012. (<http://www.timesofisrael.com/hezbollahs-drone-reportedly-manufactured-in-germany-and-sold-to-iran-lebanese-paper-reports/>)

130. Michal Schmulovich, “Hezbollah drone manufactured in Germany,” *Times of Israel* (Israel), October 17, 2012. (<http://www.timesofisrael.com/hezbollahs-drone-reportedly-manufactured-in-germany-and-sold-to-iran-lebanese-paper-reports/>)

131. U.S. Department of the Treasury, Press Release, “Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring,” November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>); U.S. Department of the Treasury, Financial Crimes Enforcement Network, Advisory, “Advisory on the Iranian Regime's Illicit and Malign Activities and Attempts to Exploit the Financial System,” October 11, 2018, page 5. (<https://www.fincen.gov/sites/default/files/advisory/2018-10-12/Iran%20Advisory%20FINAL%20508.pdf>)

132. U.S. Department of the Treasury, Press Release, “Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring,” November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

133. U.S. Department of the Treasury, Press Release, “Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring,” November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

134. U.S. Department of the Treasury, Press Release, “Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring,” November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

135. U.S. Department of the Treasury, Press Release, “Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring,” November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

136. U.S. Department of the Treasury, Press Release, “Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring,” November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

victims. When we consider risks to the international financial system, what action is more problematic than sending massive amounts of fake bank notes into the system? It should be beyond refute that counterfeiting strikes at the heart of the international financial system.”¹³⁷ In November 2017, she noted: “It is nothing short of appalling that elements of the government of Iran would risk destabilizing the currency of a neighboring country,” and the “scheme exposes how far elements of Iran are willing to undermine the laws of Iran’s European partners by actively circumventing European export controls.”¹³⁸

Several months after the Treasury designation, in April 2018, U.S. Treasury officials travelled to Berlin to meet with Germany’s Federal Ministry of Finance and discuss the counterfeiting operation.¹³⁹ The officials explained that German companies had been used to finance Iran’s involvement in the humanitarian disaster in Yemen, and that Germany should join the United States in imposing crippling sanctions on Iran because Iran could not be trusted.¹⁴⁰

Business Withdrawal from Iran

FDD’s David Adesnik and Saeed Ghasseminejad noted that since May 2018, when the United States announced its withdrawal from the JCPOA, over “31 European and Asian firms in the Global 500 announced they would be leaving the Iranian market or hinted their exit was imminent. The list includes France’s Total, Airbus, and PSA/Peugeot; Denmark’s Maersk, Germany’s Allianz, and Siemens; Italy’s Eni; Japan’s Mazda and Mitsubishi UFJ Financial Group; and the UK’s BP.”¹⁴¹

A number of major Germany businesses have also chosen to terminate Iranian contracts because of the re-imposition of U.S. sanctions against companies doing business with Iran. (See Appendix I.)

The number of German companies that have plans to withdraw from Iran demonstrates that the risk of conducting business in Iran may not be worth the reward. These companies, noted FDD’s Adesnik and Ghasseminejad, “are choosing between the U.S. and Iran – the world’s number one market and a corrupt, mismanaged backwater. The dollar is also the world’s leading reserve currency and the predominant medium of international trade, so losing access to it would have major repercussions for any multinational. Thus, even a marginal risk of sanctions tends to be intolerable.”¹⁴²

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137. Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Remarks at the Foundation for Defense of Democracies*, June 5, 2018. (<https://home.treasury.gov/news/press-releases/sm0406>)

138. Ian Talley, “U.S. Treasury Sanctions ‘Large-Scale’ Iran Counterfeiting Ring,” *The Wall Street Journal*, November 20, 2017. (<https://www.wsj.com/articles/u-s-treasury-sanctions-large-scale-iran-counterfeiting-ring-1511201419>)

139. W.J. Hennigan, “Trump Has Made Iran Public Enemy No. 1. How Far Will He Go?” *Time*, July 26, 2018. (<http://time.com/5349521/donald-trump-iran-sanctions/>)

140. W.J. Hennigan, “Trump Has Made Iran Public Enemy No. 1. How Far Will He Go?” *Time*, July 26, 2018. (<http://time.com/5349521/donald-trump-iran-sanctions/>)

141. David Adesnik and Saeed Ghasseminejad, “Foreign Investment in Iran: Multinational Firms’ Compliance with U.S. Sanctions,” *Foundation for Defense of Democracies*, September 10, 2018, page 2. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

142. David Adesnik and Saeed Ghasseminejad, “Foreign Investment in Iran: Multinational Firms’ Compliance with U.S. Sanctions,” *Foundation for Defense of Democracies*, September 10, 2018, page 2. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

SUMMARY

Iran consistently ranks as one of the most corrupt countries in the world. This problem is compounded by a notoriously opaque legal system that contains significant carve-outs for governmental discretion (under the pretext of “national security”) and the business empires of the IRGC and the supreme leader. Iran has severely inadequate property and intellectual property rights, and a legal system that fails to provide protection for foreign companies and individuals. Many companies pay bribes to access markets or to avoid legal troubles, which exposes companies to penalties under the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, or other international anti-bribery statutes.¹⁴³

Key Points

- The Corruption Perception Index (CPI) ranked Iran 130 out of 180 in 2017, with a score of 30.¹⁴⁴ The CPI, published by Transparency International, an international non-governmental organization based in Germany, “ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople. It uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean”¹⁴⁵
- In its 2017 annual Anti-Money Laundering Index report, the Basel Institute on Governance ranked Iran as the worst country in the world with regard to risks from money-laundering and terrorism financing.¹⁴⁶
- Deutsch-Iranische Handelskammer e.V. (DIHK e.V.), also known as the German-Iranian Chamber of Commerce, “promotes, as an independent private-sector association, the economic relations between the Federal Republic of Germany and the Islamic Republic of Iran,” according to its website.¹⁴⁷ However, employees of the DIHK have made comments referencing the many risks of conducting business with Iran. Managing board member Michael Tockuss said in 2015, “We know now that [European] banks will not reopen accounts for some Iranian customers just out of money laundering reasons.”¹⁴⁸ Amir Alizadeh, the deputy managing director of the DIHK e.V., said that Iran has “some homework to do” to fight corruption more effectively.¹⁴⁹ Alizadeh, during a period of Iranian protests in January 2018, also said, “The fact is that such a tense situation doesn’t give companies the feeling that stable conditions are there” for investment.¹⁵⁰

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143. Jonathan Schanzer and Amir Toumaj, “Opinion: Why Boeing shouldn’t do business with Iran,” *Market Watch*, July 12, 2016. (<https://www.marketwatch.com/story/why-boeing-shouldnt-do-business-with-iran-2016-07-12>)

144. “Corruption Perceptions Index 2017,” *Transparency International*, February 21, 2018. (https://www.transparency.org/news/feature/corruption_perceptions_index_2017)

145. “Corruption Perceptions Index 2017,” *Transparency International*, February 21, 2018. (https://www.transparency.org/news/feature/corruption_perceptions_index_2017)

146. “Basel AML Index 2017,” *Basel Institute on Governance*, August 16, 2017. (https://index.baselgovernance.org/sites/index/documents/Basel_AML_Index_Report_2017.pdf)

147. “About us,” *Deutsch-Iranische Handelskammer e.V.*, (<http://www.dihkev.de/en/112680-About-us>), accessed October 31, 2018.

148. Irene Madongo, “For Iran’s Top EU Trade Partner, AML Questions Likely to Outlast Sanctions,” *Association of Certified Anti-Money Laundering Specialists*, August 20, 2015. (<http://files.acams.org/pdfs/2015/For-Irans-Top-EU-Trade-Partner-AML-Questions-Likely-to-Outlast-Sanctions.pdf>)

149. Nils Zimmerman, “What doing business in Iran is like for Germans,” *Deutsche Welle* (Germany), January 4, 2018. (<https://www.dw.com/en/what-doing-business-in-iran-is-like-for-germans/a-42032332>)

150. Asa Fitch, “Behind Iran’s Protests: A Struggling Economy Despite Sanctions Relief,” *The Wall Street Journal*, January 4, 2018. (<https://www.wsj.com/articles/irans-economy-struggles-despite-sanctions-relief-fueling-unrest-1515007698>)

- The head of project coordination for German medical equipment supplier Blue Ocean Fourth Millennium, Thomas Gehbauer, who conducted business with Iran for many years, noted that “corruption, bureaucracy, and slow procedures” are major obstacles to doing business in Iran.¹⁵¹
- European companies that deal in Iran have a history of paying bribes, such as French oil company Total S.A., which paid for access to Iran’s oil fields and then paid fines to the international community on top of that. Halliburton, an American oil field service company, and Statoil, a Norwegian oil company, bribed Iranian officials for drilling rights and preferential access to oil and gas contracts, which cost the companies financially and reputationally.¹⁵²

Iran on the Financial Action Task Force Blacklist

- The Financial Action Task Force (FATF) is an intergovernmental body that sets standards and promotes the implementation of measures to combat global money laundering and terror financing. It also assesses the effectiveness of anti-money laundering and counterterrorism financing legislation enacted by its members.
- The FATF put Iran on its Public Statement, also known as its “blacklist,” in 2008. It suspended mandatory countermeasures in 2016, when Tehran agreed to fulfill the requirements of an Action Plan to deal with pervasive money laundering and terror finance.
- The Action Plan expired on January 21, 2018. In February 2018, the FATF noted that Iran had failed to meet the terms of its Action Plan and would remain on the blacklist. Again, the FATF agreed to extend the suspension of mandatory countermeasures and review Iran’s status at the organization’s June 2018 meeting. In June, Iran failed again to make the necessary changes to comply with its Action Plan.¹⁵³ The FATF extended its deadline to October 2018.
- The June 2018 Public Statement noted, “Iran should fully address its remaining action items, including by ... adequately criminalizing terrorist financing, including by removing the exemption for designated groups ‘attempting to end foreign occupation, colonialism and racism.’”¹⁵⁴
- During its October 2018 meeting, the FATF expressed “its disappointment that the majority of the Action Plan remains outstanding and expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms.”¹⁵⁵ Iran had failed to fully address nine out of the 10 items delineated in its Action Plan.
- These nine remaining action items include: “(1) adequately criminalising terrorist financing, including by removing the exemption for designated groups ‘attempting to end foreign occupation, colonialism and racism’; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) ensuring the full independence of the

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 151. Nils Zimmerman, “What doing business in Iran is like for Germans,” *Deutsche Welle* (Germany), January 4, 2018. (<https://www.dw.com/en/what-doing-business-in-iran-is-like-for-germans/a-42032332>)

152. Jonathan Schanzer and Amir Toumaj, “Opinion: Why Boeing shouldn’t do business with Iran,” *MarketWatch*, July 12, 2016. (<http://www.marketwatch.com/story/why-boeing-shouldnt-do-business-with-iran-2016-07-12>)

153. Financial Action Task Force, Public Statement, “Public Statement,” June 29, 2018. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2018.html>)

154. Financial Action Task Force, Public Statement, “Public Statement,” June 29, 2018. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2018.html>)

155. “Outcomes FATF Plenary, 17-19 October 2018,” *Financial Action Task Force*, October 19, 2018. (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2018.html>)

Financial Intelligence Unit and requiring the submission of STRs for attempted transactions; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information; (8) establishing a broader range of penalties for violations of the ML offense; and (9) ensuring adequate legislation and procedures to provide for confiscation of property of corresponding value.”¹⁵⁶

- As with every Public Statement since February 2016, the FATF expressed concern “with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence, including obtaining information on the reasons for intended transactions, to business relationships and transactions with natural and legal persons from Iran.”¹⁵⁷
- Prior to the October 2018 meeting, Iran’s parliament passed four bills dealing with anti-money laundering and terror financing as part of its Action Plan. However, the bill regarding Iran’s accession to the International Convention for the Suppression of the Financing of Terrorism (CFT) included at least seven conditions, including an exemption for organizations “struggl[ing] against colonial dominance and foreign occupation” from its terrorism definition.¹⁵⁸ By this exemption, and from the public debate in Parliament and throughout its government, it is clear Iran plans to continue supporting Hamas, Hezbollah, and other organizations engaging in terrorism.¹⁵⁹ Germany follows EU terrorist designations, which lists Hamas and Hezbollah’s “military wings” as terrorist organizations.¹⁶⁰
- Iran’s parliament also amended the bill to state, “Iran’s commitment to Article 2 [of CFT] ‘is limited’ even if other parties are fully committed to it.”¹⁶¹ This “limited” commitment demonstrates Iran does not intend to change its nefarious behavior.
- The bill also states any provisions in the convention are not binding if deemed in conflict with Islamic law.¹⁶²

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156. “Outcomes FATF Plenary, 17-19 October 2018,” *Financial Action Task Force*, October 19, 2018. (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2018.html>)

157. “Outcomes FATF Plenary, 17-19 October 2018,” *Financial Action Task Force*, October 19, 2018. (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2018.html>)

158. “Parliament passes Bill to join CFT / Iran’s 7 conditions to join),” *Mehr News Agency* (Iran), October 7, 2018. (<https://goo.gl/4ar11P>); Toby Dershowitz and Saeed Ghasseminejad, “Iranian Parliament Approves Terror Finance Bill with Loopholes for Hamas and Hezbollah,” *Foundation for Defense of Democracies*, October 8, 2018. (<https://www.fdd.org/analysis/2018/10/08/iranian-parliament-approves-terror-finance-bill-with-loopholes-for-hamas-and-hezbollah/>)

159. Toby Dershowitz and Saeed Ghasseminejad, “Iranian Parliament Approves Terror Finance Bill with Loopholes for Hamas and Hezbollah,” *Foundation for Defense of Democracies*, October 8, 2018. (<https://www.fdd.org/analysis/2018/10/08/iranian-parliament-approves-terror-finance-bill-with-loopholes-for-hamas-and-hezbollah/>)

160. Justyna Pawlak and Adrian Croft, “EU adds Hezbollah’s military wing to terrorism list,” *Reuters*, July 22, 2013. (<https://www.reuters.com/article/us-eu-hezbollah/eu-adds-hezbollahs-military-wing-to-terrorism-list-idUSBRE96K0DA20130722>); Toby Dershowitz and Jonathan Schanzer, “Hamas to Remain on the EU Terror List,” *RealClear Defense*, August 2, 2017. (https://www.realcleardefense.com/articles/2017/08/02/hamas_to_remain_on_the_eu_terror_list_111947.html)

161. Toby Dershowitz and Saeed Ghasseminejad, “Iranian Parliament Approves Terror Finance Bill with Loopholes for Hamas and Hezbollah,” *Foundation for Defense of Democracies*, October 8, 2018. (<https://www.fdd.org/analysis/2018/10/08/iranian-parliament-approves-terror-finance-bill-with-loopholes-for-hamas-and-hezbollah/>)

162. “Parliament passes Bill to join CFT / Iran’s 7 conditions to join),” *Mehr News Agency* (Iran), October 7, 2018. (<https://goo.gl/4ar11P>)

- The bill makes Iran's accession to the International Convention for the Suppression of the Financing of Terrorism contingent on FATF removing it from its blacklist, making its support for the CFT conditional.
- Despite the Iranian parliament's approval, three of the FATF bills still must be approved by the regime's Guardian Council, a 12-member body under the aegis of the supreme leader that vets all legislation. On June 20, 2018, Iran's Supreme Leader Khamenei declared his opposition to joining international conventions to counter money laundering and terror financing, signaling Iran's unwillingness to comply with international standards. Ayatollah Khamenei has final say on all state matters.¹⁶³ The Guardian Council did not approve the remaining FATF bills prior to the October 2018 meeting.
- The FATF noted after its October 2018 meeting that it "can only consider fully enacted legislation. Once the remaining legislation is fully in force, the FATF will review this alongside existing enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards."¹⁶⁴
- Iran's place on the FATF blacklist is shared only with one other country: North Korea.¹⁶⁵

CYBER SECURITY RISK

SUMMARY

The cyber intelligence wing of Germany's domestic intelligence agency, the Federal Office for the Protection of the Constitution (BfV), said in a July 2017 report that Iran was conducting cyberespionage on Germany and spied on German citizens and organizations.¹⁶⁶ The BfV report stated that Iran, along with Russia and China, "are the major players behind espionage activities that are directed against Germany," adding that "cyberattacks can now also be attributed to presumed government agencies in Iran."¹⁶⁷

German intelligence agencies have attentively monitored cyber threats, issuing annual reports to inform the public of cyberespionage by Iran and other states. These intelligence reports note that Iran conducts active cyber espionage in Germany, with one report stating that Iranian intelligence services are focused on gathering "political, industrial and scientific intelligence," with the aim of "shaping politics beyond its own borders, including with a pronounced anti-Western and anti-Israeli thrust."¹⁶⁸

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163. "Iran's top leader opposes joining anti-money-laundering body," *Associated Press*, June 20, 2018. (<https://www.apnews.com/4c4ae59d78f64d53adc6808f7b020b87>)

164. "Outcomes FATF Plenary, 17-19 October 2018," *Financial Action Task Force*, October 19, 2018. (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2018.html>)

165. Financial Action Task Force, Public Statement, "Public Statement – 19 February 2016," February 19, 2016. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2016.html>)

166. Andrea Shalal, "Germany big target of cyber espionage and attacks: government report," *Reuters*, July 4, 2017. (<https://www.reuters.com/article/us-germany-espionage-idUSKBN19P0UC>)

167. Benjamin Weinthal, "Iran Still on the Hunt for Nuclear Weapons Technology Across Germany," *The Weekly Standard*, July 7, 2017. (<https://www.weeklystandard.com/benjamin-weinthal/iran-still-on-the-hunt-for-nuclear-weapons-technology-across-germany>)

168. "2017 Annual Report on the Protection of the Constitution (Facts and Trends)," *Bundesamt für Verfassungsschutz* (the Federal Office for the Protection of the Constitution), July 2018, page 37. (<https://www.verfassungsschutz.de/embed/annual-report-2017-summary.pdf>)

German businesses, research institutions, and the government are among targets of cyberespionage conducted by the Iranian government, through the Ministry of Intelligence and Security (MOIS) and the IRGC, as well as by other Iranian hacking groups, some associated with the regime.¹⁶⁹ Iran attempts to steal intellectual property and business secrets from foreign countries, including its trade partners.

Key Points

- The 2017 BfV report listed the German government, dissidents, human rights organizations, research centers and the aerospace, defense, and petrochemical industries as the main targets of Iranian-backed cyberattacks.¹⁷⁰ “The observed cyber campaigns,” it warned, “are developing such efficacy that the operations initiated and guided by intelligence agencies to gain information could pose a danger to German companies and research institutions.”¹⁷¹ These dangers include loss of sensitive information, manipulation of data, and sabotage of critical infrastructure.¹⁷²
- A January 2018 report by the Carnegie Endowment for International Peace reported similar findings, noting that the IRGC and the MOIS have coordinated cyber operations against Germany’s economy, military, and diplomatic institutions.¹⁷³
- The 2016 German Ministry of Interior Security report notes that the “Bundestag had been affected by a malware operation that targeted visitors of the Israeli newspaper Jerusalem Post.”¹⁷⁴ The report cites Iran as the likely instigator of this attack.¹⁷⁵
- The Iranian government also supports hacking groups, including one group known as Magic Kitten. Magic Kitten has stolen data from individuals and corporations and has compromised individuals in Germany. American cybersecurity company CrowdStrike believes this MOIS-linked group focuses on “international corporations, mainly in the technology sector.”¹⁷⁶

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169. Andrea Shahal and Thomas Escritt, “In cyber, Germany needs to counter-attack, minister says,” *Reuters*, July 24, 2018. (<https://af.reuters.com/article/worldNews/idAFKBNIKE0YG>)

170. Andrea Shahal and Thomas Escritt, “In cyber, Germany needs to counter-attack, minister says,” *Reuters*, July 24, 2018. (<https://af.reuters.com/article/worldNews/idAFKBNIKE0YG>)

171. Andrea Shahal and Thomas Escritt, “In cyber, Germany needs to counter-attack, minister says,” *Reuters*, July 24, 2018. (<https://af.reuters.com/article/worldNews/idAFKBNIKE0YG>)

172. Andrea Shalal, “Germany big target of cyber espionage and attacks: government report,” *Reuters*, July 4, 2017. (<https://www.reuters.com/article/us-germany-espionage-idUSKBN19P0UC>)

173. Collin Anderson and Karim Sadjadpour, “Iran’s Cyber Threat: Espionage, Sabotage, and Revenge,” *Carnegie Endowment for International Peace*, January 4, 2018, page 30. (https://carnegieendowment.org/files/Iran_Cyber_Final_Full_v2.pdf)

174. Collin Anderson and Karim Sadjadpour, “Iran’s Cyber Threat: Espionage, Sabotage, and Revenge,” *Carnegie Endowment for International Peace*, January 4, 2018, page 31. (https://carnegieendowment.org/files/Iran_Cyber_Final_Full_v2.pdf)

175. Collin Anderson and Karim Sadjadpour, “Iran’s Cyber Threat: Espionage, Sabotage, and Revenge,” *Carnegie Endowment for International Peace*, January 4, 2018, page 31. (https://carnegieendowment.org/files/Iran_Cyber_Final_Full_v2.pdf)

176. Collin Anderson and Karim Sadjadpour, “Iran’s Cyber Threat: Espionage, Sabotage, and Revenge,” *Carnegie Endowment for International Peace*, January 4, 2018, page 21. (https://carnegieendowment.org/files/Iran_Cyber_Final_Full_v2.pdf)

Case Study: Mabna Institute

Germany has previously been the victim of multiple Iranian cyberattacks and hackings, including a major hacking operation into almost two dozen German universities, stealing countless dissertations, reports, and other research between 2014 and 2018.¹⁷⁷ On March 23, 2018, the U.S. District Court for the Southern District indicted nine Iranians for computer intrusion, wire fraud, and aggravated identity theft.¹⁷⁸ The men were identified as Abdollah Karima, Abuzar Gohari Moqadam, Ehsan Mohammadi, Seyed Ali Mirkarimi, Gholamreza Rafatnejad, Mohammed Reza Sabahi, Roozbeh Sabahi, Mostafa Sadeghi, and Sajjad Tahmasebi.¹⁷⁹ On the same day, the U.S. Treasury designated each under Executive Order 13694, which blocks the property of key persons engaging in malicious cyber activity.¹⁸⁰ The men were leaders, contractors, associates, hackers for hire, and affiliates of the Mabna Institute, an Iranian hacking company.¹⁸¹

A U.S. Treasury Department press release said the Mabna Institute worked at the behest of the Iranian government and the IRGC: “The Mabna Institute is an Iran-based company that engaged in the theft of personal identifiers and economic resources for private financial gain. The organization was founded in or about 2013 to assist Iranian universities and scientific and research organizations in obtaining access to non-Iranian scientific resources. The Mabna Institute also contracted with Iranian governmental and private entities to conduct hacking activities on its behalf.”¹⁸²

The press release continues, “The Mabna Institute conducted massive, coordinated cyber intrusions into computer systems belonging to at least 144 U.S.-based universities, in addition to at least 176 universities located in 21 foreign countries: Australia, Canada, China, Denmark, Finland, Germany, Ireland, Israel, Italy, Japan, Malaysia, the Netherlands, Norway, Poland, Singapore, South Korea, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. The exfiltrated data and stolen login credentials acquired through these malicious cyber-enabled activities were used for the benefit of the IRGC, and were also sold within Iran through at least two websites. The stolen login credentials belonging to university professors were used to directly access online university library systems.”¹⁸³

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177. “Iranische Hacker attackieren 23 Hochschulen in Deutschland (Iranian Hacker attacks 23 Universities in Germany),” *Spiegel Online* (Germany), April 20, 2018. (<http://www.spiegel.de/lebenundlernen/uni/iranische-hacker-attackieren-23-hochschulen-in-deutschland-a-1203973.html>); Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Remarks at the Foundation for Defense of Democracies*, June 5, 2018. (<https://home.treasury.gov/news/press-releases/sm0406>)

178. U.S. Department of Justice, Press Release, “Nine Iranians Charged With Conducting Massive Cyber Theft Campaign on Behalf of the Islamic Revolutionary Guard Corps,” March 23, 2018. (<https://www.justice.gov/opa/pr/nine-iranians-charged-conducting-massive-cyber-theft-campaign-behalf-islamic-revolutionary>)

179. U.S. Department of Justice, Press Release, “Nine Iranians Charged With Conducting Massive Cyber Theft Campaign on Behalf of the Islamic Revolutionary Guard Corps,” March 23, 2018. (<https://www.justice.gov/opa/pr/nine-iranians-charged-conducting-massive-cyber-theft-campaign-behalf-islamic-revolutionary>)

180. U.S. Department of the Treasury, Press Release, “Treasury Sanctions Iranian Cyber Actors for Malicious Cyber-Enabled Activities Targeting Hundreds of Universities,” March 23, 2018. (<https://home.treasury.gov/news/press-releases/sm0332>)

181. U.S. Department of the Treasury, Press Release, “Treasury Sanctions Iranian Cyber Actors for Malicious Cyber-Enabled Activities Targeting Hundreds of Universities,” March 23, 2018. (<https://home.treasury.gov/news/press-releases/sm0332>)

182. U.S. Department of the Treasury, Press Release, “Treasury Sanctions Iranian Cyber Actors for Malicious Cyber-Enabled Activities Targeting Hundreds of Universities,” March 23, 2018. (<https://home.treasury.gov/news/press-releases/sm0332>)

183. U.S. Department of the Treasury, Press Release, “Treasury Sanctions Iranian Cyber Actors for Malicious Cyber-Enabled Activities Targeting Hundreds of Universities,” March 23, 2018. (<https://home.treasury.gov/news/press-releases/sm0332>)

SUMMARY

Rigorous due diligence is critical for any company that seeks to do business with Iran. In June 2018, U.S. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker warned businesses transacting with Iran to “harden your financial networks, require your companies to do extra due diligence to keep them from being caught in Iran’s deceptive web, and make clear the very significant risks of doing business with companies and persons there.”¹⁸⁴ German entities must be cautious of firms that conduct due diligence for companies seeking to trade with Iran but that have their own incentives to promote trade, have links to the very deceptive web that companies seek to avoid, or, as likely, may be unaware of hidden connections that may prove problematic for their clients.

