

ECONOMIC SANCTIONS UPDATE: IRAN



Temporary Suspension of U.S. Sanctions Against Iran

January 21, 2014

Introduction

The United States and the European Union have taken action to temporarily suspend certain economic sanctions against Iran as part of the implementation of the Joint Plan of Action Reached (the “JPOA”) on November 24, 2013 between The P5+1 and The Islamic Republic of Iran. Following International Atomic Energy Agency (IAEA) verification and confirmation that Iran is implementing its initial commitments under the JPOA, the United States has begun to take the steps required to implement the JPOA by providing limited sanctions relief. The European Union and other international partners of the United States have begun to take similar actions in temporarily suspending certain economic sanctions against Iran.

Accordingly, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), the primary U.S. government agency in charge of administering and enforcing U.S. economic sanctions against Iran, on January 20, 2014, published guidance to begin implementation of the United States' sanctions suspension/relief commitments under JPOA. The guidance outlines the sanctions that have been

suspended. These documents, as published by OFAC, are attached to this Update and they are as follows:

1. Guidance Relating to the Provision of Certain Temporary Sanctions Relief in Order to Implement the Joint Plan of Action Reached on November 24, 2013, between the P5+1 and the Islamic Republic of Iran;
2. A Statement of Licensing Policy on Activities Related to the Safety of Iran's Civil Aviation Industry; and
3. Frequently Asked Questions Relating to the Sanctions Relief Provided for in the JPOA between the P5+1 and the Islamic Republic of Iran.

A Brief Summary of the U.S. Sanctions That Have Been Suspended

Briefly, the following sanctions have been suspended for six months (the "JPAO Period"):

Sanctions Related to Iran's Export of Petrochemical Products

1. Sanctions which could have been imposed against foreign financial institutions that facilitate transactions during the six-month JPOA period (6 months as of January 20, 2014), related to exports of petrochemicals from Iran, provided that such transactions are with certain listed permissible Iranian entities ("Annex Entities") and they do not involve persons (entities and individuals) appearing on OFAC's SDN List, and certain Iranian financial institutions except Annex Entities. The Annex Entities are listed towards the end of this Update.
2. Sanctions which could have been imposed against persons that materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of, the petrochemical companies that are Annex Entities, provided that the activities do not involve persons on the SDN List other than the petrochemical companies that are Annex Entities or certain Iranian depository institutions.
3. Sanctions which could have been imposed on non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran who engage in transactions exclusively during the JPOA Period for exports of petrochemical products from Iran that are initiated and completed entirely within the JPOA Period, including transactions involving the petrochemical companies that are Annex Entities, provided that the activities do not involve persons on the SDN List other than the petrochemical companies that are Annex Entities or certain Iranian depository institutions.

Sanctions Related to Iran's Auto Industry

1. The United States will not impose correspondent or payable-through account sanctions with respect to foreign financial institutions that, exclusively during the JPOA Period, knowingly conduct or facilitate financial transactions for the sale, supply, or transfer to Iran of significant goods or services used in connection with the automotive sector of Iran that are initiated and completed entirely within the JPOA Period, provided that the transactions do not involve persons on the SDN List other than certain Iranian depository institutions.

2. The United States will not impose sanctions with respect to persons that knowingly engage in transactions for the sale, supply, or transfer to Iran of significant goods or services used in connection with the automotive sector of Iran that are initiated and completed entirely within the JPOA Period, provided that the transactions do not involve persons on the SDN List other than certain Iranian depository institutions.

Sanctions Related to Gold and Other Precious Metals

The United States will take the following steps to allow for the sale of gold and other precious metals to or from Iran, as well as the provision of associated services, by non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran:

1. The United States will not impose correspondent or payable-through account sanctions with respect to foreign financial institutions that, exclusively during the JPOA Period, conduct or facilitate transactions by non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran for the purchase or acquisition of precious metals to or from Iran that are initiated and completed entirely within the JPOA Period, provided that the funds for these purchases of gold and other precious metals may not be drawn from Restricted Funds and further provided that the transactions do not involve persons on the SDN List other than certain political subdivisions, agencies, or instrumentalities of the Government of Iran or certain Iranian depository institutions.

