

# PUBLICATION

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## Iran Sanctions Go into Effect August 7 – U.S. and Foreign Businesses Need to Be Alert

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On May 8, 2018, President Donald Trump announced that the U.S. will withdraw from the Iran nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), and reimpose the strict economic sanctions program that was in place prior to the landmark 2015 agreement. Based on the guidance issued by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC), the reimposed sanctions will impact businesses outside of the U.S. that engage in business with or in Iran, particularly those who do so while also seeking to maintain or establish a U.S. presence or dealings with U.S. companies. The "secondary sanctions" control who those foreign entities can do business with and restrict how foreign entities can utilize the U.S. financial system. Foreign persons and businesses can also be held liable for causing U.S. persons to violate sanctions regulations.

Two "wind-down" deadline periods were issued by OFAC for U.S. and non-U.S. businesses to cease potentially sanctionable activity in or with Iran:

1. As of August 7, 2018, sanctions will be reimposed on the following:

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;

- Iran's trade in gold or precious metals;
- Significant transactions related to the purchase or sale of Iranian rials, or maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial; and
- Activities in Iran's automotive sector.

2. On November 4, 2018, sanctions will be reimposed on the following:

Iran's port operators and shipping sectors, including on the Islamic Republic of Iran Shipping Lines, South Shipping Line Iran, and affiliates;

- Petroleum-related transactions and petrochemical products;
- Transactions by foreign financial institutions with the Central Bank of Iran and others; and
- Activities in Iran's energy sector.

In addition, OFAC is requiring activities conducted under General License H to be wound down by November 4, 2018. If your company is conducting business in the above-listed, soon to be affected sectors, you risk being penalized under U.S. sanctions regulations if you do not cease all sanctionable activity.

### What Does This Mean for Your Business?

If your business engages in or transacts with Iran after the respective wind-down periods, then something as simple as transacting in the U.S. dollar, maintaining U.S. bank accounts, or maintaining a U.S. presence could risk your access to the U.S. financial system and subject you to the sanctions. There is a menu of 12 available

sanctions that can be imposed on a foreign business that violates U.S. secondary sanctions regulations, from which the Secretary of State or the Treasury are required to select at least five to implement at their discretion:

3. Denial of Export-Import Bank loans, credits, or credit guarantees for U.S. exports to the sanctioned entity;
4. Denial of licenses for the U.S. export of military or militarily useful technology to the entity;
5. Denial of U.S. bank loans exceeding \$10 million in one year to the entity;
6. If the entity is a financial institution, a prohibition on its service as a primary dealer in U.S. government bonds; and/or a prohibition on its serving as a repository for U.S. government funds (each counts as one sanction);
7. Prohibition on U.S. government procurement from the entity;
8. Prohibitions in transactions in foreign exchange by the entity;
9. Prohibition on any credit or payments between the entity and any U.S. financial institution;
10. Prohibition of the sanctioned entity from acquiring, holding, using, or trading any U.S.-based property which the sanctioned entity has a (financial) interest in;
11. Restriction on imports from the sanctioned entity, in accordance with the International Emergency Economic Powers Act;
12. A ban on a U.S. person from investing in or purchasing significant amounts of equity or debt instruments of a sanctioned person;
13. Exclusion from the United States of corporate officers or controlling shareholders of a sanctioned firm; and/or
14. Imposition of any of the ISA sanctions on principal offices of a sanctioned firm.

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