In October 2017, then-CIA Director Mike Pompeo noted, “Imagine you’re a European CEO, or board of directors or a lender; the intelligence community struggles mightily to figure out which companies are controlled by the [IRGC] or the Quds Force. It is a difficult, complex, intelligence undertaking to sort out which entities are controlled by the Quds Force, which ones have shareholders. It is intentionally opaque, but as much as 20 percent of the Iranian economy is controlled by them. Imagine that you’re a businessperson deciding whether it was appropriate to take that risk or not, whether the return was there for your company.”¹⁸⁵

FATF Calls for Enhanced Due Diligence

In its February 2016 Public Statement, the Financial Action Task Force (FATF) reaffirmed “its call on members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. In addition to enhanced scrutiny, the FATF reaffirms its 25 February 2009 call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from Iran. The FATF continues to urge jurisdictions to protect against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices and to take into account ML/FT risks when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdiction. Due to the continuing terrorist financing threat emanating from Iran, jurisdictions should consider the steps already taken and possible additional safeguards or strengthen existing ones.”¹⁸⁶

In every subsequent Public Statement, the FATF continued to urge member states to conduct enhanced due diligence when transacting with Iran. After its October 2018 meeting, the FATF noted it “remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The

184. “U.S. warns allies against financial dealings with Iran,” *Reuters*, June 5, 2018. (<https://www.nbcnews.com/news/world/u-s-warns-allies-against-financial-dealings-iran-n880311>)

185. CIA Director Mike Pompeo, “FDD’s National Security Summit,” *Remarks at the Foundation for Defense of Democracies*, October 19, 2017. (<https://www.fdd.org/wp-content/uploads/2017/10/FDD-Summit-Pompeo.pdf>)

186. Financial Action Task Force, Public Statement, “Public Statement,” February 19, 2016. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2016.html>)

FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran.”¹⁸⁷

Due Diligence/Risk Firm that Violated Sanctions

Due diligence firms that fail to exercise due caution in background investigations are subject to U.S. sanctions, exposure that may impact their clients. IPSA International Services, a regulatory risk-mitigation and due diligence firm based in Phoenix, Arizona, agreed in August 2017 to pay \$259,500 after the U.S. Treasury found it was in violation of U.S. sanctions against Iran.¹⁸⁸ According to a Treasury press release, in 2012, IPSA “facilitate[d] its foreign subsidiaries’ payments to providers of Iranian-origin services” and was found to have “72 apparent violations” of Iranian Transactions and Sanctions Regulations.¹⁸⁹ IPSA hired local subcontractors to perform its due diligence work in countries such as Iran because it is often difficult to obtain critical information about Iranian companies from abroad. The press release stated: “IPSA failed to exercise a minimal degree of caution or care when it imported background investigation services of Iranian origin into the United States,” while “it did not recognize or react to the risks presented by engaging in transactions that involved Iranian-origin background investigation services.”¹⁹⁰ In February 2015, root98 Technologies, a cybersecurity and regulatory risk mitigation firm, acquired IPSA.¹⁹¹

ECONOMIC, CREDIT, AND INVESTMENT RISK

SUMMARY

Iran’s weak economic situation poses an investment risk to German companies considering business with Iran. The rial reached a record low in September 2018, when it traded on the unofficial market for as low as 186,000 rials per U.S. dollar, down from 43,000 rials in January 2018.¹⁹² The rial unexpectedly stabilized on October 2, 2018, when it sold for 135,000 for one U.S. dollar, but many suspect this was due to government intervention and

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187. “Outcomes FATF Plenary, 17-19 October 2018,” *Financial Action Task Force*, October 19, 2018. (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2018.html>)

188. U.S. Department of the Treasury, Press Release, “Settlement Agreement between the U.S. Department of the Treasury’s Office of Foreign Assets Control and IPSA International Services, Inc.,” August 10, 2017. (https://www.treasury.gov/resource-center/sanctions/CivPen/Documents/20170810_ipsa.pdf); Samuel Rubinfeld, “U.S. Sanctions Penalty Complicates Due Diligence on Iran,” *The Wall Street Journal*, August 17, 2017. (<https://blogs.wsj.com/riskandcompliance/2017/08/17/u-s-sanctions-penalty-complicates-due-diligence-on-iran/>)

189. U.S. Department of the Treasury, Press Release, “Enforcement Information for August 10, 2017,” August 10, 2017. (<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20170810.aspx>)

190. U.S. Department of the Treasury, Press Release, “Settlement Agreement between the U.S. Department of the Treasury’s Office of Foreign Assets Control and IPSA International Services, Inc.,” August 10, 2017. (https://www.treasury.gov/resource-center/sanctions/CivPen/Documents/20170810_ipsa.pdf)

191. “root9B Technologies Acquires IPSA International; Also Announces \$7.3 Million Investment from a Leading Financial Institution,” *PR Newswire*, February 10, 2015. (<https://www.prnewswire.com/news-releases/root9b-technologies-acquires-ipsa-international-also-announces-73-million-investment-from-a-leading-financial-institution-300033448.html>)

192. Asa Fitch, “Iran Struggles to Rein in Illicit Trade in Dollars,” *The Wall Street Journal*, August 28, 2018. (<https://www.wsj.com/articles/iran-struggles-to-rein-in-illicit-trade-in-dollars-1535448602>); “Iran allows central bank to defend rial by intervening in forex market,” *Reuters*, September 29, 2018. (<https://www.reuters.com/article/us-iran-cenbank-rial/iran-allows-central-bank-to-defend-rial-by-intervening-in-forex-market-idUSKCN1M90DW>)

will not represent a long-term stabilization.¹⁹³ In July 2018, in an attempt to stabilize the rial, Iran announced it would abolish its single exchange rate it had established just three months prior in favor of a secondary market for hard currency.¹⁹⁴ In August 2018, Iran's Central Bank allowed the market to determine the foreign-exchange transactions rate, signifying an about-face in policy from the previous system of an official fixed rate.¹⁹⁵ Such efforts by the Central Bank to mitigate the effects of America's withdrawal from the JCPOA on the Iranian economy have had little impact. The weakening currency and the Central Bank of Iran's ineffective attempts to control it contributes to an unstable economic situation that is not prime for investment.

Exacerbating the weakening currency is a bleak economic forecast. The International Monetary Fund reported that in 2017, Iran's economic "growth decelerated significantly relative to 2016. Oil GDP growth in [Iran] was much slower than in the previous year, more than offsetting the continued recovery in non-oil activity, which was supported by public investment."¹⁹⁶

Unstable oil exports compound the precarious economic situation. Oil exports, which make up nearly 80 percent of Iran's tax revenues, dropped almost 30 percent between April 2018 and September 2018.¹⁹⁷ Oil sales have plunged from an average of 2.82 million barrels per day (bpd) in April to roughly 1.72 million bpd in September.¹⁹⁸

Prior to November 5, when sanctions on Iran's petroleum sector are due to be re-imposed, Iran's second biggest oil client, India, has curtailed its Iranian oil imports.¹⁹⁹ India announced it would buy 9 million barrels of oil from Iran in November.²⁰⁰ This quantity is equivalent to about 300,000 bpd, signifying a drop from the average of 658,000 bpd India imported from April to August 2018.²⁰¹ South Korea and Japan, the third- and sixth-biggest importers

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193. Nasser Karimi and Jon Gambrell, "Iran's rial unexpectedly rallies after weeks of steep falls," *Associated Press*, October 2, 2018. (<https://www.voanews.com/a/iran-rial-unexpectedly-rallies-after-weeks-of-steep-falls/4596366.html>)

194. "Iran Drops Effort to Set Single Exchange Rate as Rial Sags," *Reuters*, July 10, 2018. (<https://www.voanews.com/a/iran-drops-effort-to-set-single-exchange-rate-as-rial-sags/4477121.html>)

195. Arsalan Shahla and Ladane Nasser, "Iran Rial Resumes Drop as Oil Sales Sink Ahead of Sanctions," *Bloomberg*, September 3, 2018. (<https://www.bloomberg.com/news/articles/2018-09-03/iran-s-rial-resumes-drop-as-oil-exports-sink-ahead-of-sanctions>)

196. International Monetary Fund, "Regional Economic Outlook Update: Middle East and Central Asia," May 2018. (<https://www.imf.org/en/Publications/REO/MECA/Issues/2018/04/24/mreo0518>)

197. Javier Blas, "In Big Win for Trump, U.S. Sanctions Cripple Iranian Oil Exports," *Bloomberg*, September 17, 2018. (<https://www.bloomberg.com/news/articles/2018-09-18/in-big-win-for-trump-u-s-sanctions-cripple-iranian-oil-exports>); Andrew Gabel, "Tehran's Oil Exports Rose Slightly in September, Halting Sharp Decline," *Foundation for Defense of Democracies*, October 17, 2018. (<https://www.fdd.org/analysis/2018/10/17/tehrans-oil-exports-rose-slightly-in-september-halting-sharp-decline/>)

198. Javier Blas, "In Big Win for Trump, U.S. Sanctions Cripple Iranian Oil Exports," *Bloomberg*, September 17, 2018. (<https://www.bloomberg.com/news/articles/2018-09-18/in-big-win-for-trump-u-s-sanctions-cripple-iranian-oil-exports>); Neanda Salvaterra and Dan Molinski, "Oil Rises on Fears Over Iran's Oil Supply, Hurricane," *The Wall Street Journal*, October 9, 2018. (<https://www.wsj.com/articles/oil-rises-on-fears-over-irans-oil-supply-1539083071>)

199. Nidhi Verma, "India hopes for U.S. sanctions waiver after cutting Iran oil imports: officials," *Reuters*, October 9, 2018. (<https://in.reuters.com/article/india-oil/india-hopes-for-u-s-sanctions-waiver-after-cutting-iran-oil-imports-officials-idINKCN1MJ0AG>)

200. Nidhi Verma, "India hopes for U.S. sanctions waiver after cutting Iran oil imports: officials," *Reuters*, October 9, 2018. (<https://in.reuters.com/article/india-oil/india-hopes-for-u-s-sanctions-waiver-after-cutting-iran-oil-imports-officials-idINKCN1MJ0AG>)

201. Nidhi Verma, "India hopes for U.S. sanctions waiver after cutting Iran oil imports: officials," *Reuters*, October 9, 2018. (<https://in.reuters.com/article/india-oil/india-hopes-for-u-s-sanctions-waiver-after-cutting-iran-oil-imports-officials-idINKCN1MJ0AG>)

of Iranian oil, have also indicated they will halt their Iranian oil imports.²⁰² The top oil refiner, Sinopec, in China – Iran’s top oil client – announced in late September 2018 that it would halve its loadings of crude oil from Iran.²⁰³

In addition to Iran’s bleak economic forecast, German companies transacting with Iran face further risk resulting from the country’s opaque monetary policy, manipulated stock market, noncompetitive markets, and unsound banking practices. The International Monetary Fund (IMF) reported: “Iranian banks suffer from weak asset quality and thin capitalization, in part because of government-mandated credit policies and limited enforcement power of banking supervisors. State influence in Iran’s banking system tends to weaken underwriting standards, which puts asset quality at risk.”²⁰⁴ In its 2018 country report on Iran, the IMF reported that while its directors “welcomed the macroeconomic progress made by Iran, particularly in broadening the recovery of the non-oil sector,” they also “noted that a weak banking sector, structural bottlenecks, and heightened uncertainty pose risks” to the Iranian economy.²⁰⁵

Key Points

- In addition to the sinking currency, Iran also faces high inflation and double-digit unemployment.²⁰⁶ In August 2018, the official unemployment rate stood at 12 percent. In September 2018, the reported inflation rate was 13.5 percent, though Johns Hopkins economics professor and CATO senior fellow Steve Hanke estimated the actual annual inflation rate reached an all-time high of 400 percent on September 26, 2018.²⁰⁷ With a weakening currency, rising inflation, and a government running out of cash due to oil exports, the Iranian economy constitutes a significant investment risk.
- Iran’s GDP growth has declined rapidly since 2016. In 2016, the GDP growth rate was 13.4 percent. In 2017, it stood at 3.8 percent.²⁰⁸ The World Bank estimates it will shrink by 1.5 percent in the Persian fiscal year ending

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202. Javier Blas, “In Big Win for Trump, U.S. Sanctions Cripple Iranian Oil Exports,” *Bloomberg*, September 17, 2018. (<https://www.bloomberg.com/news/articles/2018-09-18/in-big-win-for-trump-u-s-sanctions-cripple-iranian-oil-exports>); Pratih Narayanan, “Here’s How the Biggest Oil Buyers Can Tackle Trumps Iran Action,” *Bloomberg*, May 8, 2018. (<https://www.bloomberg.com/news/articles/2018-05-09/how-the-biggest-oil-buyers-tackled-u-s-sanctions-on-iran-before>); “Iran confirms S. Korea’s halt of oil imports,” *Xinhua* (China), September 24, 2018. (http://www.xinhuanet.com/english/2018-09/24/c_137488647.htm)

203. Chen Aizhu and Florence Tan, “China’s Sinopec halves Iran oil loadings under U.S. pressure: sources,” *Reuters*, September 28, 2018. (<https://www.reuters.com/article/us-china-iran-oil/chinas-sinopec-halves-iran-oil-loadings-under-u-s-pressure-sources-idUSKCN1M81D1>)

204. “Regional Economic Outlook: Middle East and Central Asia,” *International Monetary Fund*, October 2015. (<https://www.imf.org/external/pubs/ft/reo/2015/mcd/eng/pdf/mreo1015.pdf>)

205. “Islamic Republic of Iran 2018 Article IV Consultation,” *International Monetary Fund*, March 29, 2018. (<https://www.imf.org/en/Publications/CR/Issues/2018/03/29/Islamic-Republic-of-Iran-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-45767>)

206. Asa Fitch and Aresu Eqbali, “Falling Rial Stymies Iranian Travel Abroad,” *The Wall Street Journal*, September 13, 2018. (<https://www.wsj.com/articles/iranians-cant-leave-home-as-sinking-currency-stymies-travel-1536840000>)

207. Bozorgmehr Sharafedin, “Iran’s Khamenei says Europe cannot save nuclear deal, help economy,” *Reuters*, August 29, 2018. (<https://www.reuters.com/article/us-iran-politics-rouhani/irans-khamenei-says-europe-cannot-save-nuclear-deal-help-economy-idUSKCN1LE0QM>); @steve_hanke, “Iran’s annual inflation rate measured for today is 273%,” *Twitter*, October 11, 2018. (https://twitter.com/steve_hanke/status/1050434855916527616)

208. “Iran’s Economic Outlook,” *World Bank*, October 2018. (<http://pubdocs.worldbank.org/en/199361538135430278/mpo-am18-iran-irn-9-28-fin.pdf>)

March 2019 and by 3.6 percent in the Persian fiscal year ending in March 2020.²⁰⁹ The IMF released matching estimates.²¹⁰

- Fitch Solutions Macro Research forecasts “a more than 4% contraction in [Iran’s] GDP” in 2019.²¹¹
- Iran has no rating agencies such as Moody’s or Standard & Poor’s.²¹²
- Credit insurer Euler Hermes gave Iran a D4 (the highest risk level) rating in its September 2018 Country Risk Ratings.²¹³
- Iran ranks 173 out of 189 countries ranked on the World Bank’s 2019 “Ease of Doing Business” Index on “protecting minority investors.”²¹⁴ Since 2016, Iran has fallen 23 places in this ranking.²¹⁵ Foreign investors can only hold up to 10 percent of shares in an Iranian company. The sum of all shares held by foreign investors can only be up to 20 percent of shares in a company.
- Iran was rated 6 out of 7 in the 2018 OECD Country Risk.²¹⁶ This rating is based on “transfer and convertibility risk (the risk a government imposes capital or exchange controls that prevent an entity from converting local currency into foreign currency and/or transferring funds to creditors located outside the country) and cases of *force majeure*.”²¹⁷
- “Political and geopolitical risk would probably be one of the higher risks of Iran,” according to a Moody’s analyst.²¹⁸
- Iran has a “dual exchange rate” policy, with an “official rate” and an open market rate. The gap has narrowed since the nuclear deal, but the dual rates remain, fueling corruption.²¹⁹ According to FDD’s Richard Goldberg and Saeed Ghasseminejad, “Tehran operates two exchange rates – one official and one for the street.” Based on their analysis, “on average, the difference between the two rates on [April 9, 2018] stood at more than 21,000 rial, as compared to the 6,000 rial spread reported in early December 2017. When the spread rises, it amplifies

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209. “Iran’s Economic Outlook,” *World Bank*, October 2018. (<http://pubdocs.worldbank.org/en/199361538135430278/mpo-am18-iran-irn-9-28-fn.pdf>); Saeed Ghasseminejad, “IMF and World Bank Predict Economic Slowdown in Iran,” *Foundation for Defense of Democracies*, October 12, 2018. (<https://www.fdd.org/analysis/2018/10/12/imf-and-world-bank-predict-economic-slowdown-in-iran/>)

210. Saeed Ghasseminejad, “IMF and World Bank Predict Economic Slowdown in Iran,” *Foundation for Defense of Democracies*, October 12, 2018. (<https://www.fdd.org/analysis/2018/10/12/imf-and-world-bank-predict-economic-slowdown-in-iran/>)

211. Asa Fitch and Aresu Egbali, “Falling Rial Stymies Iranian Travel Abroad,” *The Wall Street Journal*, September 13, 2018. (<https://www.wsj.com/articles/iranians-cant-leave-home-as-sinking-currency-stymies-travel-1536840000>)

212. Navid Kalhor, “How Iran plans to cover its budget deficit,” *Al-Monitor*, March 8, 2016. (<http://www.al-monitor.com/pulse/originals/2016/03/iran-debt-market-expansion-budget-deficit-islamic-tbills.html>)

213. “Iran: At a Tipping Point,” *Euler Hermes*, accessed October 31, 2018. (<http://www.eulerhermes.com/economic-research/country-reports/Pages/Iran.aspx>); “Euler Hermes Country Risk Ratings,” *Euler Hermes*, accessed October 31, 2018. (https://www.eulerhermes.com/content/dam/onemarketing/euh/eulerhermes_com/erd/map/country-map/2018/EH_Country_Risk_Ratings_Q3_2018.pdf)

214. “Doing Business 2019,” *World Bank Group*, accessed October 31, 2018. (<http://www.doingbusiness.org/content/dam/doingBusiness/country/i/iran/IRN.pdf>)

215. Mark Dubowitz, “Auditing Standards for Clients Doing Business with Iran,” *Foundation for Defense of Democracies*, April 19, 2017. (<https://www.fdd.org/analysis/2017/04/17/auditing-standards-for-clients-doing-business-with-iran/>)

216. “Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits,” *OECD*, October 26, 2018. (<http://www.oecd.org/tad/xcred/cre-crc-current-english.pdf>)

217. “Country Risk Classification,” *OECD*, accessed October 31, 2018. (<http://www.oecd.org/tad/xcred/crc.htm>)

218. Marc Jones, “Sanctions scars and oil slump point to low Iran credit rating,” *Reuters*, January 28, 2016. (<http://uk.reuters.com/article/uk-iran-ratings-idUKKCN0V61CF>)

219. Dominic Dudley, “Iran Postpones Unification of Official And Open Market Exchange Rates,” *Forbes*, February 20, 2017. (<https://www.forbes.com/sites/dominicdudley/2017/02/20/iran-parallel-exchange-rates/#16724d182082>)

risk and uncertainty for rial traders while inviting corruption from corrupt officials who can sell dollars at the higher market rate and buy them at the lower official one.”²²⁰

AVIATION SECTOR RISK

SUMMARY

Engaging in business with Iran’s aviation sector, whether through aircraft sales, provision of cargo and ticket services, vendor services, fuel, or permitting use of airports or airspace, carries significant security and economic risks for German companies.

Iran has consistently used the country’s airlines to further the regime’s involvement in atrocities and war crimes, including providing fighters and materiel to the Assad regime in Syria. Iran Air and Mahan Air have carried supplies for the IRGC and its Quds Force, which is responsible for extraterritorial operations in countries such as Syria and Iraq.²²¹

Iran Air took more than 130 trips between January 16, 2016, and May 4, 2017, from Tehran to Damascus, with frequent stops in Abadan, Iran, a logistical hub for the IRGC.²²² The flights to Damascus were not listed or available for booking on the Iran Air website, which also did not list Damascus as a destination for the airline.²²³ Between January 16, 2016, and September 27, 2018, Mahan Air has flown at least 469 flights from Tehran to Damascus.²²⁴ Mahan Air and other Iranian airlines have smuggled arms into Syria for the Assad regime and into Lebanon for Hezbollah and Iranian weapons factories.²²⁵

“Countries and companies around the world should take note of the risks associated with granting landing rights and providing aviation services to the airlines used by Iran to export terrorism throughout the region,” said U.S. Treasury Secretary Steven Mnuchin in May 2018. “The deceptive practices these airlines employ to illegally obtain services and U.S. goods is yet another example of the duplicitous ways in which the Iranian regime has operated.”²²⁶

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220. Richard Goldberg and Saeed Ghasseminejad, “Iran’s currency is in free-fall - time for the US to exploit it,” *The Hill*, April 11, 2018. (<http://thehill.com/opinion/national-security/382670-irans-currency-is-in-free-fall-time-for-the-us-to-exploit-it>)

221. Vivian Salama, “US, Europe at odds over Revolutionary Guard-backed airline,” *The Times of Israel* (Israel), November 3, 2016. (<https://www.timesofisrael.com/us-europe-at-odds-over-revolutionary-guard-backed-airline/>); Emanuele Ottolenghi, “Trump Should Block Iran’s Air Corridor to Syria,” *Foreign Policy*, March 2, 2018. (<https://foreignpolicy.com/2018/03/02/trump-should-block-irans-air-corridor-to-syria/>)

222. Emanuele Ottolenghi, “The Iranian Express,” *The Weekly Standard*, July 21, 2017. (<https://www.weeklystandard.com/emanuele-ottolenghi/the-iranian-express>)

223. Emanuele Ottolenghi, “Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran,” Testimony before the House Financial Services Subcommittee on Monetary Policy and Trade and the House Financial Services Subcommittee on Terrorism and Illicit Finance, April 4, 2017. (<https://www.fdd.org/analysis/2017/04/03/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran-2/>)

224. Research by FDD Senior Fellow Emanuele Ottolenghi.

225. “Iran’s secret weapons-smuggling air routes to Lebanon revealed by intel sources,” *Fox News*, September 3, 2018. (<http://www.foxnews.com/world/2018/09/03/irans-secret-weapons-smuggling-air-route-to-lebanon-revealed-by-intel-sources.html>)

226. U.S. Department of the Treasury, Press Release, “Treasury Targets Procurement Networks and 31 Aircraft Associated with Mahan Air and Other Designated Iranian Airlines,” May 24, 2018. (<https://home.treasury.gov/news/press-releases/sm0395>)

Six Iranian airlines are currently sanctioned by the U.S. Treasury for providing support to terrorists: Mahan Air, Caspian Air, Meraj Air, Pouya Air, Blue Airways (a front company with no fleet), and Dena Airways.²²⁷ The Trump administration designated these airlines pursuant to Executive Order 13224, which “targets terrorists and those providing support to terrorists or acts of terrorism.”²²⁸ FDD Senior Fellow Emanuele Ottolenghi explains that these airlines remain sanctioned because they are “willing and knowing facilitators of acts of terrorism.”²²⁹ Pursuing deals with companies in the Iranian aviation sector can entangle German businesses with Iran and its proxies’ destabilizing efforts around the globe. Moreover, German businesses dealing with designated airlines that are known to support terrorism may also face significant reputational risk.