2. The United States, with respect to persons that, exclusively during the JPOA Period, materially assist, sponsor, or provide financial, material, or technological support for, or goods or services in support of, the purchase or acquisition of precious metals to or from Iran or by the Government of Iran if such activities are initiated and completed entirely within the JPOA Period, provided that the funds for these purchases of gold and other precious metals are not drawn from Restricted Funds, and further provided that the transactions do not involve persons on the SDN List other than certain permissible political subdivisions, agencies, or instrumentalities of the Government of Iran or certain Iranian depository institutions.

Sanctions Related to Civil Aviation

1. Statement of Licensing Policy: OFAC will issue a new Statement of Licensing Policy (SLP) that covers certain activities related to the safety of Iran's civil aviation industry. The SLP will establish, during the JPOA Period, a favorable licensing policy regime under which U.S. persons, U.S.-owned or -controlled foreign entities, and non-U.S. persons involved in the export of U.S.-origin goods can request specific authorization from OFAC to engage in transactions that are initiated and completed entirely within the JPOA Period to ensure the safe operation of Iranian commercial passenger aircraft, including transactions involving Iran Air.
2. The United States will not impose correspondent or payable-through account sanctions on foreign financial institutions that, exclusively during the JPOA Period, conduct or facilitate financial transactions relating to the type of activities covered by the SLP that are conducted on behalf of non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran, provided such activities are initiated and completed entirely within the JPOA Period, and further provided that the transactions do not involve persons on the SDN List other than Iran Air or certain Iranian depository institutions.
3. The United States will not impose blocking sanctions with respect to persons that, exclusively during the JPOA Period, materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of, Iran Air in connection with activities intended to ensure the safe operation of Iranian commercial passenger aircraft, provided such activities are outlined in the JPOA and are initiated and completed entirely within the JPOA Period and do not involve persons on the SDN List other than Iran Air or certain Iranian depository institutions.

Sanctions Related to Iran's Export of Crude Oil

JPOA provides for certain sanctions relief related to Iran's crude oil sales. Under the JPOA, the United States will "pause efforts to further reduce Iran's crude oil sales, enabling Iran's current customers to purchase their current average amounts of crude oil. Enable the repatriation of an agreed amount of revenue held abroad. For such oil sales, suspend U.S. sanctions on associated insurance and transportation services." To implement this provision of the JPOA, the United States will take the following steps to allow for China, India, Japan, the Republic of Korea, Taiwan, and Turkey to maintain their current average level of imports from Iran during the JPOA Period and to render non-sanctionable a limited number of transactions for the release in installments of an agreed amount of revenue to Iran for receipt at participating foreign financial institutions in selected jurisdictions.

1. The United States will not impose correspondent or payable-through account sanctions with respect to foreign financial institutions that conduct or facilitate transactions exclusively during the JPOA

Period by non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran for exports of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan, or Turkey, and associated insurance and transportation services, that are initiated and completed entirely within the JPOA Period, including transactions involving the National Iranian Oil Company (NIOC) or the National Iranian Tanker Company (NITC), provided that the transactions do not involve persons on the SDN List other than NIOC, NITC, or certain Iranian depository institutions.

2. The United States will not impose blocking sanctions with respect to non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran that, exclusively during the JPOA Period, materially assist, sponsor, or provide financial, material, or technological support for, or goods or services in support of, exports of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan, or Turkey, and associated insurance and transportation services, including for activities involving NIOC or NITC, provided such activities are initiated and completed entirely within the JPOA Period, and further provided that the activities do not involve persons on the SDN List other than NIOC, NITC, or certain Iranian depository institutions.

