

## **Latest Iran Sanctions: Leveraging New Opportunities While Meeting Strict, Rapidly Changing Requirements**

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1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

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A blue-tinted world map is visible in the background, showing the continents. In the lower right, there is a stylized globe showing the Americas. The background also features abstract blue wavy lines.

# *Iran Sanctions: Leveraging New Opportunities, Meeting New Requirements*

*Strafford Webinar*  
*March 19, 2014*

# Agenda

- Background
- Scope and jurisdiction
- Recent developments
- Questions



# *Background*

# Overview

- Comprehensive sanctions
- In place in some form since approximately 1980
- Generally administered by US Treasury Department
- State Department also involved



# Key Statutes

- International Emergency Economic Powers Act (IEEPA)
- Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA)
- Iran Sanctions Act (ISA)
- Iran Threat Reduction and Syria Human Rights Act (ITRA)
- Iran Freedom and Counter-Proliferation Act (IFCPA)
- National Defense Authorization Act For Fiscal Year 2012 (NDAA)



# Regulations / Executive Orders

- 31 CFR Parts 535, 560-62
  - Iranian Assets Control Regulations
  - Iranian Transactions and Sanctions Regulations
  - Iranian Financial Sanctions Regulations
  - Iranian Human Rights Abuses Sanctions Regulations
- Approximately 25 EOs since 1980. For example:
  - EO 13599 (Feb 2012): Property blocking
  - EO 13622 (Aug 2012): Sanctions on parties involved in (i) petro transactions and (ii) Iran's purchase of precious metals
  - EO 13645 (July 2013): Sanctions on foreign financial institutions

# Export Administration Regulations

- 15 C.F.R. 746.7
  - Prohibits exports or re-exports of most U.S. origin items to Iran but ...
  - ... defers to OFAC authorizations
- Adds EAR prohibitions to sanctions, *e.g.*
  - General Prohibition 10
  - “Deemed Exports”

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# *Jurisdiction and Scope*



# Scope

- US Persons prohibited from conducting virtually any transaction with / in Iran
  - Includes indirect transactions, *e.g.*, export of services or facilitation
  - Does not include travel ban
- Iranian assets blocked
  - Government of Iran
  - Iranian financial institutions



# Some Permissible Transactions

- Examples of General Licenses Issued:
  - Food
  - Most Medicine
  - Transactions ordinarily incident to publishing
  - Export of services and software related to personal communications
  - Certain educational activities by U.S. persons in third countries

# Licenses (cont'd)

- May be granted for:
  - Medical devices
  - Personal communications
    - Software and hardware
    - Athletic activities
  - **Safe operation of civil aircraft**



# Extraterritorial Jurisdiction



- Any entity *owned or controlled* by a US person
- Anyone who causes a sanctions violation
- Enforcement: major settlements with non-U.S. banks since 2009

# Secondary Sanctions

- Direct sanctions augmented by significant secondary sanctions enacted since 2010
  - Aimed at non-U.S. persons, e.g., foreign sanctions evaders
  - Target specific parts of the Iranian economy
  - Driven in part by Congress



# Secondary Sanctions (cont'd)

- Generally directed against non-U.S. persons
- Denial of U.S.-based benefits related to:
  - Correspondent accounts
  - Ex-Im Bank loans
  - Export benefits
  - Property transactions

# Secondary Sanctions (cont'd)

- Target certain Iranian industries, including:
  - Finance
  - Energy
  - Shipping
  - Minerals
  - Automotive

# Secondary Sanctions (cont'd)

- Practical effect: forces major non-U.S. companies, financial institutions to choose between Iranian, U.S. markets

A blue-tinted world map is visible in the background of the slide. The map shows the continents of North America, South America, Europe, Africa, and Asia. The text "Recent Developments" is overlaid on the map in a white, italicized serif font.

*Recent  
Developments*



# Iran Threat Reduction Act

- Signed by President Obama in August 2012
- Enacted piecemeal in ensuing months
- Established jurisdiction over certain non-U.S. subsidiaries of U.S. companies

# ITRA Scope

- *Certain insurance underwriters.* Subject to sanction for insuring / re-insuring NIOC or National Iranian Tanker Co.
- *Designated transportation providers.* Can be sanctioned if transporting Iranian crude oil.
- *Entities affiliated with Iran's Revolutionary Guard Corps.* Sanctions if conducting certain transactions with IRGC.
- *Human rights abusers.* Sanctioned if aiding Iran in committing abuses.

# Scope (cont'd)

- Focus on parties / transactions related to the petroleum industry
- Measures targeting individuals
  - US entry restrictions
  - Asset freezing

# ITRA (cont'd)

- Focused on conduct of non-US persons ...
- ... but new reporting requirements on issuers
  - Must make public disclosure filing to SEC if it, or any affiliate, has knowingly engaged in certain activities
  - Indication that many issuers are reporting even **non-material conduct**
  - In certain cases, President must initiate investigation



# OGSR

- SEC's Office of Global Security Risk
  - Established in 2004
  - Part of Division of Corporate Finance
  - Issues comment letters to publicly-traded companies
  - Questions re materiality of business with terrorist-sponsoring countries
- Companies have been disclosing minor violations

# JPOA

- Negotiated in Geneva in November 2013
- China, France, Germany, Russia, UK, US involved in deal
- Certain sanctions eased in exchange for restrictions on Iran's nuclear program

# JPOA (cont.)

- Unhappiness with deal from certain quarters of US government, allies
  - Israel, Saudi Arabia reportedly upset
  - U.S. Congress threatening to pass additional sanctions, potentially weakening US negotiating position

# JPOA – U.S. Relief

- Civil aviation
  - Provision of services related to inspection / repair of commercial aircraft and parts
  - Export of related goods or technology, including spare parts
  - **License required**
    - Operational challenge: how quickly can license be granted by OFAC?

# JPOA – non-U.S. Relief

- **Crude Oil Exports**

- China, India, Japan, South Korea, Taiwan, Turkey may continue importing from Iran; previously restricted funds released to Iran
- No sanctions related to exports of Iranian petroleum and petroleum products to these countries

- **Petrochemicals**

- No sanctions on non-US financial institutions / others engaged in Iran's petrochemical exports

# Non-U.S. Relief (cont'd)

- **Automotive**
  - No sanctions on non-US financial institutions / others engaged in transactions in connection with Iran's automotive sector
- **Civil aviation**
  - No sanctions on non-US financial institutions / others in connection with safe operation of commercial aircraft
- **Gold / Precious Metals**
  - No sanctions on non-US financial institutions / others that further acquisition of gold or other precious metals from or by government of Iran

# Non-U.S. Relief (cont'd)

- Facilitation of Humanitarian and Other Transactions
  - US and other countries involved in JPOA will establish mechanisms to facilitate
    - exports to Iran of food, agricultural commodities, medicine, and medical devices
    - Iran's payments of UN obligations, Iran's payments for medical expenses incurred abroad by Iranian citizens, and Iran's payments of an agreed amount of governmental tuition assistance for Iranian students studying abroad
- Dealings with specified SDNs allowed in each area

# JPOA (cont.)

- Will expire in July 2014 unless further agreement reached regarding nuclear arms
- Iran oil exports reportedly already have increased about 200%
- What is next?



# *Thank you!*

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