Key Points

- Iranian civilian airlines Iran Air and Mahan Air, which the United States have both sanctioned, use German airspace and airports for their flights.²³⁰ State-owned Iran Air, which Washington sanctioned from 2011 until 2016, uses the Cologne, Frankfurt, and Hamburg airports for its cargo and passenger flights.²³¹ The United States is scheduled to reimpose sanctions on Iran Air on November 5, 2018. The privately owned Mahan Air uses the Dusseldorf and Munich airports for its cargo and passenger flights, and is sanctioned by the U.S.²³²
- OFAC issued a warning to airports on June 6, 2018, that they may face consequences if they allow sanctioned Iranian airlines to land at their airports. According to OFAC, potentially sanctionable activities also include procuring airplane parts and equipment, conducting ticketing or marketing sales with airlines, and making freight agreements with airlines, among others.²³³
- On July 14, 2017, Qeshm Airlines began operating weekly cargo and passenger flights every Monday and Friday from Hamburg airport to Tabriz, Iran.²³⁴ Iran’s Ministry of Petroleum, which the EU sanctioned on October

227. U.S. Department of the Treasury, Press Release, “Treasury Targets Procurement Networks and 31 Aircraft Associated with Mahan Air and Other Designated Iranian Airlines,” May 24, 2018. (<https://home.treasury.gov/news/press-releases/sm0395>); Farzin Nadimi, “Treasury Increases the Pressure on Iranian Airlines,” *The Washington Institute for Near East Policy*, June 1, 2018. (<https://www.washingtoninstitute.org/policy-analysis/view/treasury-increases-the-pressure-on-iranian-airlines>)

228. U.S. Department of the Treasury, Press Release, “Treasury Targets Procurement Networks and 31 Aircraft Associated with Mahan Air and Other Designated Iranian Airlines,” May 24, 2018. (<https://home.treasury.gov/news/press-releases/sm0395>)

229. Bill Coffin, “Is the Iranian airline industry still filled with bandits?” *Compliance Week*, October 14, 2016. (<https://medium.com/@FDD/from-the-fdd-archives-emanuele-ottolenghi-on-iranian-airlifts-f9c2f97235ed>)

230. “Airlines A to Z,” *Frankfurt Airport*, accessed October 31, 2018. (<https://www.frankfurt-airport.com/en/travel/airport.html#airlinesatoz/letter=i>); “International Route Network,” *Mahan Air*, accessed October 31, 2018. (<https://www.mahan.aero/en/destinations/route-network>)

231. “International Destinations,” *Iran Air*, accessed October 31, 2018. (<https://www.iranair.de/en/destinations.html>); Emanuele Ottolenghi, “Should Boeing and Airbus Sell Planes to Iran Air,” *Foundation for Defense of Democracies*, January 17, 2017, page 1. (<https://www.fdd.org/wp-content/uploads/2017/01/Memo-Emanuele-Ottolenghi-FDD-Boeing-Iran.pdf>); U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

232. “International Route Network,” *Mahan Air*, accessed October 31, 2018. (<https://www.mahan.aero/en/destinations/route-network>); U.S. Department of the Treasury, Press Release, “Treasury Designates Iranian Commercial Airline Linked to Iran’s Support for Terrorism,” October 12, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1322.aspx>) Mahan Air remains sanctioned as of October 2018.

233. “OFAC warns airports about dealing with Iranian carriers,” *Ch-aviation* (Switzerland), June 7, 2018. (<https://www.ch-aviation.com/portal/news/67891-ofac-warns-airports-about-dealing-with-iranian-carriers>)

234. “Qeshm Airlines celebrates maiden flight on Hamburg-Tabriz route,” *Hamburg Airport*, July 14, 2017. (<https://www.hamburg-airport.de/en/9674.php>)

16, 2012, owns Qeshm Airlines.²³⁵ It remained sanctioned until the implementation of the JCPOA in January 2016.²³⁶ Western intelligence sources have noted that Qeshm, also known as Fars Air, is among the airlines Iran uses to ferry weapons shipments to Hezbollah.²³⁷ In October 2018, a Qeshm Air cargo plane flew from Iran to an unknown destination, and later continued on to Damascus and Beirut.²³⁸ According to one news report, Western intelligence sources believe the plane “carried weapons components, including GPS devices to make precision-guided weapons in Iranian factories inside Lebanon.”²³⁹

- U.S. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker said in June 2018: “Countries and companies around the world should take note of the risks associated with granting landing rights and providing aviation services to the airlines used by Iran to export terrorism throughout the region, including the risks of our secondary sanctions.”²⁴⁰

Mahan Air: Sanctions and Security Risk

- The U.S. Treasury sanctioned Mahan Air on October 12, 2011, for providing financial, material, and technological support to the IRGC-QF.²⁴¹ Then-U.S. Under Secretary of the Treasury for Terrorism and Financial Intelligence David Cohen said: “Mahan Air’s close coordination with the IRGC-QF – secretly ferrying operatives, weapons and funds on its flights – reveals yet another facet of the IRGC’s extensive infiltration of Iran’s commercial sector to facilitate its support for terrorism.” The new designation, he added, “highlights further the undeniable risks of doing business with Iran.”²⁴²

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235. Emanuele Ottolenghi, “Iran Ramps Up Purchases of Commercial Aircraft from U.S. and Europe,” *Foundation for Defense of Democracies*, August 2, 2017. (<https://www.fdd.org/analysis/2017/08/02/iran-ramps-up-purchases-of-commercial-aircraft-from-u-s-and-europe/>); Council Implementing Regulation (EU) No 945/2012 of 15 October 2012 implementing Regulation (EU) No 267/2012 concerning restrictive measures against Iran, *Official Journal of the European Union*. (<https://eur-ex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:282:FULL:EN:PDF>)

236. Emanuele Ottolenghi, “Iran Ramps Up Purchases of Commercial Aircraft from U.S. and Europe,” *Foundation for Defense of Democracies*, August 2, 2017. (<https://www.fdd.org/analysis/2017/08/02/iran-ramps-up-purchases-of-commercial-aircraft-from-u-s-and-europe/>)

237. Lucas Tomlinson and Jennifer Griffin, “Iran sent Hezbollah advanced weapons to turn rockets into precision missiles, new flight data suggests,” *Fox News*, October 19, 2018. (<https://www.foxnews.com/world/iran-sent-hezbollah-advanced-weapons-to-turn-rockets-into-precision-missiles-new-flight-data-suggests>)

238. Lucas Tomlinson and Jennifer Griffin, “Iran sent Hezbollah advanced weapons to turn rockets into precision missiles, new flight data suggests,” *Fox News*, October 19, 2018. (<https://www.foxnews.com/world/iran-sent-hezbollah-advanced-weapons-to-turn-rockets-into-precision-missiles-new-flight-data-suggests>)

239. Lucas Tomlinson and Jennifer Griffin, “Iran sent Hezbollah advanced weapons to turn rockets into precision missiles, new flight data suggests,” *Fox News*, October 19, 2018. (<https://www.foxnews.com/world/iran-sent-hezbollah-advanced-weapons-to-turn-rockets-into-precision-missiles-new-flight-data-suggests>)

240. Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Remarks at the Foundation for Defense of Democracies*, June 5, 2018. (<https://home.treasury.gov/news/press-releases/sm0406>)

241. U.S. Department of the Treasury, Press Release, “Treasury Designates Iranian Commercial Airline Linked to Iran’s Support for Terrorism,” October 12, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1322.aspx>). Mahan Air remains sanctioned as of October 2018.

242. U.S. Department of the Treasury, Press Release, “Treasury Designates Iranian Commercial Airline Linked to Iran’s Support for Terrorism,” October 12, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1322.aspx>)

- Mahan Air, a purportedly civilian company, regularly flies weapons and personnel to the Assad regime and Hezbollah, serving as the leading transporter of fighters and arms for the IRGC during Syria's bloody war.²⁴³ This war has killed an estimated 500,000 civilians and displaced 60 percent of the Syrian population, an estimated one million of whom moved to Europe, with more than 530,000 to Germany.²⁴⁴
- At least two German companies provide services to U.S.-sanctioned Mahan Air.²⁴⁵ Transnautic Aircargo Agency provides cargo services to Mahan Air at Dusseldorf Airport, and Aviareps AG provides ticketing services to Mahan Air at Frankfurt Airport and Munich Airport.²⁴⁶ As of October 16, 2018, the United State has not sanctioned them but has increased its sanctions on service providers in recent months and indicated that more sanctions are to come.
- On May 24, 2018, OFAC sanctioned nine individuals and entities for providing parts and services to four sanctioned Iranian airlines, including Mahan Air.²⁴⁷ The individuals were Turkish citizen Gulnihal Yegane, who was designated for "assisting in, sponsoring, or providing financial, material, or technological support for, or financial or other services to or in support of, Mahan Air," and Iranian citizens Iraj Ronaghi and Touraj Zanganeh "for acting for or on behalf of Meraj Air."²⁴⁸ The entities designated were Istanbul-based firms Trigrion Lojistik, RA Havacilik, 3G Lojistik, and Otik Aviation, and Iran-based Blue Airways.²⁴⁹
- On July 9, 2018, the U.S. Treasury designated Malaysia-based Mahan Travel and Tourism Sdn Bhd for providing Mahan Air with reservation and ticketing services. In announcing these designations, Secretary Mnuchin said: "The United States government has been very clear about the deadly role played by Mahan Air. Our action against an independent company providing General Sales Agent services to Mahan makes clear to all in the aviation industry that they urgently need to sever all ties and distance themselves immediately from this airline. Companies that continue to service Mahan aircraft, or facilitate Mahan flights in and out of airports in Europe, the Middle East, and Asia, are on notice that they do so at great financial risk."²⁵⁰
- On September 14, 2018, the Treasury sanctioned Thailand-based My Aviation Company Ltd for providing cargo services and serving as a local sales agent for Mahan Air.²⁵¹

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243. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," Testimony before Committee the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittee, April 4, 2017. (<https://www.fdd.org/analysis/2017/04/03/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran-2/>)

244. Phillip Connor, "Most displaced Syrians are in the Middle East, and about a million are in Europe," *Pew Research Center*, January 29, 2018. (<http://www.pewresearch.org/fact-tank/2018/01/29/where-displaced-syrians-have-resettled/>)

245. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," Testimony before Committee the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittee, April 4, 2017, page 21. (https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/4317_EO_Testimony.pdf)

246. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," Testimony before Committee the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittee, April 4, 2017, page 21. (https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/4317_EO_Testimony.pdf)

247. U.S. Department of the Treasury, Press Release, "Treasury Targets Procurement Networks and 31 Aircraft Associated with Mahan Air and Other Designated Iranian Airlines," May 24, 2018. (<https://home.treasury.gov/news/press-releases/sm0395>)

248. U.S. Department of the Treasury, Press Release, "Treasury Targets Procurement Networks and 31 Aircraft Associated with Mahan Air and Other Designated Iranian Airlines," May 24, 2018. (<https://home.treasury.gov/news/press-releases/sm0395>)

249. U.S. Department of the Treasury, Press Release, "Treasury Targets Procurement Networks and 31 Aircraft Associated with Mahan Air and Other Designated Iranian Airlines," May 24, 2018. (<https://home.treasury.gov/news/press-releases/sm0395>)

250. U.S. Department of the Treasury, Press Release, "Treasury Designates Mahan Air Service Provider," July 9, 2018. (<https://home.treasury.gov/news/press-releases/sm423>)

251. Ian Talley, "U.S. Sanctions Thai Company for Ties to Iran's Mahan Air," *The Wall Street Journal*, September 14, 2018. (<https://www.wsj.com/articles/u-s-sanctions-thai-company-for-ties-to-irans-mahan-air-1536937751>)

- U.S. Ambassador to Germany Richard Grenell said in June 2018: “Here in Germany, I have asked the German government to support our efforts to stop an airline called Mahan Air from utilizing German airspace and airports. We know that Mahan Air has been used by the Iranian Revolutionary Guard Corps as a mode of transport for weapons, resources and fighters, so we’re asking our allies to help us put a stop to it.”²⁵²

Iran Air: Sanctions and Security Risk

- In UN Resolution 1929 (2010), the United Nations Security Council named Iran Air as an entity possibly involved in sanctions evasion.²⁵³ The resolution states that the UN Security Council “Requests all Member States to communicate to the Committee any information available on transfers or activity by Iran Air’s cargo division or vessels owned or operated by the Islamic Republic of Iran Shipping Lines (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, and requests the Committee to make that information widely available.”²⁵⁴
- The U.S. Treasury sanctioned Iran Air on June 23, 2011, for “providing material support and services to the IRGC and Ministry of Defense and Armed Forces Logistics (MODAFL).”²⁵⁵
- Iran Air frequently flew weapons and personnel to the Assad regime on behalf of the IRGC prior to its U.S. Treasury designation in 2011.²⁵⁶ According to the U.S. Treasury, Iran Air shipped missiles, rockets, and “titanium sheets, which have dual-use military applications and can be used in support of advanced weapons programs” for the IRGC, usually disguised as medicine or spare parts.²⁵⁷ Iran Air stopped flying this route in May 2017.
- Members of the Fatemiyoun, an Afghan militia created and controlled by the IRGC, were shown travelling to Damascus on an Iran Air flight in undated photographs released August 4, 2017.²⁵⁸
- On January 16, 2016, the Treasury removed Iran Air from its sanction list as a concession that was part of the JCPOA. However, the Treasury announced as part of the U.S. withdrawal from the JCPOA on May 8, 2018, that it would reimpose these sanctions no later than November 5, 2018.²⁵⁹
- Also pursuant to the May 8 withdrawal, OFAC revoked specific licenses issued in connection with the statement of licensing policy relating to the export or re-export of commercial passenger aircraft and related parts and

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252. Benjamin Weinthal, “U.S. Ambassador Asks Germany: Stop Iranian From Use of Airspace,” *The Jerusalem Post* (Israel), June 20, 2018. (<https://www.jpost.com/Middle-East/US-ambassador-urges-Germany-to-stop-Irans-Mahan-Air-from-use-of-airspace-560472>)

253. United Nations Security Council, Resolution 1929, June 9, 2010, page 7. (<https://www.iaea.org/sites/default/files/unscre1929-2010.pdf>)

254. United Nations Security Council, Resolution 1929, June 9, 2010, page 7. (<https://www.iaea.org/sites/default/files/unscre1929-2010.pdf>)

255. U.S. Department of the Treasury, Press Release, “Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities,” June 23, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

256. U.S. Department of the Treasury, Press Release, “Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities,” June 23, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

257. U.S. Department of the Treasury, Press Release, “Fact Sheet: Treasury Sanctions Major Iranian Commercial Entities,” June 23, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx>)

258. Emanuele Ottolenghi, “Trump’s Iran problem takes to the skies with Iran Air,” *The Hill*, August 22, 2017. (<https://thehill.com/blogs/pundits-blog/foreign-policy/347467-trumps-iran-problem-takes-to-the-skies-with-iran-air>)

259. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

services.²⁶⁰ The license revocation required Boeing to terminate a deal it had reached with Iran Air to send it 80 aircraft.²⁶¹ A Boeing spokesman said, “We have not delivered any aircraft to Iran, and given we no longer have a license to sell to Iran at this time, we will not be delivering any aircraft.”²⁶²

- On October 24, 2018, *The Jerusalem Post* reported that the Hamburg-based bank Varengold conducts business with Iran Air.²⁶³

Case Study: Frankfurt Airport Smuggling

Hezbollah has used German airports to traffic illicit goods in and out of Germany and to help facilitate its global drug trade.²⁶⁴ In May 2008, officials arrested two Lebanese men at Frankfurt Airport who were carrying 8.7 million euros, or the equivalent of \$10.2 million, in their suitcases.²⁶⁵ Further investigation resulted in a raid of their apartments in Speyer, Germany, where another 500,000 euros were found, some with the fingerprints of a well-known Dutch drug kingpin.²⁶⁶

The two men trained in Hezbollah camps in Lebanon. German police suspect they were involved in a cocaine trade route throughout Europe, smuggling profits back to relatives in Lebanon who were linked to Hezbollah’s secretary general, Hassan Nasrallah, and other high-ranking Hezbollah officials.²⁶⁷ In October 2009, authorities arrested two other Hezbollah operatives in Speyer with ties to high-ranking Iranian officials for their participation in the drug ring.²⁶⁸

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260. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

261. “Boeing says it won’t deliver any planes to Iran,” *Agence France-Presse*, June 6, 2018. (<https://www.timesofisrael.com/boeing-says-it-wont-deliver-any-planes-to-iran/>)

262. “Boeing says it won’t deliver any planes to Iran,” *Agence France-Presse*, June 6, 2018. (<https://www.timesofisrael.com/boeing-says-it-wont-deliver-any-planes-to-iran/>)

263. Benjamin Weinthal, “Exclusive: German Bank Holds Account for Soon to Be Sanctioned Iran Air,” *The Jerusalem Post* (Israel), October 24, 2018. (<https://www.jpost.com/International/EXCLUSIVE-German-bank-holds-account-for-soon-to-be-sanctioned-Iran-Air-570217>)

264. Matthew Levitt, “Hezbollah’s Criminal Networks: Useful Idiots, Henchmen, and Organized Criminal Facilitators,” *The Washington Institute for Near East Policy*, October 2016, (<https://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-criminal-networks-useful-idiots-henchmen-and-organized-criminal>)

265. Matthew Levitt, “Hezbollah’s Criminal Networks: Useful Idiots, Henchmen, and Organized Criminal Facilitators,” *The Washington Institute for Near East Policy*, October 2016. (<https://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-criminal-networks-useful-idiots-henchmen-and-organized-criminal>)

266. Matthew Levitt, “Hezbollah’s Criminal Networks: Useful Idiots, Henchmen, and Organized Criminal Facilitators,” *The Washington Institute for Near East Policy*, October 2016. (<https://www.washingtoninstitute.org/policy-analysis/view/hezbollahs-criminal-networks-useful-idiots-henchmen-and-organized-criminal>)

267. Assaf Uni, “Report: Hezbollah Funded by Drug Trade in Europe,” *Haaretz* (Israel), January 9, 2010. (<https://www.haaretz.com/1.5083540>)

268. “Germans trace Hezbollah coke smuggling profits,” *The Local* (Germany), January 9, 2010. (<https://www.thelocal.de/20100109/24465>)

SUMMARY

Engaging in business with Iran's maritime sector carries significant security and economic risks for German companies. Iran's commercial maritime activities are predominately conducted through two main shipping companies, the Islamic Republic of Iran Shipping Lines (IRISL) and the National Iranian Tanker Company (NITC), both of which were established as state-owned companies but were privatized in 2008 and 2000, respectively.²⁶⁹ The United States and the EU have designated IRISL, NITC, and many of their subsidiaries for supporting Iran's ballistic missile program and employing deceptive practices to avoid sanctions.²⁷⁰ The deceptive measures include renaming vessels, reflagging vessels, using front companies to mask ownership, providing false documents, and using generic terms to describe shipments covertly carrying illicit goods.²⁷¹ Iranian shipping companies have also attempted to circumvent the U.S. Specially Designated Nationals list by transferring a ship's ownership from designated individuals to a front company or another person working on behalf of the designated individual.²⁷²

The U.S. Treasury's Financial Crimes Enforcement Network warned in an October 2018 Advisory that financial institutions transacting with Iranian shipping companies "may see indications of these deceptive shipping practices in the information contained in international wires, payment requests, and letters of credit. Documents may also be falsified, and include bills of lading and shipping invoices to conceal shipping routes, embarkation ports, or shipping agents."²⁷³

The deceitful tactics of IRISL and NITC highlight the risks of doing business with these firms and their subsidiaries. German businesses, whether serving as partners or customers, may be unknowingly complicit in the facilitation of Iran's proliferation activities or sanction evasion attempts.

Islamic Republic of Iran Shipping Lines: Security and Sanctions Risk

- An October 2009 U.S. State Department cable marked "secret" and published by WikiLeaks indicated that while IRISL was formally privatized in 2008, the Iranian government "probably still maintains control of a significant

269. Claudia Rosett, "Iran's Worrisome Shipping News," *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>); Jonathan Saul, "Iran tanker group boss steps down, replaced," *Reuters*, January 31, 2012. (<https://www.reuters.com/article/us-iran-nitc-chairman/iran-tanker-group-boss-steps-down-replaced-idUSTRE80U1QM20120131>)

270. U.S. Department of the Treasury, Press Release, "Fact Sheet: Treasury Designates Iranian Entities Tied to the IRGC and IRISL," December 21, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1010.aspx>); Claudia Rosett, "Iran's Worrisome Shipping News," *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>);

271. Claudia Rosett, "Obama's Iran Policy is Lost at Sea," *The Wall Street Journal*, March 26, 2015. (<https://www.wsj.com/articles/claudia-rosett-obamas-iran-policy-is-lost-at-sea-1427410998>); U.S. Department of the Treasury, Press Release, "Major Iranian Shipping Company Designated for Proliferation Activity," September 10, 2008. (<https://www.treasury.gov/press-center/press-releases/Pages/hp1130.aspx>)

272. U.S. Department of the Treasury, Financial Crimes Enforcement Network, Advisory, "Advisory on the Iranian Regime's Illicit and Malign Activities and Attempts to Exploit the Financial System," October 11, 2018, page 8. (<https://www.fincen.gov/sites/default/files/advisory/2018-10-12/Iran%20Advisory%20FINAL%20508.pdf>)

273. U.S. Department of the Treasury, Financial Crimes Enforcement Network, Advisory, "Advisory on the Iranian Regime's Illicit and Malign Activities and Attempts to Exploit the Financial System," October 11, 2018, page 8. (<https://www.fincen.gov/sites/default/files/advisory/2018-10-12/Iran%20Advisory%20FINAL%20508.pdf>)

number of shares,” and “as a result of its Iranian domestic and government connections, IRISL has long been Iran’s preferred maritime carrier for the import of materials for its ballistic missile programs.”²⁷⁴

- On March 3, 2008, the UN Security Council adopted Resolution 1803, which called upon states “to inspect the cargoes to and from Iran, of aircraft and vessels, at their airports and seaports, owned or operated by Iran Air Cargo and Islamic Republic of Iran Shipping Line, provided there are reasonable grounds to believe that the aircraft or vessel is transporting goods prohibited” by previous UN resolutions.²⁷⁵
- On November 5, 2018, the U.S. sanctions on Iran’s port operators and shipping sectors, which includes IRISL and its affiliates, are scheduled to take effect.²⁷⁶ In 2008, the Treasury designated IRISL for “its provision of logistical services to Iran’s Ministry of Defense and Armed Forces Logistics (MODAFL), the arm of the Iranian military that oversees its ballistic missile program.”²⁷⁷ Between IRISL’s designation in 2008 and the implementation of the Iran nuclear deal in January 2016, the Treasury also sanctioned a number of individuals and entities associated with IRISL.²⁷⁸
- In Treasury’s 2008 designation, then-Under Secretary for Terrorism and Financial Intelligence Stuart Levey noted: “Not only does IRISL facilitate the transport of cargo for UN designated proliferators, it also falsifies documents and uses deceptive schemes to shroud its involvement in illicit commerce. IRISL’s actions are part of a broader pattern of deception and fabrication that Iran uses to advance its nuclear and missile programs. That conduct should give pause to any financial institution or business still choosing to deal with Iran.”²⁷⁹
- Following this designation, IRISL established a shell company called First Ocean Administration GmbH to conduct business with Europe. According to FDD’s Emanuele Ottolenghi, this shell company “proceeded to establish 20 subsidiaries – First Ocean, Second Ocean, Third Ocean, and so on – each of which owned and managed a single IRISL vessel. This tactic made it harder for Western governments to curtail IRISL activities and when it was uncovered, IRISL renamed vessels. When it got caught, it reflagged them.”²⁸⁰
- In UN Resolution 1929 (2010), the United Nations Security Council named IRISL as an entity possibly involved in sanctions evasion and urged states to “exercise vigilance when doing business” with it.²⁸¹ The resolution states that the UN “Requests all Member States to communicate to the Committee any information available on transfers or activity by ... vessels owned or operated by the Islamic Republic of Iran Shipping Lines (IRISL) to other companies that may have been undertaken in order to evade the sanctions of, or in violation of the

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274. Claudia Rosett, “Iran’s Worrisome Shipping News,” *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>)

275. United Nations Security Council, Resolution 1803, March 3, 2008, page 4. ([https://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1803\(2008\)&Lang=E](https://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1803(2008)&Lang=E))

276. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

277. U.S. Department of the Treasury, Press Release, “Treasury Announces Additional Sanctions Against Iranian Engineering and Shipping Firms,” March 28, 2012. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1509.aspx>)

278. U.S. Department of the Treasury, Press Release, “Treasury Announces Additional Sanctions Against Iranian Engineering and Shipping Firms,” March 28, 2012. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1509.aspx>)

279. U.S. Department of the Treasury, Press Release, “Major Iranian Shipping Company Designated for Proliferation Activity,” September 10, 2008. (<https://www.treasury.gov/press-center/press-releases/Pages/hp1130.aspx>)

280. Emanuele Ottolenghi, “Are Iranian Sanctions Working,” *The Weekly Standard*, July 12, 2012. (<https://www.weeklystandard.com/emanuele-ottolenghi/are-iranian-sanctions-working>)

281. United Nations Security Council, Resolution 1929, June 9, 2010, page 7. (https://www.iaea.org/sites/default/files/uncs_res1929-2010.pdf)

provisions of, resolutions 1737 (2006), 1747 (2007), 1803 (2008) or this resolution, including renaming or re-registering of aircraft, vessels or ships, and requests the Committee to make that information widely available.”²⁸²

- In 2010, the European Union blacklisted IRISL for its involvement in Iran’s nuclear proliferation efforts.²⁸³ In 2012, the EU warned, “Member states must require their nationals to exercise vigilance over business with entities incorporated in Iran, including those of the Iranian Revolutionary Guard Corps (IRGC) and of the Islamic Republic of Iran Shipping Lines (IRISL).”²⁸⁴
- In March 2015, the European Council re-imposed sanctions on 40 Iranian shipping companies, after the EU General Court removed them from the EU sanctions list just three months earlier.²⁸⁵ The EU had originally sanctioned these firms, including Hamburg-based Ocean Capital Administration GmbH, for “being owned or controlled by IRISL or for providing training, spare parts and services to IRISL or IRISL employees.”²⁸⁶
- After the implementation of the JCPOA, IRISL began a new cargo service that makes monthly calls in Hamburg, Germany.²⁸⁷ It is unclear whether this service will continue after November 5, 2018, when U.S. sanctions on IRISL are expected to be renewed.

