US to re-impose sanctions on Iran as it withdraws from the Joint Comprehensive Plan of Action

Energy Alert

Government Affairs Alert

9 MAY 2018
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US President Trump has announced that the United States will withdraw from the Joint Comprehensive Plan of Action (JCPOA). President Trump signed a presidential memorandum directing his Administration to immediately begin the process of re-imposing sanctions related to the JCPOA. These re-imposed sanctions will target critical sectors of Iran's economy, such as its energy, petrochemical, and financial sectors.

In his announcement, President Trump specifically stated that sanctions against Iran's nuclear program will be reinstated, including sanctions targeting Iran's government and that any nation that helps "Iran's quest for nuclear weapons" could also face strong sanctions. The President further stated that the sanctions will also target Iran's ballistic missile program and terrorist activities.

As a result of this announcement, the nuclear-related sanctions that were suspended pursuant to the JCPOA will snap back. Generally, this means that:

- US secondary sanctions, which seek to penalize non-US persons that engage in certain commercial activities in Iran, will be reinstated
• The limited US primary sanctions applicable to US persons that were suspended pursuant to the JCPOA will also be reinstated.

We anticipate that the State and Treasury Departments will issue more detailed guidelines as a result of the presidential memorandum signed yesterday; however, in the interim, the White House and Treasury Department have issued preliminary announcements that are instructive.

Please find a more detailed analysis below. In parallel, we expect measures to be taken by the EU and other parties to the JCPOA to address the impact of the US sanctions.

**International reactions**

In the EU's response (see official press statement) following President's Trump announcement, High Representative/Vice-President Federica Mogherini has indicated the EU is determined to preserve the JCPOA. In this regard, she remarked:

"The lifting of nuclear related sanctions is an essential part of the agreement. The European Union has repeatedly stressed that the lifting of nuclear related sanctions has not only a positive impact on trade and economic relations with Iran, but also and mainly crucial benefits for the Iranian people. The European Union is fully committed to ensuring that this continues to be delivered on."

Mogherini also alluded on the wider trade implications for European companies and possible measures the EU will take in this regard, stating:

"I am particularly worried by the announcement of new sanctions. I will consult with all our partners in the coming hours and days to assess their implications. The European Union is determined to act in accordance with its security interests and to protect its economic investments."

**Details - US sanctions and wind-down**

The White House fact sheet on this announcement confirms that there will be a wind-down period before the full gamut of sanctions are re-imposed. In addition, the Treasury Department’s Office of Foreign Assets Control (OFAC) issued additional FAQs, which note that the wind-down period will be either 90 days or 180 days, depending on the underlying activity (described further below).

Transactions subject to secondary sanctions will generally need to be concluded by August 6, 2018 or November 4, 2018 to avoid exposure to sanctions or an enforcement action under US law.

Of particular importance to US entities, the Treasury Department has also stated that General License H (GL H) will be revoked as soon as administratively feasible and new authorization is expected to be issued for US-owned or -controlled foreign entities that availed themselves of GL H to wind down those activities by November 4, 2018.

Additionally, no later than November 5, 2018, all persons or entities that had been removed from the Specially Designated Nationals and Blocked Persons List (SDN List) and listed as "non-SDNs" due to meeting the definition of Government of Iran or Iranian financial institution will be re-designated as SDNs. In addition to the primary or secondary sanctions prohibition that may apply to dealing with SDNs, transactions with these SDNs may result in reporting obligations for US and non-US persons under Section 13(r) of the Securities and Exchange Act.

The secondary sanctions that will be re-imposed after the 90-day wind-down period (ending on August 6, 2018) include sanctions on services related to:

• The purchase or acquisition of US dollar banknotes by the Government of Iran
• Iran's trade in gold or precious metals
• 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
• 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
• The purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt and...
Iran's automotive sector

The secondary sanctions that will be re-imposed after the 180-day wind-down period (ending on November 5, 2018) include sanctions on services related to:

- 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
- 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
- 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)
- 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)
- Provision of underwriting services, insurance or reinsurance and
- Iran’s energy sector

If you have any questions about these changes, please contact one of our dedicated team.

Additional background information on the JCPOA and US primary and secondary sanctions may be found here.

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