

# ClientAlert

## International Trade

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### Temporary Suspension of Limited US Sanctions Restrictions on Dealings With Iran

On January 20, 2014, the US Treasury Department's Office of Foreign Assets Control (OFAC) issued Guidance Relating to the Provision of Certain Temporary Sanctions Relief (Guidance) to explain the limited and temporary sanctions relief being granted pursuant to the US Government's commitment under the Joint Plan of Action (JPOA) reached on November 24, 2013 between the P5+1 (United States, United Kingdom, Germany, France, Russia and China) and Iran in the context of the nuclear negotiations with Iran.

The sanctions relief is limited to specified sectors and limited types of activity only. It is granted on a temporary and reversible basis. All authorized relief, including all activities and payments, must take place during the six-month period starting on January 20, 2014 and ending on July 20, 2014. Subsequent performance or payment will not be authorized.

It is crucial to note that except for the new favorable licensing policy for exports of parts and services for repair and maintenance of Iranian civil carriers, the sanctions relief applies to non-US entities (but not to non-US entities owned or controlled by US persons.) The ability of US persons to engage in Iran transactions is not increased in any other way. With extremely limited exceptions, the prohibitions on US persons engaging in Iran-related transactions continue to apply to essentially all business, commercial and financial transactions. The bulk of the relief covers sanctionable or prohibited activity that is newly authorized for six months if engaged in by entities that are not US persons and are not owned or controlled by US persons.

The following is a brief summary of the categories of activity that are newly considered non-sanctionable, provided they fall clearly and unequivocally under the categories set forth by OFAC and occur in their entirety during the six-month period between January 20 and July 20, 2014. OFAC has stressed that only the activities specifically identified in its Guidance of January 20 are exempted from sanctions. Sanctions will apply if otherwise-permissible activity during the period occurs after it ends, even if pursuant to agreements entered into during the period. According to OFAC, any deviation from the permissible scope will be subject to vigorous enforcement action. OFAC also has made clear that the bulk of its sanctions programs against Iran continues in effect unchanged and that they will continue to be vigorously enforced.

- **Purchases of petrochemical products from Iran.** Non-US persons may purchase specified petrochemical products from Iran. The Guidance provides a listing of eligible products. "Associated services" to such purchases also are covered, including any insurance, transportation or financial service ordinarily incident to the underlying activity. The purchases are not authorized, however, if Specially Designated Nationals ("SDNs")



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are involved, other than certain financial institutions that are SDNs pursuant to EO 13599 only, as well as specified Iranian petrochemical companies that OFAC has specified may be transacted with in an annex to the Guidance.

- **Sales to Iran's auto industry.** Non-US persons are permitted to sell goods and services to Iran's auto sector, which is defined as manufacturing and assembly in Iran of light and heavy vehicles, as well as original equipment manufacturing and after-market parts manufacturing. The restrictions that are suspended for six months are defined to cover auto kits, parts and supplies. These sales and services are not authorized, however, if SDNs are involved, other than certain financial institutions that are SDNs pursuant to EO 13599 only.
- **Sales and purchases of gold and other precious metals.** Non-US persons may for the six-month period buy from and sell to Iran gold and specified precious metals without this activity being deemed sanctionable. These purchases or sales are not authorized, however, if SDNs are involved other than financial institutions or Iranian governmental entities listed pursuant to Executive Order 13599 only. The funds for these activities must not be from "Restricted Funds," which include (1) any existing and future revenues from Iran oil sales, and (2) any Central Bank of Iran ("CBI") funds, with certain exceptions for non-petroleum CBI funds held at a foreign country's central bank.
- **Parts and services for Iranian civil aviation—both US and non-US persons.** US persons, US-owned or controlled foreign entities and non-US persons involved in the export of US-origin goods may for the six-month period seek a specific license that will permit the export of goods and services, including repairs, to ensure the safe operation of Iranian commercial passenger aircraft, including Iran Air, but excluding all other SDNs. On January 20, 2014, OFAC also issued a Statement of Licensing Policy to establish the requirements of the favorable licensing policy regime.
- **Purchases of petroleum and petroleum products from Iran.** The temporary sanctions relief provides for a pause in the otherwise obligatory reduction of purchases of Iran's crude oil by six countries that are Iran's current customers (i.e., China, India, Japan, the Republic of Korea, Taiwan and Turkey). The US Government will not impose sanctions on Foreign Financial Institutions (FFIs) and non-US persons for conducting or

facilitating transactions during the six-month period by non-US persons for exports of petroleum and petroleum products from Iran to the six countries, and related insurance and transportation services. This includes transactions involving the National Iranian Oil Company (NIOC) or the National Iranian Tanker Company (NITC) or Iranian depository institutions listed pursuant to E.O. 13599 only. In conjunction with this relaxation measure, the US Government will not impose sanctions on a limited number of transactions for the release in phases to Iran of Iranian funds previously restricted under US extraterritorial sanctions. The total to be released over the course of six months is USD 4.2 billion.

- **Facilitating a financial channel for humanitarian trade, including food and medicine.** Mechanisms will be established to 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 and for medical and tuition expenses incurred abroad by Iranian citizens. Certain FFIs will be contacted directly by OFAC to host these new mechanisms. The US Government would work with these banks using Iranian oil revenues held abroad. Currently, non-US persons have other channels or are not covered by US sanctions as long as the transaction does not involve persons designated in connection with Iran's support for terrorism or its proliferation of weapons of mass destruction.

Click [here](#) for the Guidance Relating to the Provision of Certain Temporary Sanctions Relief, [here](#) for the Statement on Licensing Policy on Activities Related to the Safety of Iran's Civil Aviation Industry, and [here](#) for Frequently Asked Questions Relating to the Sanctions Relief Provided for in the Joint Plan of Action between the P5+1 and the Islamic Republic of Iran.

Parties whose activity might fall within the scope of the six-month liberalization should vet potential Iran-related transactions extremely carefully before proceeding to ensure they fall squarely within the four walls of OFAC's Guidance. Except in connection with the Iranian civil aviation goods and services under specific licenses, US persons, including US financial institutions, may not be involved in any way. Any involvement of the US financial system, including USD-denominated payments, would be prohibited based on the involvement of US persons.

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