IRISL Vessels that Serve Germany

One of IRISL’s container ships, the *Azargoun*, currently makes calls at Germany’s Port of Hamburg.²⁸⁸ The *Azargoun*, which was first blacklisted by the U.S. in 2008, has a history of sanctions-dodging and visits to ports in conflict-ridden states.

The vessel was built in 2003 under the name *Iran Zanjan*.²⁸⁹ It was flagged to Iran and owned by the IRISL.²⁹⁰ Between 2009 and 2013, the *Azargoun* changed its name twice, first to *Visea* and then to *Armis*.²⁹¹ It also changed

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282. United Nations Security Council, Resolution 1929, June 9, 2010, page 7. (https://www.iaea.org/sites/default/files/uncs_res1929-2010.pdf)

283. Claudia Rosett, “Iran’s Worrisome Shipping News,” *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>)

284. Council of the European Union, Factsheet, “The European Union and Iran,” January 30, 2012. (<http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%205555%202012%20REV%201>)

285. Jonathan Saul, “EU set to re-impose sanctions on more Iranian shipping companies,” *Reuters*, March 24, 2015. (<https://www.reuters.com/article/iran-shipping-eu/eu-set-to-re-impose-sanctions-on-more-iranian-shipping-companies-idUSL6N0WQ2IW20150324>)

286. Jonathan Saul, “EU set to re-impose sanctions on more Iranian shipping companies,” *Reuters*, March 24, 2015. (<https://www.reuters.com/article/iran-shipping-eu/eu-set-to-re-impose-sanctions-on-more-iranian-shipping-companies-idUSL6N0WQ2IW20150324>)

287. “Iranian state shipping company IRISL’s new general cargo service makes first call at C. Steinweg’s Süd-West Terminal in Hamburg,” *Port of Hamburg*, May 23, 2016. (<https://www.hafen-hamburg.de/en/news/iranian-state-shipping-company-irisl-s-new-general-cargo-service-makes-first-call-at-c-steinweg-s-sued-west-terminal-in-hamburg---34661>)

288. “Azargoun,” *Port of Hamburg*, accessed October 31, 2018. (<https://www.hafen-hamburg.de/en/vessel/azargoun-imo-9283019---3916>)

289. Claudia Rosett, “Iran Shipping Sanctions Run Aground?” *Forbes*, May 8, 2015. (<https://www.forbes.com/sites/claudiarosett/2015/05/08/iran-shipping-sanctions-run-aground/#3aa8daf06334>)

290. Claudia Rosett, “Iran Shipping Sanctions Run Aground?” *Forbes*, May 8, 2015. (<https://www.forbes.com/sites/claudiarosett/2015/05/08/iran-shipping-sanctions-run-aground/#3aa8daf06334>)

291. Claudia Rosett, “Iran Shipping Sanctions Run Aground?” *Forbes*, May 8, 2015. (<https://www.forbes.com/sites/claudiarosett/2015/05/08/iran-shipping-sanctions-run-aground/#3aa8daf06334>)

its flag twice, to Barbados and to Tanzania, and transferred its ownership to various front companies based in places such as the Isle of Man and Panama.²⁹²

In 2012, the *Azargoun*, sailing then as the *Armis*, made repeated port calls in Benghazi, Libya. During the spring of 2015, the *Azargoun* spent two months in ports in Venezuela, which has close ties with Iran and Hezbollah.²⁹³

The *Azargoun* now serves as a vessel in the European Container Line (ECL), which serves ports in Northern Europe and in the Persian Gulf. ECL is a partnership between IRISL's European branches and Peter W. Lampke GmbH & Co. KG.²⁹⁴ The Port of Hamburg's website states the *Azargoun*'s last call in Hamburg was February 13, 2018.²⁹⁵

Iran Using German Ships for Hezbollah and Hamas Weapons Transfers

Since 2009, Israel has intercepted two German-owned ships carrying massive arms shipments from Iran to its proxy terrorist organizations, unbeknownst to its owners, and a third German-owned ship was intercepted by the U.S. Navy. The ships apparently were unknowingly transporting ammunition to Hezbollah fighters from Iran. As journalist Claudia Rosett reported, the UN Security Council's committee on Iran sanctions described these Iranian arm smuggling attempts as "'violations' of a UN sanctions resolution passed in 2007 forbidding Iran to sell or transfer abroad, directly or indirectly, 'any arms or related materiel.'"²⁹⁶ The same committee also noted IRISL was involved in these violations.²⁹⁷

- On November 3, 2009, the Israeli navy intercepted the German-owned MV *Francop*, a naval ship, which was travelling through the Mediterranean Sea towards Cyprus, and was ultimately bound for Latakia, Syria.²⁹⁸ On board, the Israeli navy found more than 300 tons of weaponry, including hand grenades, rifle ammunition, and thousands of medium-range rockets, constituting 10 percent of Hezbollah's existing rocket inventory at the time.²⁹⁹ The navy, which had been acting on an intelligence report that the ship contained weapons shipments, said the weaponry was meant to be offloaded in Syria by Hezbollah, and that the crew did not know the stash

292. Claudia Rosett, "Iran Shipping Sanctions Run Aground?" *Forbes*, May 8, 2015. (<https://www.forbes.com/sites/claudiarosett/2015/05/08/iran-shipping-sanctions-run-aground/#3aa8daf06334>)

293. Claudia Rosett, "Iran Shipping Sanctions Run Aground?" *Forbes*, May 8, 2015. (<https://www.forbes.com/sites/claudiarosett/2015/05/08/iran-shipping-sanctions-run-aground/#3aa8daf06334>)

294. "Islamic Republic of Iran Shipping Lines IRISL resumes its container liner service to Northern Europe," *Port of Hamburg*, March 17, 2016. (<https://www.hafen-hamburg.de/en/news/islamic-republic-of-iran-shipping-lines-irisl-resumes-its-container-liner-service-to-northern-europe---34561>)

295. "Azargoun," *Port of Hamburg*, accessed October 31, 2018. (<https://www.hafen-hamburg.de/en/vessel/azargoun-imo-9283019---3916>)

296. Claudia Rosett, "Iran's Worrisome Shipping News," *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>)

297. Claudia Rosett, "Iran's Worrisome Shipping News," *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>)

298. Josh Mitnick, "Israel seizes weapons it said were being sent by Iran to Syria," *The Christian Science Monitor*, November 5, 2009. (<https://www.csmonitor.com/World/Middle-East/2009/1105/p06s02-wome.html>)

299. Jack Khoury, Anshel Pfeiffer, and Barik Ravid, "Israel Releases Arms Ship Said Destined for Hezbollah," *Haaretz* (Israel), May 11, 2009. (<https://www.haaretz.com/1.5197042>)

was being stored in the ship.³⁰⁰ The officials said the cargo, which was labelled with the insignia of IRISL, was loaded onto the ship in Damietta, Egypt, where Iran had previously delivered the cargo.³⁰¹

- On March 15, 2011, the Israeli navy seized the German-owned cargo ship MV *Victoria*, which was travelling from Latakia, Syria, to Alexandria, Egypt, with a stopover in Mersin, Turkey.³⁰² The MV *Victoria*, at the time owned by German company Peter Döhle Schiffahrts-KG, was carrying 50 tons of weapons.³⁰³ Israeli Prime Minister Benjamin Netanyahu said the shipment was en route to Hamas: “These weapons originated in Iran. They were transferred to Syria and were en route to terrorists in Gaza, but their ultimate target was Israeli citizens.”³⁰⁴ Iran manufactured most of the weapons.³⁰⁵ The weapons found included six C-704 shore-to-sea missiles, two rocket launchers, computerized operating stations, two British-made coastal radars, 2,200 mortar shells, and 74,889 Kalashnikov rifle bullets.³⁰⁶ Israeli officials said the ship’s crew was unaware that the weapons, which were hidden beneath cotton and lentils, were on board.³⁰⁷
- In October 2009, the U.S. Navy in the Red Sea seized the German-flagged vessel *Hansa India*, owned by the Hamburg-based shipping company Leonhardt and Blumberg.³⁰⁸ The ship, which was chartered by IRISL and was travelling from Iran to Syria, was found to be carrying bullet casings ammunition in boxes labelled with the name of Iran’s Defense Industries Organization, a UN-sanctioned wing of Iran’s military.³⁰⁹

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300. Josh Mitnick, “Israel seizes weapons it said were being sent by Iran to Syria,” *The Christian Science Monitor*, November 5, 2009. (<https://www.csmonitor.com/World/Middle-East/2009/1105/p06s02-wome.html>)

301. Josh Mitnick, “Israel seizes weapons it said were being sent by Iran to Syria,” *The Christian Science Monitor*, November 5, 2009. (<https://www.csmonitor.com/World/Middle-East/2009/1105/p06s02-wome.html>)

302. “Most of the weapons found aboard the M/V *Victoria* en route to the terrorist organizations in the Gaza Strip were of Iranian manufacture, including mortar shells and anti-ship C-704 missiles,” *The Meir Amit Intelligence and Terrorism Information Center* (Israel), March 18, 2011. (https://www.terrorism-info.org.il/Data/pdf/PDF_11_061_2.pdf)

303. “Most of the weapons found aboard the M/V *Victoria* en route to the terrorist organizations in the Gaza Strip were of Iranian manufacture, including mortar shells and anti-ship C-704 missiles,” *The Meir Amit Intelligence and Terrorism Information Center* (Israel), March 18, 2011. (https://www.terrorism-info.org.il/Data/pdf/PDF_11_061_2.pdf)

304. Anshel Pfeiffer and Barak Ravid, “Israel to Include Weapons Ship in UN Panel on Iran Arms Smuggling,” *Haaretz* (Israel) March 17, 2011, (<https://www.haaretz.com/1.5137459>)

305. “Most of the weapons found aboard the M/V *Victoria* en route to the terrorist organizations in the Gaza Strip were of Iranian manufacture, including mortar shells and anti-ship C-704 missiles,” *The Meir Amit Intelligence and Terrorism Information Center* (Israel), March 18, 2011. (https://www.terrorism-info.org.il/Data/pdf/PDF_11_061_2.pdf)

306. Anshel Pfeiffer and Barak Ravid, “Israel to Include Weapons Ship in UN Panel on Iran Arms Smuggling,” *Haaretz* (Israel) March 17, 2011, (<https://www.haaretz.com/1.5137459>)

307. “Most of the weapons found aboard the M/V *Victoria* en route to the terrorist organizations in the Gaza Strip were of Iranian manufacture, including mortar shells and anti-ship C-704 missiles,” *The Meir Amit Intelligence and Terrorism Information Center* (Israel), March 18, 2011. (https://www.terrorism-info.org.il/Data/pdf/PDF_11_061_2.pdf)

308. Benjamin Weinthal, “German-Iranian Relations,” *The Weekly Standard*, November 30, 2009. (<https://www.weeklystandard.com/benjamin-weinthal/german-iranian-relations>)

309. United Nations Security Council, “Implementation Assistance Notice #2: Hansa India,” January 20, 2010. (https://www.un.org/sc/suborg/sites/www.un.org.sc.suborg/files/implementation_assistance_notice_20_january_2010_english.pdf); Claudia Rosett, “Iran’s Worrisome Shipping News,” *The Wall Street Journal*, November 4, 2013. (<https://www.wsj.com/articles/iran8217s-worrisome-shipping-news-1383596155>)

SUMMARY

Transacting with Iran comes with the risk of unwittingly abetting Iran's serious human rights abuses. It may also may create unexpected risks for employees or vendors working in Iran. Any association with Iran's human rights abuses will likely cause damage to a company's reputation.

Iran has experienced a rise in human rights violations since the election of President Hassan Rouhani in 2013. These abuses are broadly categorized as legal abuses and civil rights abuses. Legal abuses include widespread torture, sham trials (particularly against dissidents or human rights advocates), and the abundant use of the death penalty. Civil abuses include the widespread subjugation of women, the oppression of religious minorities, and the restriction of free press and assembly. These human rights abuses extend beyond Iran's borders, to countries Iran seeks to influence. In addition, Iran has used goods purchased from German businesses to infringe on human rights on its own soil and abroad. German companies must ensure they know the true end use of goods exported to Iran, or they may unwittingly be complicit in human rights violations.

Former German MP Volker Beck noted that German companies must balance economic cooperation with Iran with defending human rights. In a January 2018 interview, he noted that Iran "has signed the human rights charter of the United Nations, which is positive in the first place. But on the other hand, Iran is also a country that does not comply, for example, with the use of the death penalty. For instance, the country imposes the death penalty on minors. ... Germany should make it clear that, on the one hand, we are meeting our contractual obligations toward Iran in connection with the nuclear deal, if Tehran adheres to the treaty. But on the other hand, we must make it clear that we are not looking the other way when it concerns issues such as the suppression of Iranian civil society, the lack of religious freedom, the persecution of women who do not want to live or act as the ayatollahs wish."³¹⁰ In another January 2018 interview, he said, "The Iranian regime persecutes women who were raped, homosexuals, Baha'is, Kurds and atheists."³¹¹

Key Points

- In 2011, the EU imposed sanctions on Iran for its human rights record "in response to government repression during and after Iran's 2009 election."³¹² The EU voted in April 2018 to extend human rights sanctions on Iran until 2019.³¹³ These sanctions target individuals responsible for human rights abuses. They also restrict the export of any "equipment which may be used for internal repression and as well as equipment that may be used to monitor or intercept Internet and telephone communications on mobile or fixed networks" to Iran.³¹⁴

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310. Shabnam von Hein, "Iranian ayatollah Shahroudi in Hanover- 'Germany should not be a haven for criminals,'" *Deutsche Welle* (Germany), January 11, 2018. (<https://www.dw.com/en/iranian-ayatollah-shahroudi-in-hanover-germany-should-not-be-a-haven-for-criminals/a-42109121>)

311. Benjamin Weinthal, "German Politician Files Criminal Complaint Against Iranian Ayatollah for Mass Murder," *The Jerusalem Post* (Israel), January 8, 2018. (<https://www.jpost.com/International/German-politician-files-criminal-complaint-against-Iranian-Ayatollah-for-mass-murders-533155>)

312. "EU extends Iran human rights sanctions by a year," *Deutsche Welle* (Germany), April 12, 2018. (<https://www.dw.com/en/eu-extends-iran-human-rights-sanctions-by-a-year/a-43361971>)

313. "EU extends Iran human rights sanctions by a year," *Deutsche Welle* (Germany), April 12, 2018. (<https://www.dw.com/en/eu-extends-iran-human-rights-sanctions-by-a-year/a-43361971>)

314. "Iran," *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

- In her final report published posthumously in March 2018, then-UN Special Rapporteur for Human Rights in Iran Asma Jahangir noted she “observed a worrying picture developing in the human rights situation ... Despite assurances from the Government, improvements are either not forthcoming or are being implemented very slowly and in piecemeal.”³¹⁵ The report describes “a worrying picture, of violations of due process and the right to a fair trial; arbitrary arrests and detentions; continuing executions, including of juvenile offenders; new restrictions placed upon freedom of expression, association and peaceful assembly and access to information; conditions of detention; the denial of adequate medical care; torture and other ill-treatment in detention, in particular to coerce confessions; and discrimination against women; religious and ethnic minorities, and lesbian, gay, bisexual, and transgender individuals.”³¹⁶
- In 2005, Iran held a German tourist in prison for almost 16 months after his boat accidentally drifted into Iranian waters during a fishing excursion in the Persian Gulf.³¹⁷ Iranian officials initially said they would release the tourist, Donald Klein, in exchange for the release of Kazem Darabi, who was serving a life sentence in Germany for the assassination of four Iranian-Kurdish leaders in Berlin in 1992.³¹⁸ (see National Security Risk: Assassinations and Terrorist Attacks, *Case Study: Mykonos Restaurant Assassination*.)
- In 2009, the Iranian government arrested a German-Iranian dual national who worked as a senior executive at the Iran office of Knauf, a German dry-wall manufacturer, for participating in an antigovernment demonstration.³¹⁹ The Iranian government told Knauf it would only release the employee if Knauf informed its employees working in Iran that they would be fired if they were caught in antigovernment protests.³²⁰ Knauf later recanted its statement that employees would be dismissed if caught participating in protests. Executive Board Chairman Manfred Grundke stated, “Naturally, our employees can participate in political demonstrations at any time without having to worry about work-related sanctions.”³²¹ German companies operating in Iran risk restricting the rights of their employees and facing reputational damage for coordinating with the Iranian regime.
- In October 2010, Iran arrested Marcus Hellwig and Jens Koch, two German journalists who worked for *Bild*.³²² Iran arrested the two journalists under trumped up espionage charges while they were interviewing family

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315. Human Rights Council, Report, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” March 5, 2018. (http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session37/Documents/A_HRC_37_68.docx); Tzvi Kahn, “UN Appoints New Special Rapporteur for Human Rights in Iran,” *Foundation for Defense of Democracies*, July 10, 2018. (<https://www.fdd.org/analysis/2018/07/10/un-appoints-new-special-rapporteur-for-human-rights-in-iran/>)

316. Human Rights Council, Report, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” March 5, 2018. (http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session37/Documents/A_HRC_37_68.docx)

317. “Iran Releases German Tourist,” *Spiegel Online* (Germany), March 13, 2007. (<http://www.spiegel.de/international/16-months-in-jail-for-trespassing-iran-releases-german-tourist-a-471392.html>)

318. “Iran Wants Germany to Swap Assassin for Jailed Tourist,” *Spiegel Online* (Germany), January 15, 2007. (<http://www.spiegel.de/international/diplomatic-wrangling-iran-wants-germany-to-swap-assassin-for-jailed-tourist-a-459731.html>)

319. Farnaz Fassihi and Matthew Karnitschnig, “German Firm in Iran Bans Staff Protests,” *The Wall Street Journal*, July 31, 2009. (<https://www.wsj.com/articles/SB124900417227095813>)

320. Farnaz Fassihi and Matthew Karnitschnig, “German Firm in Iran Bans Staff Protests,” *The Wall Street Journal*, July 31, 2009. (<https://www.wsj.com/articles/SB124900417227095813>)

321. Matthew Karnitschnig, “German Firm Withdraws Threat to Fire Employees in Iran,” *The Wall Street Journal*, August 3, 2009. (<https://www.wsj.com/articles/SB124906414428797467>)

322. Benjamin Weinthal, “Germany’s Hostages in Iran, and ‘Critical Dialogue’ with the Mullahs,” *The Weekly Standard*, December 16, 2010. (<https://www.weeklystandard.com/benjamin-weinthal/germanys-hostages-in-iran-and-critical-dialogue-with-the-mullahs>)

members of a woman who was sentenced to death for alleged adultery.³²³ Iran released them in February 2011 after forcing them to pay a \$50,000 fine.³²⁴

- In December 2016, spokeswoman Ulrike Becker of STOP THE BOMB, a German NGO, said: “Companies that do business with the Iranian regime support the Islamic dictatorship. Profits from these transactions can be used for the Iranian nuclear program, terrorist activities in neighboring countries, or the brutal war against the Syrian people. Trade with Iran can become a boomerang for German companies if existing and possibly new sanctions are enforced.”³²⁵

German Products Used for Civilian Chemical Attacks

German technology manufacturer Krempel reportedly sold construction material to Iran that Syria used to construct rockets for chemical attacks against Syrian civilians.³²⁶ The German Federal Office for Economic Affairs and Export Control approved the license for the transaction, which occurred in 2016 or earlier.³²⁷ The electronic parts that were sold were press boards, called the Pressspan PSP-3040, typically used to provide insulation.³²⁸

Bild, the online investigative journalist website *Bellingcat*, and human rights group Syrians for Truth and Justice released photographs that show the parts, inscribed with “made in Germany,” at the site of two chemical weapons attacks in Syria, one on January 22, 2018, and the other on February 1, 2018.³²⁹ The January strike poisoned dozens of civilians and resulted in over 20 injured, including many children.³³⁰ Exposure to chemical weapons can cause agony in victims, including foaming at the mouth.³³¹ A Krempel spokesman said the company was “shocked ... that its Pressspan PSP-3040 apparently was used in motors that were applied to weapons of war.”³³²

Germany’s Federal Office for Economic Affairs and Export Control said it does not consider the Krempel material a dual-use item, and thus would not halt Krempel’s trade with Iran.³³³ Krempel said it planned to continue to conduct business in Iran, but it would cease business with vendors who operate in Tehran’s Grand Bazaar because

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323. Benjamin Weinthal, “Germany’s Hostages in Iran, and ‘Critical Dialogue’ with the Mullahs,” *The Weekly Standard*, December 16, 2010. (<https://www.weeklystandard.com/benjamin-weinthal/germanys-hostages-in-iran-and-critical-dialogue-with-the-mullahs>)

324. “German Foreign Minister Travels to Iran After German Journalists Released,” *Radio Free Europe*, February 20, 2011. (https://www.rferl.org/a/iran_fines_detained_german_reporters_50000/2314603.html)

325. “STOP THE BOMB warns German Companies of doing business in Iran,” *STOP THE BOMB*, December 29, 2016. (<http://de.stopthebomb.net/en/press/press-releases.html#c3319>)

326. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

327. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

328. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

329. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

330. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

331. Benjamin Weinthal, “German Company Involved in Syrian Chemical Attacks Defies U.S. Warnings,” *The Jerusalem Post* (Israel), April 11, 2018. (<https://www.jpost.com/Middle-East/German-company-involved-in-Syrian-chemical-attacks-defies-US-warnings-549486>)

332. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

333. Benjamin Weinthal, “Exclusive: German Intelligence Contradicts Merkel on Iran’s Nuclear Drive,” *The Jerusalem Post* (Israel), July 21, 2018. (<https://www.jpost.com/International/Exclusive-German-intelligence-contradicts-Merkel-on-Irans-nuclear-drive-563083>)

it could not monitor its end use.³³⁴ German businesses must be aware that even goods approved by the government may be used for nefarious – and potentially life-threatening – activities.