3. The United States will not impose sanctions on non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran who engage in transactions exclusively during the JPOA Period for exports of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan, or Turkey, and associated insurance and transportation services, including transactions involving NIOC or NITC, provided such activities are initiated and completed entirely within the JPOA Period, and further provided that the activities do not involve persons on the SDN List other than NIOC, NITC, or certain Iranian depository institutions.

Facilitation of Humanitarian and Certain Other Transactions

Mechanisms will be established to further facilitate the purchase of, and payment for, the export of food, agricultural commodities, medicine, and medical devices to Iran, as well as to facilitate 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. Foreign financial institutions whose involvement in hosting these new mechanisms is sought by Iran will be contacted directly by the U.S. Department of the Treasury and provided specific guidance.

The new mechanism for humanitarian trade transactions is not the exclusive way to finance or facilitate the sale of food, agricultural commodities, medicine, and medical devices to Iran by non-U.S. persons not otherwise subject to the primary U.S. sanctions against Iran, which is not generally sanctionable so

long as the transaction does not involve persons designated in connection with Iran's support for international terrorism or Iran's proliferation of weapons of mass destruction (WMD) or WMD delivery systems. Therefore, transactions for the export of food, agricultural commodities, medicine, and medical devices to Iran generally may be processed pursuant to pre-existing exceptions and are not required to be processed through the new mechanism.

Crude Oil Sanctions Waivers

To enable the implementation of the sanctions relief outlined in the JPOA and described above, the United States has issued limited waivers of sanctions in connection with exports of crude oil from Iran to China, India, Japan, the Republic of Korea, Taiwan, and Turkey and for transactions related to the release in installments of an agreed amount of revenues to Iran for receipt at participating foreign financial institutions in selected jurisdictions and the establishment of the financial channel provided for in the JPOA.

The Annex Entities:

1. Bandar Imam Petrochemical Company;
2. Bou Ali Sina Petrochemical Company;
3. Ghaed Bassir Petrochemical Products Company;
4. Iran Petrochemical Commercial Company;
5. Jam Petrochemical Company;
6. Marjan Petrochemical Company;
7. Mobin Petrochemical Company;
8. National Petrochemical Company;
9. Nouri Petrochemical Company;
10. Pars Petrochemical Company;
11. Sadaf Petrochemical Assaluyeh Company;
12. Shahid Tondgooyan Petrochemical Company;
13. Shazand Petrochemical Company; and
14. Tabriz Petrochemical Company.

Attachments

Questions and Guidance

For more information or questions regarding the subjects covered in this *Economic Sanctions Update*, please contact:

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The Eren Law Firm is an economic sanctions boutique. Its other core areas of concentration and practice include corporate transactions, and international dispute resolution, anti-money laundering, and international trade regulation. The Firm's clients from around the world include banks and financial institutions; insurance, reinsurance and other financial services companies; natural resource extraction companies, industrial companies, marine and air transportation companies, shipowners; sovereign governments; foreign state enterprises; and individuals.

Mr. Eren and Mr. Pinter of the Firm served at the U.S. Treasury's Office of Foreign Assets Control (OFAC), the U.S. government agency that administers and enforces U.S. economic sanctions, for a combined 25 years prior to entering private law practice, respectively 12 and 11 years ago, and since this time, they have devoted and continue to devote most of their time in private practice to economic sanctions issues and matters. Ms. Barbara Maucher of the firm advises on EU sanctions issues and matters.

At OFAC, Mr. Eren's portfolio consisted primarily of various sanctions matters involving Iran. While at OFAC, Mr. Pinter was a member of the U.S. Government team, representing the U.S. Treasury Department, which traveled to Hanoi in 1993, to negotiate the settlement of bilateral property claims between the United States and Vietnam, including the unblocking and release of blocked Vietnamese assets and the claims of third parties against Vietnam, which led to the lifting of the sanctions in February 1994. He was also a member of a team which negotiated with the government of Cambodia regarding similar issues affecting the release of blocked assets to that country, and the compensation of private parties who sustained losses due to actions for which that government was held responsible.

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