German Products Used by Iranian State Surveillance

- In 2008, Nokia Siemens Networks (NSN), a joint venture between the German conglomerate Siemens and the Finnish cell phone manufacturer Nokia, sold a monitoring center, an electronic surveillance system that enables the user to wiretap phones and read emails, instant messages, text messages, and web traffic, to the Iranian state-owned technology company Telecommunication Company of Iran (TCI).³³⁵
- NSN also sold monitoring technology that enabled the interception of calls to MTN Irancell, a joint venture between MTN, South Africa's multinational mobile telecommunications company, and Irancell, a consortium controlled by the government of Iran.³³⁶ At the time of the sale, both the United States and the EU had human rights-related sanctions levied on Iran.³³⁷ In March 2009, NSN eventually “divested” its wing that oversaw monitoring systems to Perusa Partners Fund LLP, a German investment firm that continued to transact with Iran's regime.³³⁸ Perusa Partners Fund continues to hold Trovicor, which “offers turnkey solutions enabling governmental organizations to lawfully develop intelligence from any source of data including all kinds of communication networks,” in its portfolio.³³⁹ Iran has a well-documented history of illicitly monitoring civilian communications in order to track down government critics.³⁴⁰ These critics often end up arrested or imprisoned by the regime.
- In August 2010, American-Iranian blogger Mehdi Saharkhiz filed a lawsuit in U.S. court on behalf of his father, journalist and free speech activist Isa Saharkhiz, who was imprisoned at the time in Iran.³⁴¹ The lawsuit alleged that Saharkhiz's torture and imprisonment was a result of the regime locating him by using the NSN software to monitor his cell phone conversations.³⁴²

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334. Benjamin Weinthal, “German Company Involved in Syrian Chemical Attacks Defies U.S. Warnings,” *The Jerusalem Post* (Israel), April 11, 2018. (<https://www.jpost.com/Middle-East/German-company-involved-in-Syrian-chemical-attacks-defies-US-warnings-549486>)

335. Eli Lake, “Fed contractor, cell phone maker sold spy system to Iran,” *The Washington Times*, April 13, 2009. (https://www.washingtontimes.com/news/2009/apr/13/europe39s-telecoms-aid-with-spy-tech/?feat=article_top10_read)

336. Steve Stecklow, “Special Report: Chinese firm helps Iran spy on citizens,” *Reuters*, March 22, 2012. (<https://www.reuters.com/article/us-iran-telecoms/special-report-chinese-firm-helps-iran-spy-on-citizens-idUSBRE82L0B820120322>); Steve Stecklow, “Exclusive: Iranian cell-phone carrier obtained banned U.S. tech,” *Reuters*, June 4, 2012. (<https://www.reuters.com/article/us-iran-mtn-sanctions-idUSBRE8530SO20120604?irpc=932>)

337. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

338. Andy Greenberg, “Nokia Siemens Denies Lingering Ties to Iranian Surveillance,” *Forbes*, October 15, 2010. (<https://www.forbes.com/sites/andygreenberg/2010/10/15/nokia-siemens-denies-lingering-ties-to-iran-surveillance/#1615a57f6540>)

339. “Portfolio Companies,” *Perusa Fund*, accessed on October 31, 2018. (https://www.perusafund.gg/?page_id=540)

340. “Unplug Companies That Help Iran and Syria Spy on Citizens,” *Bloomberg*, April 24, 2012. (<https://www.bloomberg.com/view/articles/2012-04-24/unplug-companies-that-help-iran-and-syria-spy-on-citizens>); Steve Stecklow, “Special Report: Chinese firm helps Iran spy on citizens,” *Reuters*, March 22, 2012. (<https://www.reuters.com/article/us-iran-telecoms/special-report-chinese-firm-helps-iran-spy-on-citizens-idUSBRE82L0B820120322>); Saeed Ghasseminjad, “Orange Telecom Mulls Partnership with IRGC-Controlled firm,” *Foundation for Defense of Democracies*, November 15, 2016. (<https://www.fdd.org/analysis/2016/11/15/orange-telecom-mulls-partnership-with-irgc-controlled-firm/>)

341. Andy Greenberg, “A Year Later, Nokia Still Can't Escape Connections to Iran Repression,” *Forbes*, October 14, 2010. (<https://www.forbes.com/sites/andygreenberg/2010/10/14/a-year-later-nokia-still-cant-escape-connections-to-iran-repression/#3fefff74554a>)

342. Andy Greenberg, “A Year Later, Nokia Still Can't Escape Connections to Iran Repression,” *Forbes*, October 14, 2010. (<https://www.forbes.com/sites/andygreenberg/2010/10/14/a-year-later-nokia-still-cant-escape-connections-to-iran-repression/#3fefff74554a>)

- The European Parliament criticized NSN in a March 2, 2010, resolution for helping to enable the regime’s human rights abuses. The statement notes the EU “Strongly criticises international companies, in particular Nokia Siemens, for providing the Iranian authorities with the necessary censorship and surveillance technology, thus being instrumental in the persecution and arrest of Iranian dissidents.”³⁴³

NATIONAL SECURITY RISK: ASSASSINATIONS AND TERRORIST ATTACKS

SUMMARY

Designated as a State Sponsor of Terrorism by the U.S. State Department in 1984 and affirmed every year since, Iran uses terrorism to further its revolution and target its critics at home and abroad.³⁴⁴ Due to the Iranian government’s control of large swaths of the economy and many major private corporations, increased business with Iran benefits the regime, providing it with more funds to support terrorism. Iran has developed a network of partners and proxies throughout the Middle East and selectively deploys them to carry out covert operations on behalf of the Islamic Republic. The Iranian government supports Assad’s malign activities in Syria with at least \$15 billion per year.³⁴⁵ The profits from business dealings with Germany may be used to fund Assad’s brutality.

Key Points

- The IRGC and Iran’s proxy Hezbollah have carried out large-scale terrorist attacks and assassinations in Germany and other European countries.
- According to the CIA, Iran attempted to carry out assassinations of more than 60 individuals in Europe between 1979 and 1994.³⁴⁶
- Germany and 13 other countries broke diplomatic relations with Iran for several months over the 1992 Mykonos case, an Iran-backed attack that killed Kurdish opposition leaders on German soil.

Case Study: Paris Terrorism Plot

Background

On June 30, 2018, Amir Sadoni and Nassem Nomeni, a Belgian couple of Iranian descent, were arrested in Brussels, Belgium.³⁴⁷ Police found 500 grams of the explosive TATP in their vehicle, and determined the

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343. European Parliament, “European Parliament resolution of 10 February 2010 on Iran,” March 2, 2010. (<http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B7-2010-0086&language=EN>)

344. U.S. Department of State, Bureau of Counterterrorism and Countering Violent Extremism, “Chapter 3: State Sponsors of Terrorism Overview,” *Country Reports on Terrorism 2014*, June 2015. (<http://www.state.gov/j/ct/rls/crt/2014/239410.htm>)

345. David Adesnik, “Iran Spends \$16 Billion Annually to Support Terrorists and Rogue Regimes,” *Foundation for Defense of Democracies*, January 10, 2018. (<https://www.fdd.org/analysis/2018/01/10/iran-spends-16-billion-annually-to-support-terrorists-and-rogue-regimes/>)

346. Toby Dershowitz and Benjamin Weinthal, “Iran’s Long, Bloody History of Terror and Espionage in Europe,” *Real Clear Defense*, July 25, 2018. (https://www.realcleardefense.com/articles/2018/07/25/irans_long_bloody_history_of_terror_and_espionage_in_europe_113652.html)

347. Benjamin Weinthal and Michael Wilner, “Germany charges Iranian diplomat in Paris bomb plot,” *The Jerusalem Post* (Israel), July 12, 2018. (<https://www.jpost.com//International/Germany-charges-Iranian-diplomat-for-bomb-plot-near-Paris-562278>)

couple was en route to carry out a terrorist attack against an Iranian opposition conference of about 25,000 attendees taking place near Paris.³⁴⁸ Former New York City mayor Rudy Giuliani, former Speaker of the House Newt Gingrich, former FBI Director Louis Freeh, former U.S. ambassador to the United Nations Bill Richardson, and former Canadian Prime Minister Stephen Harper all spoke at the conference.³⁴⁹

German police arrested Assadollah Assadi, an Iranian diplomat accredited to Austria, on July 2, 2018, near Aschaffenberg, Germany, in connection with the attack.³⁵⁰ He was charged on July 11, 2018, not only with “activity as a foreign agent” but also with conspiracy to commit murder.³⁵¹ According to German prosecutors, Assadi gave the couple the explosives during a meeting in late June 2018 in Luxembourg and instructed them to carry out the attack.³⁵² Assadi is a member of the MOIS.³⁵³ The German federal prosecutor said his work with the MOIS included “the intensive observation and combating of opposition groups within and outside of Iran.”³⁵⁴

Iran dismisses the accusations and has demanded Assadi be allowed to return to Iran with no punishment. Notwithstanding evidence to the contrary, Iran’s foreign minister, Javad Zarif, announced shortly after the attack was foiled, “Iran unequivocally condemns all violence and terror anywhere, and is ready to work with all concerned to uncover what is a sinister false flag ploy.”³⁵⁵

The terror plot was due to take place on European soil the very week that European leaders planned to meet Iran’s president to discuss bypassing the sanctions on Iran.³⁵⁶

Germany detained Assadi following his arrest, while Belgium sought his extradition. On October 1, 2018, a German court announced Assadi would be extradited to Belgium, noting further that diplomatic immunity did not apply “because he was on a several day holiday trip outside his host state Austria, and not travelling between his host country and the state that dispatched him.”³⁵⁷ France announced on October 2, 2018, that

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348. “PM derides Europe for holding Iran nuke talks after alleged Paris attack plot,” *The Times of Israel* (Israel), July 4, 2018. (<https://www.timesofisrael.com/pm-chides-europe-for-iran-nuke-deal-talks-after-alleged-paris-attack-plot/>)

349. Gregory Viscusi, “Giuliani Tells Exiles Trump to Bring Down Iran Regime,” *Bloomberg*, June 30, 2018. (<https://www.bloomberg.com/news/articles/2018-06-30/giuliani-promises-exiles-that-trump-will-bring-down-iran-regime>)

350. “Iranian diplomat Assadollah Assadi suspected of plotting attack in France,” *CBS News*, July 11, 2018. (<https://www.cbsnews.com/news/iranian-diplomat-assadollah-assadi-suspected-of-plotting-attack-in-france/>)

351. “Iranian diplomat Assadollah Assadi suspected of plotting attack in France,” *CBS News*, July 11, 2018. (<https://www.cbsnews.com/news/iranian-diplomat-assadollah-assadi-suspected-of-plotting-attack-in-france/>)

352. “Iranian diplomat Assadollah Assadi suspected of plotting attack in France,” *CBS News*, July 11, 2018. (<https://www.cbsnews.com/news/iranian-diplomat-assadollah-assadi-suspected-of-plotting-attack-in-france/>)

353. Benjamin Weinthal and Michael Wilner, “Germany charges Iranian diplomat in Paris bomb plot,” *The Jerusalem Post* (Israel), July 12, 2018. (<https://www.jpost.com/International/Germany-charges-Iranian-diplomat-for-bomb-plot-near-Paris-562278>)

354. Benjamin Weinthal and Michael Wilner, “Germany charges Iranian diplomat in Paris bomb plot,” *The Jerusalem Post* (Israel), July 12, 2018. (<https://www.jpost.com/International/Germany-charges-Iranian-diplomat-for-bomb-plot-near-Paris-562278>)

355. Robert-Jan Bartunek and John Irish, “Iran diplomat among six arrested over suspected plot against opposition meeting,” *Reuters*, July 2, 2018. (<https://www.reuters.com/article/us-europe-attacks-belgium-iran/diplomat-among-six-arrested-over-suspected-plot-against-iran-opposition-meeting-idUSKBN1J51C3>)

356. “Mossad said to have thwarted Iranian plot to bomb opposition rally in France,” *The Times of Israel* (Israel), July 19, 2018. (<https://www.timesofisrael.com/mossad-thwarted-iranian-plot-to-bomb-opposition-rally-in-france-report/>)

357. “Iranian diplomat faces extradition from Germany Over ‘Bomb Plot,’” *BBC* (UK), October 1, 2018. (<https://www.bbc.com/news/world-europe-45705799>)

it would freeze Assadi's assets.³⁵⁸ On October 10, 2018, Belgium prosecutors announced they charged Assadi for his role in the attack.³⁵⁹

Following the government's announcement it would seize Assadi's assets, a French diplomatic source said, "Behind all this was a long, meticulous and detailed investigation by our [intelligence] services that enabled us to reach the conclusion, without any doubt that responsibility fell on the Iranian intelligence ministry."³⁶⁰ Diplomatic sources have also said France expelled a Paris-based Iranian diplomat, claiming he was an Iranian intelligence operative under diplomatic cover.³⁶¹

MOIS Connection to Other Attacks

MOIS has been behind numerous assassinations of Iranian exiles and dissidents abroad, including in Europe.³⁶² The United States has accused MOIS of assassinating or attempting to assassinate more than 60 people in Europe since 1979, including six in Germany:³⁶³

- **Ali Akbar Mohammadi**, a former pilot for Tehran who openly criticized the regime, was killed while taking his daughter to kindergarten, on January 16, 1987, in Hamburg, Germany.³⁶⁴ The case remains unsolved, but MOIS involvement is suspected.³⁶⁵
- **Fereydoun Farrokhzad**, an Iranian singer and critic of the regime, was stabbed to death in his house in Bonn, Germany, in August 1992.³⁶⁶ German authorities were unable to determine any suspects, but many Iranian dissidents hold the Iranian regime responsible.³⁶⁷

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358. "French police raid Islamic center suspected of terror links," *Deutsche Welle* (Germany), October 2, 2018. (<https://www.dw.com/en/french-police-raid-islamic-center-suspected-of-terror-links/a-45723809>)

359. "Belgium charges Iranian diplomat with planning bomb attack" *Reuters*, October 10, 2018. (<https://www.reuters.com/article/us-europe-attacks-belgium-iran/belgium-charges-iranian-diplomat-with-planning-bomb-attack-idUSKCN1MK2BW>)

360. John Irish and Richard Lough, "France points finger at Iran over bomb plot, seizes assets," *Reuters*, October 2, 2018. (<https://www.reuters.com/article/us-france-security/france-points-finger-at-iran-over-bomb-plot-seizes-assets-idUSKCN1MC12X>)

361. John Irish, "France expels Iranian diplomat over failed bomb plot – sources," *Reuters*, October 26, 2018. (<https://uk.reuters.com/article/france-iran-security/france-expels-iranian-diplomat-over-failed-bomb-plot-sources-idUKL8N1X35TA>)

362. "Iran's Ministry of Intelligence and Security: A Profile," *Federal Research Division, Library of Congress*, December 2012, page 44. (<https://fas.org/irp/world/iran/mois-loc.pdf>)

363. "Iran's Ministry of Intelligence and Security: A Profile," *Federal Research Division, Library of Congress*, December 2012, page 48. (<https://fas.org/irp/world/iran/mois-loc.pdf>); Toby Dershowitz and Benjamin Weinthal, "Iran's Long, Bloody History of Terror and Espionage in Europe," *Real Clear Defense*, July 25, 2018. (https://www.realcleardefense.com/articles/2018/07/25/irans_long_bloody_history_of_terror_and_espionage_in_europe_113652.html)

364. Jack Anderson and Dale van Atta, "Dossier of a 'moderate' Iranian," *The Washington Post*, July 8, 1987. (https://www.washingtonpost.com/archive/local/1987/07/08/dossier-of-a-moderate-iranian/00ad4af7-dc53-41dd-aceb-d4406c64edc0/?utm_term=.3ca283be0972)

365. Seyyed Hossein Mousavian, *Iran-Europe Relations: Challenges and Opportunities* (Abingdon, UK: Routledge, 2008), pages 218-9.

366. "Iran: Chronology of Events, June 1989-July 1994," *Immigration and Refugee Board of Canada*, January 1995, accessed October 31, 2018. (https://www.justice.gov/sites/default/files/eoir/legacy/2013/11/07/ISSUES_PAPER_CHRONOLOGY-OF-EVENTS-JUNE-1989-JULY-1994.pdf)

367. Mohammadreza Kazemi, "The Unresolved Murder of a Popular Iranian Performer," *Radio Farda* (Czech Republic), August 8, 2017. (<https://en.radiofarda.com/a/farrokhzad-unsolved-murder/28665547.html>)

- **Sadekh Sharafkandi**, a Kurdish political activist, was shot and killed along with **three other Kurdish opposition leaders** in a Berlin, Germany, restaurant, on September 17, 1992.³⁶⁸ German courts found MOIS officials responsible for this attack. (See below, *Case Study: Mykonos Restaurant Assassination*.)
- Three Iranians stabbed **Homayoun Moghaddam**, the foreign spokesman for the Iran Nation Party, a secular-democratic party, in August 1992 in his apartment in Frankfurt, Germany.³⁶⁹
- **Ayatollah Mehdi Haeri**, a dissident Iranian cleric, was the victim of an attempted assassination in Cologne, Germany, in January 1993. An Iranian government agent named Fakhrodine Zalikhani was arrested in connection with the attempt.³⁷⁰

Other Iranian Attacks on Germans

- In April 1982, pro-regime Iranians injured 18 Iranian opposition students during a clash at an anti-regime rally at the University of Mainz in Mainz, Germany.³⁷¹
- Air France Flight 747 was hijacked on July 31, 1984, while flying from Frankfurt to Paris, and flown to Tehran, Iran. The hijackers, armed with submachine guns and explosives, threatened to kill hostages unless France released five prisoners that were imprisoned for trying to murder Shahpur Bakhtiar, former Iranian prime minister under the Shah, who became a critic of the regime.³⁷²
- Iran has also plotted attacks in other nations. In September 2011, U.S. authorities foiled an Iranian plot to assassinate the Saudi ambassador to the United States, Adel al-Jubeir.³⁷³ Then-U.S. Attorney General Eric Holder said elements of the IRGC-QF funded the plot, on which they were willing to spend \$1.5 million.³⁷⁴

Case Study: Mykonos Restaurant Assassination

Background

On September 17, 1992, in Berlin's Mykonos restaurant, Abbas Rhayel, a Hezbollah operative, and Abdolraham Banihashemi, an Iranian intelligence officer, shot to death Sadekh Sharafkandi, a Kurdish-Iranian scientist and politician who was the secretary-general of the Democratic Party of Iranian Kurdistan (PDKI); Fattah

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 368. Marcus Wilford, "The Assassins' Trail: Unraveling the Mykonos Killings," *World Affairs*, November/December 2011, (<http://www.worldaffairsjournal.org/article/assassins%E2%80%99-trail-unraveling-mykonos-killings>)

369. Brian Champion and Lee Crowther, "Appendix 1: Selected, allegedly Iran-sponsored attempts to kill Iranian expatriates, 1979-2012," *BYU Scholars Archive*, March 12, 2013, page 26. (<https://scholarsarchive.byu.edu/cgi/viewcontent.cgi?article=2579&context=facpub>)

370. Brian Champion and Lee Crowther, "Appendix 1: Selected, allegedly Iran-sponsored attempts to kill Iranian expatriates, 1979-2012," *BYU Scholars Archive*, March 12, 2013, page 28. (<https://scholarsarchive.byu.edu/cgi/viewcontent.cgi?article=2579&context=facpub>)

371. "Iranian rift with Bonn," *UPI*, July 1, 1982. (<https://www.upi.com/Archives/1982/07/01/Iranian-rift-with-Bonn/4685394344000/>)

372. "3 Hijackers Take Hostages off Jet, Blow It Up, and Surrender," *The New York Times*, August 3, 1984, (<https://www.nytimes.com/1984/08/03/world/3-hijackers-in-iran-take-hostages-off-jet-blow-it-up-and-surrender.html>)

373. Jerry Markon and Karen DeYoung, "Iranian charged in terror plot," *The Washington Post*, October 12, 2011. (https://www.washingtonpost.com/world/national-security/2011/10/11/gIQAiaYxL_story.html)

374. Evan Perez, "U.S. Accuses Iran in Plot," *The Wall Street Journal*, October 12, 2011. (<https://www.wsj.com/articles/SB10001424052970203633104576625163343308154>)

Abdoli, the PDKI's representative for Europe; Homayoun Ardalawere, the PDKI's representative for Germany; and translator Nouri Dehkordi.³⁷⁵

MOIS Connection

Banihashemi was an operative for the MOIS and had trained in Lebanon.³⁷⁶ He was also implicated in the 1987 assassination in Geneva, Switzerland, of an Iranian pilot.³⁷⁷ Banihashemi travelled to Iran soon after the Mykonos attack and received lucrative business connections and a Mercedes from the regime in exchange for his role in the assassination.³⁷⁸

The presiding judge over the case when it came to trial in Germany, Fritchjof Kubsch, said the order for the attack came from Iran's Committee for Special Operations, which consists of Iran's president, its top religious authority, the minister of intelligence, and other top officials.³⁷⁹ Iran's current president, Hassan Rouhani, was reportedly on this council.³⁸⁰ German prosecutor Bruno Jost indicted Iranian Intelligence Minister Ali Fallahian in April 1993 for orchestrating the attack.³⁸¹ A week prior to the attack, Fallahian said that he wanted to hunt down and kill enemies of Iran all over the world.³⁸² Germany issued an international warrant for Fallahian's arrest in 1996, which remains in effect today.³⁸³ Interpol also issued an arrest warrant for Fallahian in 2007 for his involvement in the 1994 bombing of a Jewish community center in Buenos Aires.³⁸⁴

MOIS Connection to Vienna Attack

According to Bruno Jost, the lead prosecutor for the Mykonos case, the German intelligence agency BfV's counterterrorism wing implicated the MOIS in the assassination.³⁸⁵ Jost quoted from the BfV's intelligence report during the Mykonos trial, which stated: "A special unit called the Committee for Special Operations, in tandem with the MOIS, was involved in the murder of the Kurdish leaders in Berlin on September 17, 1992. The unit has long been hounding members of Iran's Democratic Party of Kurdistan and is directly responsible for the 1989 assassination of Abdol Rahman Ghassemlou in Vienna."³⁸⁶

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375. Brian Champion and Lee Crowther, "Appendix 1: Selected, allegedly Iran-sponsored attempts to kill Iranian expatriates, 1979-2012," *BYU Scholars Archive*, March 12, 2013, page 27. (<https://scholarsarchive.byu.edu/cgi/viewcontent.cgi?article=2579&context=facpub>)

376. Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God*, (Washington: Georgetown University Press, 2013), page 66.

377. Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God* (Washington: Georgetown University Press, 2013), page 66.

378. Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God* (Washington: Georgetown University Press, 2013), page 67.

379. William Drozdiak, "German Court: Tehran Ordered Killings," *The Washington Post*, April 11, 1997. (<https://www.washingtonpost.com/archive/politics/1997/04/11/german-court-tehran-ordered-exile-killings/0a33d5cc-6f2c-40ed-aa3b-7b30ce21d767/>)

380. Sean Durns, "Germany's Underreported Relationship with Iran," *Committee for Accuracy in Middle East Reporting in America*, August 31, 2018. (<https://www.camera.org/article/camera-op-ed-germanys-underreported-relationship-with-iran/>)

381. Roya Hakakian, "Iran's Assassins in Berlin," *The Daily Beast*, March 27, 2015. (<https://www.thedailybeast.com/irans-assassins-in-berlin>)

382. Roya Hakakian, "Iran's Assassins in Berlin," *The Daily Beast*, March 27, 2015. (<https://www.thedailybeast.com/irans-assassins-in-berlin>)

383. "Iran's Ministry of Intelligence and Security," *Federal Research Division, Library of Congress*, December 2012, page 18. (<https://fas.org/irp/world/iran/mois-loc.pdf>)

384. Jamey Keaten, "Interpol Puts 5 Iranians on Wanted List," *The Washington Post*, November 7, 2007. (http://www.washingtonpost.com/wp-dyn/content/article/2007/11/07/AR2007110701002_pf.html)

385. Roya Hakakian, *Assassins of the Turquoise Palace* (New York, NY: Grove Press, 2011), page 229.

386. Roya Hakakian, *Assassins of the Turquoise Palace* (New York, NY: Grove Press, 2011), page 229.

On July 13, 1989, in Vienna, Austria Abdol Rahman Ghassemlou, secretary-general of the PDKI prior to Sharafkandi, was killed along with another Kurdish dissident, Abdollah Ghaderi-Azar, and an Iraqi Kurdish mediator named Fadel Mala Mahmoud Rasoul.³⁸⁷ Ghassemlou and the other two men had agreed to meet under the pretense of negotiations in a Vienna apartment with Iranian envoys Mohamed Jafari Saharudi, a high-ranking official in the Iranian Ministry of the Interior, and Hadji Mostafawi, who worked for Mohammed Reyshahri, the leader of the MOIS.³⁸⁸ Journalist Carol Prunhuber wrote that the Iranian embassy in Austria acquired the weapons used in the murders.³⁸⁹

MOIS was also implicated in a German court for the murder of Kazem Rajafi in June 1989 in Geneva, Switzerland, as well as many other foreign assassinations.³⁹⁰

Hezbollah

Hezbollah developed from a group of Iranians of an Islamist, leftist, and anti-imperialist political orientation who were active in Lebanon in the 1970s. It was officially established in 1982 following the 1979 Iranian Revolution.³⁹¹ Since then, Iran has provided political and financial support to Hezbollah, using Hezbollah to co-opt the Lebanese state, threaten Israel, and engage in acts of terror and retribution across multiple continents. Hezbollah constitutes an extension of Iran's security apparatus, which has had a hand in the regime's foreign operations for almost four decades.

In addition to its role in Hezbollah's founding and arming, Iran provides the group with about \$700 to \$800 million per year.³⁹² The IRGC has provided training for Hezbollah's fighters, and Hezbollah has helped Iran train countless Shiite Arabs for war. Hezbollah intervened decisively on Iran's behalf in the Syria civil war.

In July 2013, the EU designated Hezbollah's military wing as a banned terrorist group.³⁹³

Hezbollah is active in Germany, with roughly 950 members, according to a 2017 German intelligence report.³⁹⁴ On behalf of Iran, Hezbollah covertly raises funds and commits acts of terror on German soil. In its 2017 intelligence report, North Rhine-Westphalia, the largest German state, noted the number of Hezbollah members in the state increased from 100 in 2015 to 105 in 2016.³⁹⁵

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387. Brian Champion and Lee Crowther, "Appendix 1: Selected, allegedly Iran-sponsored attempts to kill Iranian expatriates, 1979-2012," *BYU Scholars Archive*, March 12, 2013, page 17. (<https://scholarsarchive.byu.edu/cgi/viewcontent.cgi?article=2579&context=facpub>)

388. Carol Prunhuber, *The Passion and Death of Rahman the Kurd: Dreaming Kurdistan* (Bloomington, IN: iUniverse, 2009), page 28-29.

389. Carol Prunhuber, *The Passion and Death of Rahman the Kurd: Dreaming Kurdistan* (Bloomington, IN: iUniverse, 2009), page 286.

390. Hossein Abedini, "Iranian Terror on European Soil," *The Wall Street Journal*, July 23, 2018. (<https://www.wsj.com/articles/iranian-terror-on-european-soil-1532386965>)

391. Tony Badran, "The Secret History of Hezbollah," *The Weekly Standard*, November 25, 2013. (<https://www.weeklystandard.com/tony-badran/the-secret-history-of-hezbollah>)

392. David Adesnik, "Iran Spends \$16 Billion Annually to Support Terrorists and Rogue Regimes," *Foundation for Defense of Democracies*, January 10, 2018. (<https://www.fdd.org/analysis/2018/01/10/iran-spends-16-billion-annually-to-support-terrorists-and-rogue-regimes/>)

393. Matthew Levitt, "Hezbollah's Criminal and Terrorist Operations in Europe," *American Jewish Committee*, September 2, 2018. (<https://www.ajc.org/news/hezbollahs-criminal-and-terrorist-operations-in-europe>)

394. Benjamin Weinthal, "Report: Hezbollah Militants Entered Germany as Refugees," *The Jerusalem Post* (Israel), October 12, 2017. (<https://www.jpost.com/International/Hezbollah-terrorists-entered-Germany-as-refugees-507282>)

395. Benjamin Weinthal, "German Governor Opens Israel Office, Refuses to Ban Hezbollah, Iran Trade," *The Jerusalem Post* (Israel), September 8, 2018. (<https://www.jpost.com/Israel-News/German-governor-opens-office-in-Israel-refuses-to-ban-Hezbollah-566830>)

Key Points

- Hezbollah has been active in Germany for many years, dating back to the 1980s.
- Germany is regarded as Hezbollah's chief fundraising center in Europe.³⁹⁶
- Germany's primary intelligence agency, the Federal Office for the Protection of the Constitution (BfV), as well as the Federal Criminal Police Office (BKA), Germany's federal police agency, have both said that Hezbollah has the capacity to carry out attacks anywhere in Germany.³⁹⁷
- Hezbollah is "deeply involved in a wide array of criminal activities" in Germany and throughout Europe, including drug trafficking, money laundering, weapons procurement, and counterfeiting European currencies.³⁹⁸
- The European Union Terrorism Situation and Trend Report 2018 wrote: "In 2017, member states carried out several investigations into financing of terrorism. One major investigation focused on a large network of Lebanese nationals offering money laundering services to organized crime groups in the EU and using a share of the profits to finance terrorism-related activities of the Lebanese Hezbollah's military wing." The report added, "The cooperation of these money-launderers and Hezbollah's military wing was a clear example of a nexus between organized crime and terrorism."³⁹⁹

Covert Fundraising

Hezbollah conducts covert fundraising in Germany, using member contributions to mosques and religious fundraising as cover to finance its destabilizing operations in Germany and abroad.⁴⁰⁰

- In 2016, German authorities discovered a Europe-wide money-laundering operation, run by individuals working on behalf of Hezbollah. The operation raised over 75 million euros between 2014 and 2016, including 10 million in Germany alone.⁴⁰¹ German Magazine *Der Spiegel* reported that both Europol and the U.S. Treasury believed the proceeds from the money-laundering operation financed Hezbollah.⁴⁰²

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396. Jasmine Williams, "Hezbollah's Threat in Germany: An Updated Overview of its Presence and the German Response," *International Institute for Counter-Terrorism*, Spring 2014, page 14. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>)

397. Jasmine Williams, "Hezbollah's Threat in Germany: An Updated Overview of its Presence and the German Response," *International Institute for Counter-Terrorism*, Spring 2014, page 5. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>)

398. Matthew Levitt, "Why Europe Should Ban Hezbollah," *The Washington Institute for Near East Policy*, March 18, 2013. (<https://www.washingtoninstitute.org/policy-analysis/view/why-europe-should-ban-hezbollah>)

399. Benjamin Weinthal, "EU Report Details International Web of Hezbollah Terror Funding," *The Jerusalem Post* (Israel), August 5, 2018. (<https://www.jpost.com/Arab-Israeli-Conflict/EU-report-details-international-web-of-hezbollah-funding-564141>)

400. Jasmine Williams, "Hezbollah's Threat in Germany: An Updated Overview of its Presence and the German Response," *International Institute for Counter-Terrorism*, Spring 2014, page 11. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>)

401. "Drogenmillionen für den Terror (Drug Millions for Terror)," *Der Spiegel* (Germany), April 30, 2016. (<http://www.spiegel.de/spiegel/print/d-144545868.html>)

402. "Drogenmillionen für den Terror (Drug Millions for Terror)," *Der Spiegel* (Germany), April 30, 2016. (<http://www.spiegel.de/spiegel/print/d-144545868.html>)

- More than 30 German mosques are suspected to be involved in this network, including Imam Mahdi Centre in Munter-Hilltrup, Imam Reza mosque in Berlin, and the Imam Ali mosque in Hamburg.⁴⁰³
- In 2002, German authorities shut down the Aachen, Germany-based Al-Aqsa Foundation, a Hamas front group purporting to be a Palestinian humanitarian organization, for providing money to Hamas.⁴⁰⁴ Israeli intelligence reports indicated that the group also raised funds for Hezbollah.⁴⁰⁵ German authorities arrested Sheikh Moayad, the head of Al-Aqsa's Yemen office, in Frankfurt when he was discovered transferring weapons and millions of dollars to al-Qaeda.⁴⁰⁶
- The German city-state of Bremen's intelligence agency released a report in June 2018 that said the Al-Mustafa Community Center, located in Bremen, "supports Hezbollah in Lebanon, especially by collecting donations."⁴⁰⁷ The report noted there are an estimated 60 Hezbollah supporters involved in Al-Mustafa. Israel's *The Jerusalem Post* reported, "One photograph posted on the Al-Mustafa website shows at least 10 young children wearing Hezbollah combat-style attire in the green and yellow colors associated with the Lebanese militia, while displaying the Hezbollah flag, whose logo depicts an upraised arm grasping an AK-47 assault rifle."⁴⁰⁸ The intelligence report also stated, "Al-Mustafa center's support of Hezbollah is of important meaning because it collects donations for the Lebanon Orphan Children Project," which the German government banned in 2014.⁴⁰⁹

Case Study: Lebanon Orphan Children Project

A German non-profit charity for Lebanese orphans called Lebanon Orphan Children Project (*Waisenkind-projekt*), based in Gottingen, Germany, was banned on April 8, 2014, after German authorities raided 19 properties and found evidence that it provided an estimated 3.3 million Euros to the Lebanese-based,

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 403. Jasmine Williams, "Hezbollah's Threat in Germany: An Updated Overview of its Presence and the German Response," *International Institute for Counter-Terrorism*, Spring 2014, page 11. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>)

404. U.S. Department of the Treasury, Press Release, "Treasury Designates Al-Aqsa International Foundation as Financier of Terror Charity Linked to Funding of the Hamas Terrorist Organization," May 29, 2003. (<https://www.treasury.gov/press-center/press-releases/Pages/js439.aspx>)

405. Matthew Levitt, "Untangling the Terror Web: The Need for a Strategic Understanding of the Crossover between International Terrorist Groups to Successfully Prosecute the War on Terror," *Testimony before the Senate Committee on Banking, Housing, and Urban Affairs*, October 22, 2003. (<https://www.washingtoninstitute.org/policy-analysis/view/untangling-the-terror-web-the-need-for-a-strategic-understanding-of-the-cro>)

406. Matthew Levitt, "Islamic Extremism in Europe: Beyond al-Qaeda – Hamas and Hezbollah in Europe," *Testimony before the Joint Hearing of the House Committee on International Relations, Subcommittee on Europe and Emerging Threats*, April 27, 2005. (<https://www.washingtoninstitute.org/policy-analysis/view/islamic-extremism-in-europe-beyond-al-qaedahamas-and-hezbollah-in-europe>); Michelle Garcia, "Yemeni Cleric Called Dangerous," *The Washington Post*, March 4, 2005. (<http://www.washingtonpost.com/wp-dyn/content/article/2005/03/25/AR2005032501393.html>)

407. Benjamin Weinthal, "German Islamic Center Raises Money for Hezbollah," *The Jerusalem Post* (Israel), June 22, 2018. (<https://www.jpost.com/Diaspora/Exclusive-German-Islamic-center-raises-money-for-Hezbollah-560604>)

408. Benjamin Weinthal, "German Islamic Center Raises Money for Hezbollah," *The Jerusalem Post* (Israel), June 22, 2018. (<https://www.jpost.com/Diaspora/Exclusive-German-Islamic-center-raises-money-for-Hezbollah-560604>)

409. Benjamin Weinthal, "German Islamic Center Raises Money for Hezbollah," *The Jerusalem Post* (Israel), June 22, 2018. (<https://www.jpost.com/Diaspora/Exclusive-German-Islamic-center-raises-money-for-Hezbollah-560604>)

Hezbollah-run Al-Shahid Foundation between 2007 and 2013.⁴¹⁰ Following the raid, the German government came “to accept that [Lebanon Orphan Children Project] was a Hezbollah front.”⁴¹¹

The Lebanon Orphan Children Project was founded in 1997 to channel donations to the Al-Shahid Foundation, which, according to German security expert Alexander Ritzmann, “was disguised as a humanitarian organization” and “promotes violence and terrorism in the Middle East using donations collected in Germany and elsewhere.”⁴¹² In 2009, he identified the charity as a German branch of the Hezbollah organization.⁴¹³ Ritzmann explained the group used donations to provide financial assistance to the families of Hezbollah suicide bombers.⁴¹⁴

Hezbollah’s Attacks on Germans

Hezbollah has carried out assassinations, kidnappings, and other terrorist attacks targeting Germans on behalf of Iran.

- On June 14, 1985, a Hezbollah operative hijacked TWA Flight 847, kidnapping nine Germans and killing an American, U.S. Navy diver Robert Stethem. A German court later convicted the Hezbollah operative, Mohammed Ali Hamadi, of murder.⁴¹⁵ Hamadi was arrested on January 13, 1987, for trying to carry explosives onto an airplane in Frankfurt, Germany.⁴¹⁶ Germany released Hamadi from prison in December 2005, and he returned to Lebanon and rejoined Hezbollah, according to a senior Bush Administration official.⁴¹⁷
- Hamadi’s brother, Abbas Hamadi, was arrested in 1987 for orchestrating the January 1987 kidnapping of two German businessmen, Rudolf Cordes and Alfred Schmidt, in Beirut, Lebanon.⁴¹⁸

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410. Jasmine Williams, “Hezbollah’s Threat in Germany: An Updated Overview of its Presence and the German Response,” *International Institute for Counter-Terrorism*, Spring 2014, pages 13-14. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>); Intelligence and Terrorism Information Center at the Israel Intelligence Heritage and Commemoration Center, “Funding terrorism: Hezbollah uses its websites to collect donations for itself and for its affiliated institutions in Lebanon and elsewhere in the world. The donations are deposited in bank accounts in Lebanon and Europe,” May 26, 2008. (https://www.terrorism-info.org.il/Data/pdf/PDF_08_120_2.pdf)

411. Benjamin Weinthal, “No Charity,” *Foreign Policy*, April 15, 2014. (<https://www.fdd.org/analysis/2014/04/15/no-charity/>)

412. Benjamin Weinthal, “No Charity,” *Foreign Policy*, April 15, 2014. (<https://www.fdd.org/analysis/2014/04/15/no-charity/>)

413. Jasmine Williams, “Hezbollah’s Threat in Germany: An Updated Overview of its Presence and the German Response,” *International Institute for Counter-Terrorism*, Spring 2014, pages 13-14. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>)

414. Jasmine Williams, “Hezbollah’s Threat in Germany: An Updated Overview of its Presence and the German Response,” *International Institute for Counter-Terrorism*, Spring 2014, page 13. (<https://www.ict.org.il/UserFiles/Williams%20-%20Hezbollah%20in%20Germany.pdf>); Benjamin Weinthal, “No Charity,” *Foreign Policy*, April 15, 2014. (<https://www.fdd.org/analysis/2014/04/15/no-charity/>)

415. Craig Whitlock, “Hijacker Sought by U.S. Released,” *The Washington Post*, December 21, 2005. (<http://www.washingtonpost.com/wp-dyn/content/article/2005/12/20/AR2005122001615.html>)

416. James M. Markham, “Brother of Suspected Hijacker Arrested,” *The New York Times*, January 28, 1987. (<https://www.nytimes.com/1987/01/28/world/brother-of-suspected-hijacker-arrested.html>)

417. James Rosen, “Terrorist Ali Hamadi Rejoins Hezbollah Following Release From Prison,” *Fox News*, September 12, 2006. (<http://www.foxnews.com/story/2006/09/12/terrorist-ali-hamadi-rejoins-hezbollah-following-release-from-prison.html>)

418. James M. Markham, “Brother of Suspected Hijacker Arrested,” *The New York Times*, January 28, 1987. (<https://www.nytimes.com/1987/01/28/world/brother-of-suspected-hijacker-arrested.html>)

- Two German charity workers, Heinrich Strubig and Thomas Kemptner, were kidnapped by Hezbollah on May 16, 1989, in Lebanon, and were held captive for more than three years.⁴¹⁹
- Bassam Gharib Makki, a Hezbollah operative, was arrested in Darmstadt, Germany, in June 1989, with a list of German targets and bomb-making instructions in his possession.⁴²⁰ German authorities intercepted a package from Makki to a contact in Lebanon, which contained 13 photographs of Israeli targets in Germany and a map of the Rhine-Main area in Germany.⁴²¹
- On November 28, 1997, a German man named Stephan Smyrek was arrested for working with Hezbollah operatives to carry out a suicide bombing in Israel, in either Tel Aviv or Haifa.⁴²² Smyrek had also conducted surveillance of Israeli targets in Germany and planned to execute an attack against the Israeli embassy in then-German capital Bonn, if he was unable to carry out his suicide bombing mission in Israel.⁴²³

NATIONAL SECURITY RISK: ESPIONAGE

SUMMARY

The Islamic Republic seeks to spread its influence and threaten its enemies through espionage on foreign soil. In addition to the IRGC's espionage operations, Iran also deploys spies from abroad to spy on Germans. Germany's Interior Ministry said in an April 2017 letter to Left Party deputy Jan Korte that Germany had conducted criminal investigations into 22 different cases of Iranian espionage in Germany since 2007.⁴²⁴ A June 2018 report from the intelligence agency of the German state of North Rhine-Westphalia noted that members of Iran's Quds Force were active in Germany, and conducted espionage in Germany's "politics, the economy and the military."⁴²⁵ In April 2016, Germany charged two Iranian men, Maysam O. and Saied R, of spying on members of the People's Mujahedin of Iran (MEK).⁴²⁶ Federal prosecutors say these men conducted espionage on behalf of the Iranian government.

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 419. Marc Fisher, "Bonn Condemns Threat by Shiites," *The Washington Post*, July 26, 1991. (<https://www.washingtonpost.com/archive/politics/1991/07/26/bonn-condemns-threat-by-shiites/2924ac07-b16a-467f-8064-2a02fd3b5498/>); Jim Muir, "Hostage Releases Put Lebanese in Limelight," *The Christian Science Monitor*, June 18, 1992. (<https://www.csmonitor.com/1992/0618/18031.html>)

420. Matthew Levitt, "Islamic Extremism in Europe: Beyond al-Qaeda – Hamas and Hezbollah in Europe," *Testimony before the House Committee on International Relations Subcommittee on Europe and Emerging Threats*, April 27, 2005. (<https://www.investigativeproject.org/documents/testimony/300.pdf>)

421. Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God*, (Washington, DC: Georgetown University Press, 2013), page 63.

422. Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God*, (Washington, DC: Georgetown University Press, 2013), page 216.

423. Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon's Party of God*, (Washington, DC: Georgetown University Press, 2013), page 216.

424. Benjamin Weinthal, "Germany is a hotbed of Iranian spy activity that targets Israel," *The Jerusalem Post* (Israel), April 23, 2017. (<https://www.jpost.com/Diaspora/Germany-is-a-hotbed-of-iranian-spy-activity-that-targets-Israel-488767>)

425. Benjamin Weinthal, "Report: Iran seeking illegal missile technology in Germany," *The Jerusalem Post* (Israel), June 29, 2018. (<https://www.jpost.com/Diaspora/REPORT-Iran-seeks-illegal-missile-technology-in-Germany-561202>)

426. Chase Winter, "Germany charges two for spying on Iran's MEK on behalf of Iranian intelligence," *Deutsche Welle* (Germany), April 8, 2016. (<https://www.dw.com/en/germany-charges-two-for-spying-on-irans-mek-on-behalf-of-iranian-intelligence/a-19175147>)

Iran's MOIS maintains a strong network in Germany. In January 2011, then-Interior Minister for Germany Hans-Peter Friedrich, and then-head of the German Federal Office for the Protection of the Constitution (BfV) Heinz Fromm reported that MOIS continuously worked to gather information on the economy and politics in Germany. They note, "Most intelligence activities against Germany are carried out by this ministry [MOIS]...the Iranian Ministry of Intelligence is seeking to attract German citizens to cooperate with the ministry. This applies to citizens who often travel to Iran for visiting their families or for business."⁴²⁷

Case Study: Spying for IRGC in Germany

German authorities arrested Pakistani citizen Mustafa Haider Syed-Naqfi in Germany in July 2016.⁴²⁸ He was sentenced in March 2017 to four years and three months in jail "for working for a foreign intelligence service."⁴²⁹ German authorities said Syed-Naqfi spied on German lawmaker Reinhold Robbe, the former head of the German-Israel Friendship Society. Authorities further reported Syed-Naqfi compiled a dossier containing information on the Robbe's home, workplace, and commute, and gathered information about nearby surveillance cameras and police stations.⁴³⁰ Syed-Naqfi also took hundreds of photos and videos of the lawmaker, and German authorities said his actions were "a clear indication of an assassination attempt."⁴³¹ Syed-Naqfi also spied on French-Israeli business professor David Rouach, a former leader of the French-Israeli Chamber of Commerce.⁴³²

German prosecutors said the IRGC's Quds Force hired Syed-Naqfi to gather intelligence on Israeli and Jewish institutions and pro-Israel activists in Germany, France, and other Western European countries in preparation for possible future attacks.⁴³³ Syed-Naqfi spied on the headquarters of a German-Jewish newspaper in Berlin as well.⁴³⁴

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427. "Iran's Ministry of Intelligence and Security," *Federal Research Division, Library of Congress*, December 2012, page 38. (<https://fas.org/irp/world/iran/mois-loc.pdf>)

428. "Pakistani convicted in Germany for staking out Israeli targets for Iran," *Agence France-Presse*, March 27, 2017. (<https://www.timesofisrael.com/pakistani-convicted-in-germany-for-staking-out-israeli-targets-for-iran/>)

429. "Pakistani convicted in Germany for staking out Israeli targets for Iran," *Agence France-Presse*, March 27, 2017. (<https://www.timesofisrael.com/pakistani-convicted-in-germany-for-staking-out-israeli-targets-for-iran/>)

430. "Pakistani convicted in Germany for staking out Israeli targets for Iran," *Agence France-Presse*, March 27, 2017. (<https://www.timesofisrael.com/pakistani-convicted-in-germany-for-staking-out-israeli-targets-for-iran/>); "Germany reprimands Iran for anti-Israel spying on its territory," *Reuters*, January 9, 2018. (<https://uk.reuters.com/article/uk-germany-iran/germany-reprimands-iran-for-anti-israel-spying-on-its-territory-idUKKBN1EY1ND>)

431. "Pakistani convicted in Germany for staking out Israeli targets for Iran," *Agence France-Presse*, March 27, 2017. (<https://www.timesofisrael.com/pakistani-convicted-in-germany-for-staking-out-israeli-targets-for-iran/>); Benjamin Weinthal, "Germany reprimands Iran for spying on pro-Israel groups," *The Jerusalem Post* (Israel), January 9, 2018. (<https://www.jpost.com/Middle-East/Iran-News/Germany-reprimands-Iran-for-spying-on-pro-Israel-groups-533206>)

432. Benjamin Weinthal, "Germany reprimands Iran for spying on pro-Israel groups," *The Jerusalem Post* (Israel), January 9, 2018. (<https://www.jpost.com/Middle-East/Iran-News/Germany-reprimands-Iran-for-spying-on-pro-Israel-groups-533206>)

433. Benjamin Weinthal, "Germany reprimands Iran for spying on pro-Israel groups," *The Jerusalem Post* (Israel), January 9, 2018. (<https://www.jpost.com/Middle-East/Iran-News/Germany-reprimands-Iran-for-spying-on-pro-Israel-groups-533206>)

434. Benjamin Weinthal, "Germany reprimands Iran for spying on pro-Israel groups," *The Jerusalem Post* (Israel), January 9, 2018. (<https://www.jpost.com/Middle-East/Iran-News/Germany-reprimands-Iran-for-spying-on-pro-Israel-groups-533206>)

According to German authorities, Syed-Naqfi travelled to Iran in October 2015 and February 2016, and received 2,052 euros (\$2,237) for his work.⁴³⁵ Germany summoned the Iranian ambassador to Germany, Ali Majedi, and reprimanded Iran for conducting espionage in Germany. Philipp Ackermann, acting director of the Foreign Ministry's political section, told Majedi that "such activities would not be tolerated and were completely unacceptable."⁴³⁶

On January 16, 2018, German police officers conducted police raids throughout the country of the homes and offices of 10 Iranian spies suspected of being members of the Quds Force.⁴³⁷ The raids took place in Berlin, Baden-Württemberg, Bavaria, and North Rhine-Westphalia.⁴³⁸ The spies allegedly conducted surveillance on the Israeli embassy in Berlin and Jewish kindergartens in Germany.⁴³⁹ The spies tried to recruit European Shiites to form a European terror cell.⁴⁴⁰ A spokesman for the Federal Prosecutors Office said the suspects are presumed to have "spied on institutions and persons in Germany on behalf of an entity associated with Iran," and added no arrests were made after the raid.⁴⁴¹

PROCUREMENT RISK

SUMMARY

Since the implementation of the JCPOA in 2016, Iran has continued to seek information and materials for its missile weapons program from Germany and other European countries. Iran and its proxies, such as Hezbollah, have used German businesses as a means to procure weapons and information used to bolster its missile and nuclear programs and further its regional destabilization efforts.

Key Points

- Several of Germany's state intelligence agencies, including the agencies of Baden-Württemberg, Saxony-Anhalt, Bavaria and Lower Saxony, reported that in 2017, Iran had attempted to obtain materials and information for its missile programs.⁴⁴² Baden-Württemberg's state intelligence agency reported, "Iran continued to undertake,

435. "Pakistani convicted in Germany for staking out Israeli targets for Iran," *Agence-France Presse*, March 27, 2017. (<https://www.timesofisrael.com/pakistani-convicted-in-germany-for-staking-out-israeli-targets-for-iran/>)

436. "Germany reprimands Iran for anti-Israel spying on its territory," *Reuters*, January 9, 2018. (<https://uk.reuters.com/article/uk-germany-iran/germany-reprimands-iran-for-anti-israel-spying-on-its-territory-idUKKBN1EY1ND>)

437. "Iranian spies in Germany targeted Israel embassy, Jewish kindergartens – report," *The Times of Israel* (Israel), January 17, 2018. (<https://www.timesofisrael.com/iranian-spies-in-germany-targeted-israel-embassy-jewish-kindergartens-report/>)

438. "Iranian spies in Germany targeted Israel embassy, Jewish kindergartens – report," *The Times of Israel* (Israel), January 17, 2018. (<https://www.timesofisrael.com/iranian-spies-in-germany-targeted-israel-embassy-jewish-kindergartens-report/>)

439. "Iranian spies in Germany targeted Israel embassy, Jewish kindergartens – report," *The Times of Israel* (Israel), January 17, 2018. (<https://www.timesofisrael.com/iranian-spies-in-germany-targeted-israel-embassy-jewish-kindergartens-report/>)

440. "Iranian spies in Germany targeted Israel embassy, Jewish kindergartens – report," *The Times of Israel* (Israel), January 17, 2018. (<https://www.timesofisrael.com/iranian-spies-in-germany-targeted-israel-embassy-jewish-kindergartens-report/>)

441. "Iranian spies in Germany targeted Israel embassy, Jewish kindergartens – report," *The Times of Israel* (Israel), January 17, 2018. (<https://www.timesofisrael.com/iranian-spies-in-germany-targeted-israel-embassy-jewish-kindergartens-report/>)

442. Benjamin Weinthal, "Report: Iran seeking illegal missile technology in Germany," *The Jerusalem Post* (Israel), June 29, 2018. (<https://www.jpost.com/Diaspora/REPORT-Iran-seeks-illegal-missile-technology-in-Germany-561202>)

as did Pakistan and Syria, efforts to obtain goods and know-how to be used for the development of weapons of mass destruction and to optimize corresponding missile-delivery systems.”⁴⁴³

- Iran attempted to acquire missile and nuclear equipment from Germany over 30 times in 2016.⁴⁴⁴
- According to a July 2018 report from the intelligence agency of the German state of Hesse, Iran continues to attempt to acquire equipment for weapons of mass destruction through third-party countries without many trade restrictions. The report said that the aim of Iran’s intelligence agencies is “to circumvent control mechanisms in countries that are not especially subject to embargo restrictions.”⁴⁴⁵
- In its 2017 Peddling Peril Index, which ranks countries according to their export control performance, the Institute for Science and International Security ranks Iran as 56 out of 57 for Tier One countries, which “includes those nations that can supply, at least partially but significantly, the wherewithal to make nuclear weapons, other WMD, or the means to deliver them.”⁴⁴⁶ Out of the 200 countries evaluated in the index, Iran ranks 199 out of 200, with only North Korea below it.⁴⁴⁷

Iran’s Procurement of Nuclear Equipment from Germany

- In September 2009, the district court of Frankfurt found Mohsen Vanaki, a German-Iranian businessman, guilty of brokering the sale of dual-use equipment for an Iranian nuclear weapons program.⁴⁴⁸ German authorities arrested Vanaki in November 2017 after they suspected his trading company was being used to transfer high-speed cameras, radiation detectors, and other dual-use goods from European and American suppliers to Iranian front companies.⁴⁴⁹
- Three German businessmen were indicted in 2016 for delivering 51 specialized valves to Iran between 2010 and 2011.⁴⁵⁰ The men, listed as Bernd Gehrad L., René L. and Ralf C in court papers, were employees of a Halle, France, company that delivered the valves to an Iranian operative listed in court papers as H. Tanideh. This individual is suspected to be Hossein Tanideh, who is involved with Iran’s nuclear program, and has served as

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443. Benjamin Weinthal, “Report: Iran seeking illegal missile technology in Germany,” *The Jerusalem Post* (Israel), June 29, 2018. (<https://www.jpost.com/Diaspora/REPORT-Iran-seeks-illegal-missile-technology-in-Germany-561202>)

444. Benjamin Weinthal, “Germany sold technology to Iran for use in Syrian chemical attacks,” *The Jerusalem Post* (Israel), February 5, 2018. (<https://www.jpost.com/International/Germany-sold-technology-to-Iran-for-use-in-Syrian-chemical-attacks-540760>)

445. Benjamin Weinthal, “German Intel Report: Iran Seeks To Shatter States’ Stability with WMD,” *The Jerusalem Post* (Israel), July 15, 2018. (<https://www.jpost.com/Diaspora/Tehran-seeking-weapons-of-mass-destruction-562556>)

446. David Albright, Sarah Burkhard, Allison Lach, and Andrea Stricker, “The Peddling Peril Index (PPI) 2017,” *Institute for Science and International Security*, January 31, 2018, pages xi and 105. (http://isis-online.org/uploads/isis-reports/documents/ThePeddlingPerilIndex_POD_color.pdf)

447. David Albright, Sarah Burkhard, Allison Lach, and Andrea Stricker, “The Peddling Peril Index (PPI) 2017,” *Institute for Science and International Security*, January 31, 2018, page 251. (http://isis-online.org/uploads/isis-reports/documents/ThePeddlingPerilIndex_POD_color.pdf)

448. David Albright and Christina Walrond, “Case Study – Decision Reached on Vanaki Case: Landgericht Finds Defendant Guilty, Issues Suspended Sentence,” *Institute for Science and International Security*, October 23, 2009. (<http://isis-online.org/isis-reports/detail/decision-reached-on-vanaki-case-landgericht-finds-defendant-guilty-issues-s>)

449. David Albright and Christina Walrond, “The Trials of the German-Iranian Trader Mohsen Vanaki: The German Federal Intelligence Service Assesses that Iran Likely Has a Nuclear Weapons Program,” *Institute for Science and International Security*, September 16, 2009, page 1-2. (http://isis-online.org/uploads/isis-reports/documents/MohsenCaseStudy_23Oct2009.pdf)

450. Benjamin Weinthal, “Exclusive: Iranian Nuclear Smuggling Ring Sent to Top German Court,” *The Jerusalem Post* (Israel), September 23, 2017, (<https://www.jpost.com/International/Exclusive-Iranian-nuclear-smuggling-ring-sent-to-top-German-court-505038>)

the conduit for delivering highly desired German valves to Iran.⁴⁵¹ The U.S. Treasury Department sanctioned Tanideh in 2012 and froze his assets because of his illicit nuclear procurement business.⁴⁵² Iran then used the valves for its heavy water reactor at Arak, a key facility in the regime's domestic nuclear infrastructure.⁴⁵³

- In a 2018 report on countering the spread of weapons of mass destruction, the German state of Hesse's intelligence agency identified Iran, along with North Korea, as the two states working to procure these weapons. The report noted Iran's goal was "to circumvent control mechanisms in countries that are not especially subject to embargo restrictions."⁴⁵⁴ It further states: "Weapons of mass destruction are a continued instrument of power politics that also, in regional and international crises situations, can shatter the entire stability of state structures. States like Iran and North Korea attempt, in the context of proliferation, to acquire and spread such weapons by, for example, disguising the transportation ways through third countries."⁴⁵⁵

Iran's Procurement of Non-Nuclear Goods from Germany

- German-Lebanese citizen Dani Nemr Tarraf, a Hezbollah operative, was arrested in the United States on November 21, 2009, for attempting to purchase 10,000 Colt M4 machine guns and anti-aircraft Stinger missiles through Power Express, a front company which he operated.⁴⁵⁶ Tarraf admitted to "working with others to acquire massive quantities of weapons for the benefit of Hezbollah."⁴⁵⁷
- German tunnel-boring company Wirth (now called Aker Wirth) sold tunnel-boring equipment to Sahel Consulting Engineers, an IRGC-owned company, at some point prior to 2008 for water tunnel systems.⁴⁵⁸ However, intelligence reports indicate the IRGC likely used equipment procured from Wirth and Seli, an Italian tunnel-boring company, to construct tunnels to secret Iranian nuclear bunkers.⁴⁵⁹

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451. Benjamin Weinthal, "Exclusive: Iranian Nuclear Smuggling Ring Sent to Top German Court," *The Jerusalem Post* (Israel), September 23, 2017, (<https://www.jpost.com/International/Exclusive-Iranian-nuclear-smuggling-ring-sent-to-top-German-court-505038>)

452. Benjamin Weinthal, "Exclusive: Iranian Nuclear Smuggling Ring Sent to Top German Court," *The Jerusalem Post* (Israel), September 23, 2017, (<https://www.jpost.com/International/Exclusive-Iranian-nuclear-smuggling-ring-sent-to-top-German-court-505038>)

453. "Arak Nuclear Complex," *Nuclear Threat Initiative*, July 11, 2017. (<https://www.nti.org/learn/facilities/177/>)

454. Benjamin Weinthal, "German Intel Report: Iran Seeks to Shatter States' Stability with WMD," *The Jerusalem Post* (Israel), July 15, 2018. (<https://www.jpost.com/Diaspora/Tehran-seeking-weapons-of-mass-destruction-562556>)

455. Benjamin Weinthal, "German Intel Report: Iran Seeks to Shatter States' Stability with WMD," *The Jerusalem Post* (Israel), July 15, 2018. (<https://www.jpost.com/Diaspora/Tehran-seeking-weapons-of-mass-destruction-562556>)

456. Matthew Levitt, "Hezbollah's Organized Criminal Enterprises in Europe," *Washington Institute for Near East Policy*, August 2013, page 31. (<https://www.washingtoninstitute.org/uploads/Documents/opeds/Levitt20130827-Perspectives.pdf>)

457. Matthew Levitt, "Hezbollah's Organized Criminal Enterprises in Europe," *Washington Institute for Near East Policy*, August 2013, page 31. (<https://www.washingtoninstitute.org/uploads/Documents/opeds/Levitt20130827-Perspectives.pdf>)

458. Emanuele Ottolenghi, "Iran's Deceptive Commercial Practices," *The Begin-Sadat Center for Security Studies* (Israel), April 15, 2008. (<https://besacenter.org/perspectives-papers/iran%C2%92s-deceptive-commercial-practices/>)

459. Emanuele Ottolenghi, "Iran's Deceptive Commercial Practices," *The Begin-Sadat Center for Security Studies* (Israel), April 15, 2008. (<https://besacenter.org/perspectives-papers/iran%C2%92s-deceptive-commercial-practices/>)

SUMMARY

Iran promotes trade at fairs in Europe and Iran. Many of the conferences feature speakers who have been designated by the United States or who are linked to illicit activities. Since 2016, at least eight trade fairs promoting European trade with Iran have featured speakers from the Central Bank of Iran, which has been sanctioned by the U.S. government.

Banking and Business Forum Iran Europe:

Since 2016, Iran and Germany have hosted six “Banking and Business Forum Iran Europe” events, with Tehran and Frankfurt alternating as hosts. The third forum was sponsored by Iranian-owned Saman Bank, which the U.S. Treasury added to the Specially Designated Nationals (SDN) list in 2012.⁴⁶⁰ Every forum held in Iran featured then-Governor of the Central Bank of Iran Valiollah Seif as the keynote speaker.⁴⁶¹ The Fifth Banking and Business Forum Iran Europe was hosted in Frankfurt on November 15 to 16, 2017.⁴⁶² The director of the Monetary and Research Institute of Iran (MBRI), Ali Divandari, gave the opening speech, and served as the representative of the Central Bank of Iran.⁴⁶³ MBRI is a think tank affiliated with the Central Bank of Iran. Divandari previously served as vice chair of the previously sanctioned, Iranian-owned, and Hamburg-based EIH bank’s supervisory board, as well as chairman and managing director of sanctioned Bank Mellat. He was added to the U.S. Treasury’s SDN list in November 2009 and removed in January 2016 as part of the JCPOA.⁴⁶⁴ The SDN list contains the names of individuals and companies owned by or acting on behalf of targeted countries and prohibits U.S. persons from transacting with them.⁴⁶⁵

The forum highlights banking and investment opportunities for European and Iranian companies, but the heavy involvement of Iran’s Central Bank officials and other sanctioned individuals poses the likelihood of getting entangled in a web of sanctioned and high-risk Iranian entities.

Ulrike Becker, spokeswoman for the German organization STOP THE BOMB, said, “The list of speakers shows that the initiative for boosting Iran’s business comes from government. Institutions such as the Federal Financial Supervisory Authority (Bafin) and the Federal Office for Economic Affairs and Export Control (Bafa) that are responsible for risk control of foreign trade are involved in propaganda for trade with Iran.”⁴⁶⁶

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460. “Non-proliferation Designations; Non-proliferation Designation Removals; Iran Designations,” *U.S. Department of the Treasury Office*, July 12, 2012. (<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120712.aspx>)

461. “Tehran to Host Iran-EU Business Forum,” *Financial Tribune* (Iran), April 20, 2017. (<https://financialtribune.com/articles/economy-business-and-markets/62805/tehran-to-host-iran-eu-business-forum>)

462. Benjamin Weinthal, “Israel Slams German Promotion of Trade Forum with Iran,” *The Jerusalem Post* (Israel), November 16, 2017. (<https://www.jpost.com/Middle-East/Israel-slams-German-politicians-and-agencies-for-promoting-trade-with-Iran-514383>)

463. Benjamin Weinthal, “Israel Slams German Promotion of Trade Forum with Iran,” *The Jerusalem Post* (Israel), November 16, 2017. (<https://www.jpost.com/Middle-East/Israel-slams-German-politicians-and-agencies-for-promoting-trade-with-Iran-514383>)

464. U.S. Department of the Treasury, Press Release, “Treasury Designates Bank Mellat Subsidiary and Chairman Under Proliferation Authority,” November 5, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg355.aspx>)

465. “Specially Designated Nationals and Blocked Persons List (SDN) Human Readable Lists,” *U.S. Department of the Treasury*, October 25, 2018. (<https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>)

466. “STOP THE BOMB protests against ‘Banking and Business Forum Iran Europe,’” *STOP THE BOMB*, November 12, 2017. (<http://de.stopthebomb.net/en/press/press-releases.html#c3324>)

She further noted, “This banking forum is scandalous: German bankers and politicians in Frankfurt are rolling out the red carpet for a regime which is responsible for the flight of millions from Syria and Iraq.”⁴⁶⁷

Iran Europe Cooperation Conference:

Hosted in Brussels in June 2018, this conference aimed to “gather high level decision making leaders and business executives from Iran and Europe to discuss new horizons of cooperation.”⁴⁶⁸ The conference, also referred to as the Iran Forum, states on its website that it is unique as compared to similar conferences because of the attendance of many key Iranian officials who “share[d] their views with the audience.”⁴⁶⁹ These top officials include Iran’s deputy foreign minister for political affairs and chief nuclear negotiator Abbas Araghchi, who served as a keynote speaker.⁴⁷⁰ He is also reportedly a member of the IRGC Quds Force.⁴⁷¹ The other keynote speaker, Sorena Satari, serves as vice president of Iran for technology, oversees Iran’s oil, energy, and defense research, and sits on the Supreme Council of Cultural Revolution.⁴⁷²

Euromoney Iran Conference:

Hosted annually in Paris since 2017, Euromoney partnered with the Central Bank of Iran to co-host the 2018 meeting.⁴⁷³ Bank Saman, and Bank Melli served as sponsors.⁴⁷⁴ Featuring former governor of the CBI Valiollah Seif, current governor of the CBI Abdolnasser Hemmati, and Abbas Araghi as keynote speakers, the 2018 Euromoney Iran Conference aimed to facilitate “Iran’s reintegration into the global economy,” explore “on-the-ground realities of regulation and compliance of Iranian banks and corporates,” and highlight “the vast investment opportunities which Iran offers.”⁴⁷⁵

German-Iranian Chamber of Industry and Commerce:

The German-Iranian Chamber of Industry and Commerce works to promote European and Iranian economic relations by helping German companies conduct research and create business partnerships in Iran.⁴⁷⁶ The president of the Board of Directors for the German-Iranian Chamber of Industry and Commerce, Norbert Eisenmenger, is the department chief responsible for finances and marketing at the previously sanctioned Europäisch-Iranische

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467. “STOP THE BOMB protests against ‘Banking and Business Forum Iran Europe,’” *STOP THE BOMB*, November 12, 2017. (<http://de.stopthebomb.net/en/press/press-releases.html#c3324>)

468. “Home,” *Iran Forum*, accessed October 31, 2018. (<https://iranforum.com>)

469. “Home,” *Iran Forum*, accessed October 31, 2018. (<https://iranforum.com>)

470. “Program,” *Iran Forum*, accessed October 31, 2018. (<https://iranforum.com/#program>)

471. Arash Karami, “Is one of Iran’s top diplomats a member of Quds Force?” *Al-Monitor*, June 16, 2016. (<https://www.al-monitor.com/pulse/en/originals/2016/06/iran-nuclear-negotiator-abbas-aragchi-quds-force.html>)

472. “Biography,” *Vice Presidency for Science and Technology*, accessed October 30, 2018. (<http://en.isti.ir/page/biography>)

473. “The Euromoney Iran Conference 2018,” *EuromoneyConferences*, accessed October 31, 2018. (<https://www.euromoneyconferences.com/event/a01D000001346JIIAI/the-euromoney-iran-conference-2018>)

474. “The Euromoney Iran Conference 2018,” *EuromoneyConferences*, accessed October 31, 2018. (<https://www.euromoneyconferences.com/event/a01D000001346JIIAI/the-euromoney-iran-conference-2018>)

475. “The Euromoney Iran Conference 2018,” *EuromoneyConferences*, accessed October 31, 2018. (<https://www.euromoneyconferences.com/event/a01D000001346JIIAI/the-euromoney-iran-conference-2018>)

476. “Our Services,” *Deutsch-Iranische Handelskammer e.V.* (Germany), accessed October 31, 2018. (<http://www.dihkev.de/en/112687-Board-of-Directors>);

Handelsbank (EIH).⁴⁷⁷ During Eisenmenger's time at EIH Bank, the bank was fined for helping finance Iranian WMD proliferators. (See *Banking Risk: Europäisch-Iranische Handelsbank.*)

CURRENT SANCTIONS ON IRAN

EU Sanctions

Important EU sanctions on Iranian entities remain in force even after the JCPOA agreement.

- In April 2011, the EU put in place “restrictive measures in relation to serious human rights violations in Iran.”⁴⁷⁸ The EU renewed these sanctions in April 2018.⁴⁷⁹ The measures include asset freeze and travel restrictions for any individual found to be connected to violations of human rights.⁴⁸⁰ In March 2012, the EU imposed additional restrictions to include an embargo on “equipment which may be used for internal repression and on equipment that may be used to monitor or intercept the Internet and telephone communications on mobile or fixed networks.”⁴⁸¹
- Several restrictive measures related to Iran's proliferation activities remain after the JCPOA. The EU prohibits the sale and transfer, either directly or indirectly, of “arms and related material of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts for such arms and related material.”⁴⁸² The EU renewed these sanctions in April 2018.⁴⁸³

UN Sanctions

- The UN maintains a list of designated Iranian entities. Security Council Resolution 2231 (2015) requires that all states freeze the assets of and restrict entry into or transit through their country for all individuals and entities listed on the 2231 list.⁴⁸⁴

U.S. Sanctions

On May 8, 2018, President Trump announced that the United States would withdraw from the JCPOA and would begin reinstating all U.S. sanctions suspended under the nuclear deal, many of which were put in place under President Barack Obama. Companies looking to conduct business transactions with Iran now face elevated levels of sanctions violation risk.

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477. “Board of Directors,” *Deutsch-Iranische Handelskammer e.V.*, accessed October 31, 2018. (<http://www.dihkev.de/en/112687-Board-of-Directors>); David Crawford, “German Bank Defies Sanctions” *The Wall Street Journal*, May 26, 2011. (https://www.wsj.com/articles/SB10001424052702303654804576347511399994034?mod=fox_australian); “Norbert Eisenmenger,” *LinkedIn*, accessed October 31, 2018. (<https://de.linkedin.com/in/norbert-eisenmenger-947a0440>)

478. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

479. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

480. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

481. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

482. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

483. “Iran,” *EU Sanctions Map*, accessed October 31, 2018. ([https://www.sanctionsmap.eu/api/v1/pdf/regime?id\[\]=17&id\[\]=18&lang=en](https://www.sanctionsmap.eu/api/v1/pdf/regime?id[]=17&id[]=18&lang=en))

484. United Nations Security Council, Resolution 2231, July 20, 2015. ([https://undocs.org/S/RES/2231\(2015\)](https://undocs.org/S/RES/2231(2015)))

Secretary of State Mike Pompeo explained in a speech two weeks later that “sanctions are back in place.”⁴⁸⁵ On that date, the United States revoked specific licenses issued in connection with the statement of licensing policy relating to the export or re-export of commercial passenger aircraft and related parts and services.⁴⁸⁶ For example, this action required Boeing to end its contract with Iran Air.

According to guidelines issued by the U.S. Treasury Department, sanctions will be reinstated over 90-day and 180-day periods.⁴⁸⁷ Providing goods and services to Iran after this period “may result in the imposition of U.S. sanctions.”⁴⁸⁸

90-Day Period:

On August 7, 2018, the U.S. government re-imposed the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- “Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- “Sanctions on Iran’s trade in gold or precious metals;
- “Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- “Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;
- “Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and
- “Sanctions on Iran’s automotive sector.”⁴⁸⁹

In addition, after August 6, 2018, the U.S. government revoked the following JCPOA-related authorizations under U.S. primary sanctions regarding Iran:

- “The importation into the United States of Iranian-origin carpets and foodstuffs and certain related financial transactions pursuant to general licenses under the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR);

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485. Secretary of State Mike Pompeo, “After the Deal: A New Iran Strategy,” *Remarks at the Heritage Foundation*, May 21, 2018. (<https://www.state.gov/secretary/remarks/2018/05/282301.htm>)

486. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

487. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

488. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

489. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

- “Activities undertaken pursuant to specific licenses issued in connection with the 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);
- “Activities undertaken pursuant to General License I relating to contingent contracts for activities eligible for authorization under the JCPOA SLP.”⁴⁹⁰

OFAC Measures

Certain other OFAC withdrawals and issuances of licenses to conduct business with Iran did not have explicit dates for implementation in the original May 8 announcement. The Treasury Department has since announced the following OFAC measures were implemented on August 7.⁴⁹¹

- “Revocation of General License I, which authorizes U.S. persons to enter into contingent contracts for the export or re-export to Iran of commercial passenger aircraft and related parts and services;
- “Issuance of a wind-down license authorizing U.S. -owned or -controlled foreign entities to wind-down activities involving Iran that had been authorized under General License I;
- “Amendment of Iran Transactions and Sanctions Regulations to replace the authorization for the import of Iranian carpets and foodstuffs and related financial transactions with authorizations for winding down those activities.”⁴⁹²

180-Day Period:

The U.S. government announced: “Following the 180-day wind-down period ending on November 4, 2018, the U.S. government will re-impose the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- “Sanctions on Iran’s port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- “Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- “Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);

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490. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

491. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

492. “Iran Sanctions Re-Imposition Timeline,” *Financial Integrity Network*, June 5, 2018, page 2. (http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.06.05_-_policyalert_-_irantimeline.pdf)

- “Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);
- “Sanctions on the provision of underwriting services, insurance, or reinsurance
- “Sanctions on Iran’s energy sector.”⁴⁹³

Further Revocations and Sanctions

On November 5, 2018, the day following the conclusion of the 180-day period, the following OFAC measures will take effect:

- “Revocation of the license authorizing the wind-down of activities that had been authorized under General License H, which authorized U.S.-owned or – controlled foreign entities to engage in limited business involving Iran”;
- “Re-listing, as appropriate, of persons who were removed from the Specially Designated Nationals (SDN) list of January 16, 2016”;
- “Secondary sanctions on re-listed persons, depending on the authority under which they are listed”
- “Transfer of persons from the Executive Order 13599 list to the SDN list”;
- “Secondary sanctions on most persons moved from the Executive Order 13599 list to the SDN list.”⁴⁹⁴

Other Key Points:

- The U.S. government also announced that following the 180-day wind-down period, the United States will implement sanctions against countries that do not “significantly” reduce their oil imports from Iran. Countries that do significantly reduce their imports qualify for sanctions waivers.⁴⁹⁵
- In addition to the re-imposition of pre-JCPOA sanctions, companies considering investing in Iran must account for potential changes to existing laws and regulations on sanctions, auditing requirements, and compliance standards regarding transactions with Iran. For example, in October 2018, President Trump signed into law the Hizballah International Financing Prevention Amendments Act, which would add additional auditing standards and enhanced due diligence for foreign persons doing business with Iran to ensure their transactions do not benefit Hezbollah.⁴⁹⁶
- With a stated policy of “maximum pressure” toward the Islamic Republic, companies should expect the Trump administration will continue to expand sanctions beyond those that existed prior to the JCPOA. Such sanctions

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493. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018, updated August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)

494. “Iran Sanctions Re-Imposition Timeline,” *Financial Integrity Network*, June 5, 2018, page 4. (http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.06.05_-_policyalert_-_irantimeline.pdf)

495. “How Financial Institutions Should Prepare for the Re-Imposition of Sanctions on Iran,” *Financial Integrity Network*, May 10, 2018. (http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.05.10_-_client_alert_-_iran.pdf)

496. Hizballah International Financing Prevention Amendments Act of 2017, S. 1595, 115th Congress (2017). (<https://www.congress.gov/bill/115th-congress/senate-bill/1595>); Hizballah International Financing Prevention Amendments Act of 2017, H.R. 3329, 115th Congress (2017). (<https://www.congress.gov/bill/115th-congress/house-bill/3329>)

could designate additional sectors of the Iranian economy and/or target firms in which the IRGC maintains minority ownership stakes.

Currently Enforced Executive Orders

- Iranian entities remain on the Specially Designated National (SDN) list (blocking the property of, and prohibiting transactions with, designated persons) for a range of illicit activities. Treasury’s guidance after President Trump’s decision to withdraw from the nuclear deal also stated that Treasury will re-list persons removed from the SDN list pursuant to the JCPOA.
- New designations may also be added under the following executive orders:
- Executive Order 13694 – blocking the property of certain persons engaging in significant malicious cyber-enabled activities.⁴⁹⁷
- Executive Order 13224 – blocking the property of those who commit or support terrorism.⁴⁹⁸
- Executive Orders 13553, 13628, and 13606 – blocking the property of those who commit human rights abuses against the citizens of Iran, transfer technology to Iran that may be used to commit human rights abuses, or engage in censorship and monitoring of dissidents.⁴⁹⁹
- Executive Order 13382 – blocking the property of those who engage in proliferation of weapons of mass destruction and their delivery vehicles (including ballistic missiles).⁵⁰⁰
- Executive Orders 13572 and 13582 – blocking the property of those who commit human rights abuses in Syria or support the Assad regime.⁵⁰¹
- Executive Order 13611 – blocking the property of those who threaten the peace, stability, and security of Yemen.⁵⁰²
- Executive Order 13438 – blocking the property of those who threaten the stability of Iraq.⁵⁰³

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497. Executive Order 13694, “Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities,” April 1, 2015. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/cyber_eo.pdf)

498. Executive Order 13224, “Blocking the Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism,” September 25, 2001. (<https://www.treasury.gov/resource-center/sanctions/Documents/13224.pdf>)

499. Executive Order 13553, “Blocking Property of Certain Persons With Respect to Serious Human Rights Abuses by the Government of Iran and Taking Certain Other Actions,” September 28, 2010. (<https://www.treasury.gov/resource-center/sanctions/Documents/13553.pdf>); Executive Order 13628, “Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Threat Reduction and Syria Human Rights Act of 2012 and Additional Sanctions With Respect to Iran,” October 9, 2012. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/2012iranthreat_eo.pdf); Executive Order 13606, “Blocking the Property and Suspending Entry Into the United States of Certain Persons With Respect to Grave Human Rights Abuses by the Governments of Iran and Syria via Information Technology,” April 22, 2012. (<https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13606.pdf>)

500. Executive Order 13382, “Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters,” July 1, 2005. (<https://www.treasury.gov/resource-center/sanctions/Documents/whwmdeo.pdf>)

501. Executive Order 13572, “Blocking Property of Certain Persons With Respect to Human Rights Abuses in Syria,” April 29, 2011. (<https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13572.pdf>); Executive Order 13582, “Blocking Property of the Government of Syria and Prohibiting Certain Transactions with Respect to Syria,” August 17, 2011. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/syria_eo_08182011.pdf)

502. Executive Order 13611, “Blocking Property of Persons Threatening the Peace, Security, or Stability of Yemen,” May 16, 2012. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/yemen_eo.pdf)

503. Executive Order 13438, “Blocking Property of Certain Persons Who Threaten Stabilization Efforts in Iraq,” July 10, 2007. (<https://www.treasury.gov/resource-center/sanctions/Documents/13438.pdf>)

- Executive Order 13441 – blocking the property of those who undermine democratic institutions in Lebanon.⁵⁰⁴

Other Enforced Sanctions

As the United States has withdrawn from the JCPOA, Treasury has issued guidance that by November 5, 2018, those sanctions that were suspended will be re-imposed. In addition, the following sanctions are unaffected by the JCPOA and remain in force.

- **Primary U.S. Sanctions:** According to the U.S. Treasury Department, “The U.S. domestic trade embargo on Iran remains in place. With limited exceptions, U.S. persons are broadly prohibited from engaging in any transactions or dealings with Iran or its government. Additionally, U.S. persons are prohibited from doing business with the government of Iran and Iranian financial institutions and their property and interests remain blocked under Executive Order 13599 and section 560.211 of the [Iran Transactions and Sanctions Regulations].”⁵⁰⁵ U.S. primary sanctions apply to non-U.S. branches of U.S. financial institutions.⁵⁰⁶
- Non-U.S. persons must remain aware of these primary sanctions for a number of reasons:⁵⁰⁷
 - U.S. jurisdiction is broad and U.S. regulators not only at Treasury, but also at the Department of Justice, the Securities and Exchange Commission, state prosecutors, and various New York authorities may use this broad jurisdiction to target transactions that may not at a prima facie level appear to involve U.S. persons.
 - It is prohibited for any foreign person to cause a U.S. person to violate sanctions regulations.
 - It is prohibited for foreign subsidiaries of U.S. companies to involve the U.S. parent company in any Iran-related business. There must be a firewall between the U.S. parent and the foreign subsidiary when it comes to any component of the transaction with Iran.
- **Dollar Transactions:** U-turn transactions remain prohibited, and therefore U.S.-dollar clearing remains off-limits for non-U.S. banks. Foreign financial institutions may process transactions denominated in dollars, provided the transactions do not directly or indirectly involve the U.S. financial system or any U.S. person.⁵⁰⁸
- **Special Measures under USA PATRIOT Act, Section 311:** Iran was designated under Section 311 of the USA PATRIOT Act as a jurisdiction of money-laundering concern in 2011. U.S. financial institutions are prohibited from opening or maintaining a correspondent account on behalf of a foreign banking institution if the correspondent account involves Iran.⁵⁰⁹

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504. Executive Order 13441, “Blocking Property of Persons Undermining the Sovereignty of Lebanon or Its Democratic Processes and Institutions,” August 3, 2007. (<https://www.treasury.gov/resource-center/sanctions/Documents/13441.pdf>)

505. U.S. Department of the Treasury, “Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions Under the Joint Comprehensive Plan of Action (JCPOA) on Implementation Day,” December 15, 2016, page 5. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_faqs.pdf)

506. “IMF Country Report No. 17/62: Islamic Republic Of Iran,” *International Monetary Fund*, February 2017, page 4. (<http://www.imf.org/~media/Files/Publications/CR/2017/cr1762.ashx>)

507. “FIN Policy Alert: Post-Implementation Day Risks of Doing Business in Iran,” *Financial Integrity Network*, accessed October 31, 2018. (http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/fin_iran_post-implementation_day_policy_alert.pdf)

508. “IMF Country Report No. 17/63: Islamic Republic Of Iran,” *International Monetary Fund*, February 2017, page 3. (<http://www.imf.org/~media/Files/Publications/CR/2017/cr1763.ashx>)

509. U.S. Department of the Treasury, Press Release, “Fact Sheet: New Sanctions on Iran,” November 21, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx>)

- **Secondary Sanctions:** Iran also remains subject to secondary sanctions. The list below is illustrative (and non-exhaustive) of these measures. This is particularly relevant for foreign financial institutions.
- ***The Iran Freedom and Counterproliferation Act of 2012 (passed as part of the Fiscal Year 2013 National Defense Authorization Act):*** Permits the imposition of secondary sanctions against persons who knowingly provide significant financial, material, or other support to Iranian persons on the SDN list (including Iranian financial institutions designated in connection with proliferation of WMDs or delivery systems; terrorism; or human rights abuses), among others.
- ***Comprehensive Iran Sanctions Accountability and Divestment Act of 2010:*** Applies with respect to foreign financial institutions knowingly providing support to persons that facilitate a significant transaction for individuals or entities blocked in connection with Iran’s proliferation of WMD or their means of delivery.
- ***Comprehensive Iran Sanctions Accountability and Divestment Act of 2010:*** Prohibits opening or maintaining U.S. correspondent or payable-through accounts for foreign financial institutions found to have knowingly facilitated a transaction or provided financial services to the Iran Revolutionary Guard Corps, its agents or affiliates, or any other person designated in connection with proliferation of WMDs or delivery systems or support for terrorism.
- ***Countering America’s Adversaries Through Sanctions Act of 2017:*** Authorizes additional sanctions against Iran’s ballistic missile program and conventional arms imports and exports; authorizes additional sanctions on Iranian human rights violators; requires the president to sanction the IRGC under Executive Order 13224 for supporting terrorism.
- So-called “shadow SDNs” pose significant risks. Under U.S. law, entities owned or controlled 50 percent or more by designated persons are themselves considered to be designated persons, whether or not they have been specifically included on the SDN list by name. The opaque ownership structures of many Iranian entities and the use of shell and front companies hinder the due diligence processes necessary to ensure a foreign person is not transacting with a shadow SDN.⁵¹⁰
- Congress introduced legislation requiring Treasury to lower the ownership threshold, but no regulations or legislation have yet required designations of entities minority owned by sanctioned persons. In October 2018, noted FDD’s Annie Fixler and Saeed Ghasseminejad, “Treasury sanctioned some companies that are not majority owned by the Bonyad Taavon Basij but from which Bonyad Taavon Basij receives benefits via dividends and interest-free lines of credit. Previously, Treasury almost always restricted its designations to companies in which a designated entity, such as the IRGC, held a majority stake or because the company itself was directly involved in prohibited activities such as nuclear proliferation or terror finance.”⁵¹¹ While this may not be the new norm, it may indicate that Treasury is not as wedded to the ownership threshold as it was previously.

Remaining Sanctions on the IRGC

The United States has designated the IRGC and its elite arm, the IRGC-Quds Force, under several authorities. Individual IRGC commanders have been designated under other authorities.

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 510. “FIN Policy Alert: Post-Implementation Day Risks of Doing Business in Iran,” *Financial Integrity Network*, accessed October 31, 2018. (http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/fin_iran_post-implementation_day_policy_alert.pdf)

511. Annie Fixler and Saeed Ghasseminejad, “Treasury Expands Pressure on the Iranian Economy,” *Foundation for Defense of Democracies*, October 17, 2018. (<https://www.fdd.org/analysis/2018/10/17/treasury-expands-pressure-on-the-iranian-economy/>)

- The United States designated the IRGC under Executive Order 13382 for supporting Iran’s ballistic missile and nuclear programs and under Executive Orders 13553 and 13606 for human rights abuses more than a decade ago.⁵¹² In October 2017, the United States designated the IRGC in its entirety under Executive Order 13224 for supporting terrorism, pursuant to the Countering America’s Adversaries Through Sanctions Act of 2017.⁵¹³
- In October 2017, the United States designated the IRGC-Quds Force under Executive Order 13224 for providing material support to the Taliban, Hezbollah, Hamas, Palestinian Islamic Jihad, and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC).⁵¹⁴
- The Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 authorizes sanctions on any foreign financial institution facilitating significant transactions or providing financial services to the IRGC or any of its affiliates.⁵¹⁵
- The Iran Threat Reduction and Syria Human Rights Act of 2012 authorizes sanctions on non-U.S. persons who provide goods, services, or technical support to the IRGC.⁵¹⁶

APPENDIX I: GERMAN BUSINESS WITHDRAWAL FROM IRAN

- **Adidas:** The sportswear manufacturer pulled out of a deal with the Iranian national soccer team, refusing to provide the team with uniforms for the World Cup.⁵¹⁷
- **Allianz:** A company spokesperson announced in May 2018 that it is “preparing to wind down Iran-related business due to possible U.S. sanctions.”⁵¹⁸
- **BASF:** The German chemical firm announced it would “strictly comply with” U.S. sanctions against Iran.⁵¹⁹ While BASF will continue some business with Iran, it will avoid transacting with any sanctioned sector or entity, including Iran’s gas and oil industries.⁵²⁰ The world’s largest chemical maker made around \$80 million in

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 512. U.S. Department of the Treasury, Press Release, “Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism,” October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>); U.S. Department of the Treasury, Press Release, “Treasury Sanctions Iranian Security Forces for Human Rights Abuses,” June 9, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1204.aspx>)

513. U.S. Department of the Treasury, Press Release, “Treasury Designates the IRGC under Terrorism Authority and Targets IRGC and Military Supporters under Counter-Proliferation Authority,” October 13, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0177.aspx>)

514. U.S. Department of the Treasury, Press Release, “Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism,” October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

515. U.S. Department of the Treasury, Resource Center, “OFAC FAQs: Iran Sanctions), accessed October 31, 2018. (https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx#cisada)

516. Iran Threat Reduction and Syria Human Rights Act of 2012, Pub. L. 112-158,126 Stat. 1214, codified as amended at 22 U.S.C. §§ 8701-8795. (<https://www.congress.gov/112/plaws/publ158/PLAW-112publ158.pdf>)

517. Benjamin Weinthal, “Adidas follows Nike’s lead and stops service to Iran’s soccer team,” *The Jerusalem Post* (Israel), July 30, 2018. (<https://www.jpost.com/Middle-East/Adidas-follows-Nikes-lead-and-stops-service-to-Irans-soccer-team-563780>)

518. “Allianz making plans to wind down Iran business,” *Reuters*, May 15, 2018. (<https://www.reuters.com/article/us-iran-nuclear-usa-allianz/allianz-making-plans-to-wind-down-iran-business-idUSKCN1IG1QE>)

519. Matthew Karnitschnig, “BASF commits to complying with US sanctions on Iran,” *The Hill*, September 18, 2018. (<https://www.politico.eu/article/iran-donald-trump-sanctions-basf-commits-to-complying/>)

520. Matthew Karnitschnig, “BASF commits to complying with US sanctions on Iran,” *The Hill*, September 18, 2018. (<https://www.politico.eu/article/iran-donald-trump-sanctions-basf-commits-to-complying/>)

revenue in Iran in 2017.⁵²¹ BASF's oil exploration subsidiary **Wintershall** also announced it would not continue with new projects in Iran.⁵²² In 2016, Wintershall signed an MOU with the National Iranian Oil Company.⁵²³

- **Bilfinger:** The engineering group announced it would not pursue any new business in Iran.⁵²⁴ In 2016, Bilfinger received a million-euro contract to supply one of Iran's largest refineries with an upgraded process control system.⁵²⁵
- **BMW:** On October 2, 2018, the U.S. embassy in Berlin announced BMW would not pursue any economic activities in Iran.⁵²⁶
- **Daimler:** The German car and truck manufacturer announced on August 7, 2018, that it would drop plans to expand business in Iran. "We have ceased our already restricted activities in Iran in accordance with the applicable sanctions," Daimler told Reuters in a statement.⁵²⁷ Daimler had previously planned to partner with Iran's leading auto manufacturer, Iran Khodro Co., to manufacture and sell trucks, as well as establish a representative office in Tehran.⁵²⁸
- **Deutsche Bahn:** In August 2018, the state-owned rail operator announced it would end its two projects in Iran by September.⁵²⁹ A spokeswoman said, "Due to the altered banking practice we have sought to bring the contract to an amicable and timely conclusion."⁵³⁰
- **Deutsche Telekom:** Deutsche Telekom announced in August 2018 that its IT services subsidiary Detecon would end its business in Iran, which included providing consulting services to Iranian companies involved in the telecommunications industry.⁵³¹

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521. Matthew Karnitschnig, "BASF commits to complying with US sanctions on Iran," *The Hill*, September 18, 2018. (<https://www.politico.eu/article/iran-donald-trump-sanctions-basf-commits-to-complying/>)

522. David Adesnik and Saeed Ghasseminejad, "Foreign Investment in Iran: Multinational Firms' Compliance with U.S. Sanctions," *Foundation for Defense of Democracies*, September 10, 2018, page 12. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

523. David Adesnik and Saeed Ghasseminejad, "Foreign Investment in Iran: Multinational Firms' Compliance with U.S. Sanctions," *Foundation for Defense of Democracies*, September 10, 2018, page 12. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

524. "Exclusive: UK's Quercus pulls plug on \$570 million Iran solar plant as sanctions bite," *Reuters*, August 14, 2018. (<https://www.reuters.com/article/us-iran-sanctions-quercus-exclusive/exclusive-uks-quercus-pulls-plug-on-570-million-iran-solar-plant-as-sanctions-bite-idUSKBN1KZ0ZR>)

525. David Adesnik and Saeed Ghasseminejad, "Foreign Investment in Iran: Multinational Firms' Compliance with U.S. Sanctions," *Foundation for Defense of Democracies*, September 10, 2018, page 12. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

526. @usbotschaft, "@BMWGroup is not pursuing any economic activities in Iran. #sanctionsareworking," *Twitter*, October 2, 2018. (<https://twitter.com/usbotschaft/status/1047125519639220225>)

527. "Daimler abandons Iran expansion plans as sanctions bite," *Reuters*, August 7, 2018. (<https://www.reuters.com/article/us-iran-nuclear-daimler/daimler-abandons-iran-expansion-plans-as-sanctions-bite-idUSKBN1KS0N8>)

528. "Daimler abandons Iran expansion plans as sanctions bite," *Reuters*, August 7, 2018. (<https://www.reuters.com/article/us-iran-nuclear-daimler/daimler-abandons-iran-expansion-plans-as-sanctions-bite-idUSKBN1KS0N8>)

529. "German rail operator, Deutsche Telekom end Iran projects," *Reuters*, August 16, 2018. (<https://www.reuters.com/article/us-iran-nuclear-germany/german-rail-operator-deutsche-telekom-end-iran-projects-idUSKBN1L111C>)

530. "German rail operator, Deutsche Telekom end Iran projects," *Reuters*, August 16, 2018. (<https://www.reuters.com/article/us-iran-nuclear-germany/german-rail-operator-deutsche-telekom-end-iran-projects-idUSKBN1L111C>)

531. David Adesnik and Saeed Ghasseminejad, "Foreign Investment in Iran: Multinational Firms' Compliance with U.S. Sanctions," *Foundation for Defense of Democracies*, September 10, 2018, page 12. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

- **Dürr:** The automotive supplier announced it would terminate all activities in Iran.⁵³²
- **DZ bank:** The second largest bank in Germany announced it would terminate financial transactions with Iran.⁵³³ A spokesman for the bank said, “We will completely suspend our foreign payment transactions related to Iran starting July 1st.”⁵³⁴
- **Hapag-Lloyd:** The Hamburg-based container company announced it had ended one of its two services to Iran and would make a decision regarding the second service before the November 4 deadline.⁵³⁵
- **Helaba:** The regional bank “stopped processing Iran-related transactions at the end of July 2018.”⁵³⁶
- **Herrenknecht:** The tunnel-boring company announced it would end its business in Iran. Herrenknecht’s CEO said the company would terminate a contract worth around 20 million euros in order to avoid being hit by U.S. sanctions.⁵³⁷
- **Industrial and Marine Services:** The U.S. Consulate-General in Dusseldorf announced via Twitter on September 7, 2018, that IMS told U.S. Ambassador to Germany Richard Grenell that it planned to terminate all business in Iran.⁵³⁸
- **Munich Re:** The largest reinsurance company in the world announced it would terminate business in Iran so as not to violate U.S. sanctions and risk U.S. business.⁵³⁹
- **Siemens:** The German firm has undertaken a number of projects in Iran since 2015, including in the energy, transportation, and the petrochemical sector.⁵⁴⁰ Its CEO recently announced it cannot accept new deals with Iran and would wind down its presence in the country.⁵⁴¹

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532. “Exclusive: UK’s Quercus pulls plug on \$570 million Iran solar plant as sanctions bite,” *Reuters*, August 14, 2018. (<https://www.reuters.com/article/us-iran-sanctions-quercus-exclusive/exclusive-uks-quercus-pulls-plug-on-570-million-iran-solar-plant-as-sanctions-bite-idUSKBN1KZ0ZR>)

533. Riham Alkousaa and Caroline Copley, “Germany’s Mittelstand seek ways to keep doing business with Iran,” *Reuters*, May 24, 2018. (<https://www.reuters.com/article/us-iran-nuclear-germany/germanys-mittelstand-seek-ways-to-keep-doing-business-with-iran-idUSKCN1IP2YL>)

534. “Germany’s DZ Bank to halt Iran transactions in July,” *Reuters*, May 18, 2018. (<https://www.reuters.com/article/germany-iran-dz-bank/update-1-germanys-dz-bank-to-halt-iran-transactions-in-july-idUSL5N1SP5N8>)

535. “German container line Hapag-Lloyd scaling back Iran business,” *Reuters*, June 11, 2018. (<https://www.reuters.com/article/us-iran-nuclear-hapag-lloyd/german-container-line-hapag-lloyd-scaling-back-iran-business-idUSKBN1J714J>)

536. David Adesnik and Saeed Ghasseminejad, “Foreign Investment in Iran: Multinational Firms’ Compliance with U.S. Sanctions,” *Foundation for Defense of Democracies*, September 10, 2018, page 12. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

537. Christian Schlesiger, “Herrenknecht zieht sich aus Iran zurück (Herrenknecht withdraws from Iran),” *Wirtschafts Woche* (Germany), August 9, 2018. (<https://www.wiwo.de/unternehmen/industrie/folge-der-us-sanktionen-herrenknecht-zieht-sich-aus-iran-zurueck/22895446.html>)

538. @USConGenNRW, “IMS, the world leader in measurement systems for the steel & aluminum industry, tells Ambassador @RichardGrenell they will stop all business in #Iran. Another German industry leader sending a clear message that #sanctionsareworking. @GovernorTomWolf@GovernorKayIvey,” *Twitter*, September 7, 2018. (<https://twitter.com/USConGenNRW/status/1038064101916921857>)

539. Jo Harper, “German firms lead exodus out of Iran,” *Deutsche Welle* (Germany), September 21, 2018. (<https://www.dw.com/en/german-firms-lead-exodus-out-of-iran/a-45577191>)

540. David Adesnik and Saeed Ghasseminejad, “Foreign Investment in Iran: Multinational Firms’ Compliance with U.S. Sanctions,” *Foundation for Defense of Democracies*, September 10, 2018, page 12. (https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf)

541. Alanna Petroff, “Siemens CEO: We can’t do new deals with Iran,” *CNN*, May 14, 2018. (<http://money.cnn.com/2018/05/14/investing/iran-sanctions-siemens-europe/index.html>)

- **SMS Group:** The steel plant maker has put a hold on a \$400 million deal from February 2017 that sought to expand the capacity of an Iranian steel plant.⁵⁴²
- **Volkswagen:** U.S. Ambassador to Germany Richard Grenell announced on September 19, 2018, that the car manufacturer would back away from all business, except for humanitarian work, in Iran.⁵⁴³ The status of Volkswagen's business in Iran is under review.

APPENDIX II: ADDITIONAL KEY RESOURCES

- The Financial Action Task Force, "Public Statement - October 2018," October 19, 2018. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2018.html>)
- Der Bundesverband der deutschen Banken (The Federal Association of German Banks), "Herausforderungen im Geschäft mit Bezug zum Iran (Challenges in Business with Iran)," October 19, 2018. (<https://www.slideshare.net/Bankenverband/2018-1019pressefruehstueckiransanktionenfinal>)
- U.S. Treasury Financial Crimes Enforcement Network, "Advisory on the Iranian Regime's Illicit and Malign Activities and Attempts to Exploit the Financial System," October 11, 2018. (<https://www.fincen.gov/sites/default/files/advisory/2018-10-11/Iran%20Advisory%20FINAL%20508.pdf>)
- U.S. Treasury, "Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA)," August 6, 2018. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf)
- Mark Dubowitz, "Auditing Standards for Clients Doing Business with Iran," April 19, 2017. (<https://www.fdd.org/analysis/2017/04/17/auditing-standards-for-clients-doing-business-with-iran/>)
- Toby Dershowitz, "Risks of Doing Business with Iran," June 21, 2018. (<https://www.fdd.org/analysis/2018/06/21/risks-of-doing-business-with-iran-2/>)

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542. Riham Alkousaa and Caroline Copley, "Germany's Mittelstand seek ways to keep doing business with Iran," *Reuters*, May 24, 2018. (<https://www.reuters.com/article/us-iran-nuclear-germany/germanys-mittelstand-seek-ways-to-keep-doing-business-with-iran-idUSKCN1IP2YL>)

543. Nick Wadhams, "U.S. Says VW to Leave Iran in Symbolic Win for Trump," *Bloomberg*, September 19, 2018. (<https://www.bloomberg.com/news/articles/2018-09-20/u-s-says-volkswagen-to-leave-iran-in-symbolic-win-for-trump>)