

# Client Alert

International Trade &amp; Litigation Practice Group

February 24, 2014

## OFAC Publishes New Guidance On Temporary And Limited U.S. Sanctions Relief For Iran

On January 30, 2014, the Office of Foreign Assets Control (OFAC) published in the *Federal Register* [Guidance Relating to the Provision of Certain Temporary Sanctions Relief in Order to Implement the Joint Plan of Action \(“JPOA”\) Reached on November 24, 2013, Between the P5+1 and the Islamic Republic of Iran](#) (“Guidance”). The P5+1 countries (China, France, Russia, the United Kingdom, the United States, and Germany) committed to provide Iran with limited, targeted, and reversible sanctions relief for a six-month period in return for Iran’s commitment to place meaningful limits on its nuclear program. With respect to U.S. commitments under the JPOA, the U.S. Departments of State and Treasury will implement sanctions relief relating to certain activities and associated services taking place exclusively during the six-month period beginning on January 20, 2014, and ending on July 20, 2014 (“JPOA Period”). As discussed in more detail below, this relief almost exclusively applies to non-U.S. persons and is limited and temporary.

### U.S. Commitments Under the JPOA

Under the JPOA, the U.S. Government will not impose sanctions on non-U.S. persons involved in activities and associated services related to particular transactions in the petrochemical, auto, gold and precious metals, civil aviation, and crude oil industries in Iran. The U.S. Government also has committed to providing sanctions relief for purposes of facilitating humanitarian trade with Iran. Importantly, all transactions must occur exclusively during the JPOA Period. This means, for example, that a contract for eligible activities and services signed during the JPOA Period but performed after July 20, 2014, would not be eligible for sanctions relief.

In a set of [Frequently Asked Questions](#) (“FAQs”) posted on its website, OFAC defines “associated service” as “any necessary service – including any insurance, transportation or financial service – ordinarily incident to the underlying activity for which sanctions relief has been provided pursuant to the JPOA.” Relief does not apply to transactions involving designated parties listed on the Specially Designated Nationals and Blocked Persons List (“SDN List”), subject to some exceptions. Sanctions also continue to apply to foreign subsidiaries of U.S. companies, and other non-U.S. entities owned or controlled by U.S. persons.

For more information, contact:

**Christine E. Savage**  
+1 202 626 5541  
csavage@kslaw.com

**Mark T. Wasden**  
+1 202 626 5529  
mwasden@kslaw.com

**Jane Y. Cohen**  
+1 202 661 7842  
jcohen@kslaw.com

**Shannon Doyle Barna**  
+1 202 626 5607  
sbarna@kslaw.com

**Clinton R. Long**  
+1 202 626 2622  
clong@kslaw.com

**King & Spalding**  
**Washington, D.C.**  
1700 Pennsylvania Avenue, NW  
Washington, D.C. 20006-4707  
Tel: +1 202 737 0500  
Fax: +1 202 626 3737

[www.kslaw.com](http://www.kslaw.com)

## Iranian Industries Benefitting from the JPOA

The JPOA provides for the temporary suspension of U.S. sanctions for the following Iranian industries for certain activities and associated services that take place exclusively within the JPOA Period:

- **Petrochemicals** – the U.S. Government will not impose the following sanctions to allow for the export of petrochemical products from Iran, as well as associated services, by non-U.S. persons: (1) sanctions on the opening and maintenance of correspondent or payable-through accounts for foreign financial institutions that conduct or facilitate transactions by non-U.S. persons for exports of petrochemical products from Iran; (2) sanctions blocking the property interests of non-U.S. 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 listed in the Annex to the Guidance for exports of petrochemical products from Iran; and (3) menu-based sanctions on non-U.S. persons who engage in transactions involving exports of petrochemical products from Iran. Persons listed on the SDN List cannot be involved in these transactions, with the exception of fourteen petrochemical companies listed in the Guidance’s Annex and any Iranian depository institutions sanctioned solely under Executive Order 13599 (“E.O. 13599”).
- **Auto Industry** – the U.S. Government will not impose the following sanctions to allow for the sale, supply, or transfer to Iran of significant goods or services used in connection with the automotive sector of Iran, as well as the provision of associated services, by non-U.S. persons: (1) sanctions on the opening and maintenance of correspondent or payable-through accounts for foreign financial institutions that 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; and (2) menu-based sanctions on non-U.S. persons who 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. These transactions may not involve persons listed on the SDN List other than any Iranian depository institutions sanctioned solely under E.O. 13599. According to the FAQs, “goods” include complete knock-down kits and “services” include maintenance and insurance, among other things.
- **Gold and Other Precious Metals** – the U.S. Government will not impose the following sanctions 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: (1) sanctions on the opening and maintenance of correspondent or payable-through accounts for foreign financial institutions that conduct or facilitate transactions by non-U.S. persons for the purchase or acquisition of precious metals to or from Iran; and (2) sanctions blocking the property interests of non-U.S. persons who 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. The funds for these transactions may not be drawn from Restricted Funds (*e.g.*, any existing and future revenues from the sale of Iranian petroleum and related products and certain Central Bank of Iran funds), and the transactions cannot involve persons on the SDN List other than Iranian Governmental entities or any Iranian depository institutions sanctioned solely under E.O. 13599.
- **Civil Aviation** – pursuant to the U.S. Government’s commitment to license the supply and installation in Iran of spare parts for safety of flight for Iranian civil aviation and associated services, OFAC published a Statement of Licensing Policy (“SLP”) on its website on January 20, 2014. Unlike most provisions in the Guidance, U.S. persons are eligible to participate in this licensing program. All specific licenses issued under the SLP expire on July 20, 2014, and all relevant activities authorized under the specific licenses must occur within the JPOA Period. Furthermore, the U.S. Government will not impose the following sanctions: (1) sanctions on the opening and maintenance of correspondent or payable-through accounts for foreign financial institutions that 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; and (2) sanctions blocking the property interests of non-U.S. persons who materially assist, sponsor, or provide financial 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. These transactions cannot involve persons on the SDN List other than Iran Air or any Iranian depository institutions sanctioned solely under E.O. 13599. Iran Air, despite appearing on the SDN List, also can be involved in activities licensed under the SLP.

- **Crude Oil** – the U.S. Government agreed to “pause” certain sanctions intended to reduce crude oil exports from Iran to specific countries. During the JPOA Period, the U.S. Government will allow for China, India, Japan, South Korea, Taiwan, and Turkey to maintain their current average level of imports from Iran. The U.S. Government also will not pursue sanctions on persons releasing agreed amounts of Iranian revenue by installment payments to participating foreign financial institutions in selected jurisdictions. In addition, the U.S. Government will not impose the following sanctions to allow for exports of crude oil from Iran to these countries, as well as associated insurance and transportation services: (1) sanctions on the opening and maintenance of correspondent or payable-through accounts for foreign financial institutions that conduct or facilitate transactions by non-U.S. persons for exports of petroleum and petroleum products from Iran to China, India, Japan, South Korea, Taiwan, and Turkey; (2) sanctions blocking the property interests of non-U.S. persons who materially assist, sponsor, or provide financial or technological support for, or goods or services in support of, exports of petroleum and petroleum products from Iran to the above six countries; and (3) menu-based sanctions on non-U.S. persons who engage in transactions for exports of petroleum and petroleum products from Iran to the above six countries. These transactions cannot involve persons on the SDN List other than the National Iranian Oil Company, National Iranian Tanker Company, or any Iranian depository institutions sanctioned solely under E.O. 13599.

## Current Status of U.S. Sanctions Against Iran

The U.S. Government will continue to enforce existing sanctions against Iran, including those that apply to transactions involving Iran’s energy industry, and retains the authority to impose additional sanctions against Iran during the JPOA Period for activities that occurred (1) prior to January 20, 2014, (2) during the JPOA Period to the extent such activities are materially inconsistent with sanctions relief, and (3) before and during the JPOA Period in order to combat terrorism and the proliferation of weapons of mass destruction.

If you have any questions about sanctions on Iran, the authors would be pleased to assist you.

\* \* \*

*Celebrating more than 125 years of service, King & Spalding is an international law firm that represents a broad array of clients, including half of the Fortune Global 100, with 800 lawyers in 17 offices in the United States, Europe, the Middle East and Asia. The firm has handled matters in over 160 countries on six continents and is consistently recognized for the results it obtains, uncompromising commitment to quality and dedication to understanding the business and culture of its clients. More information is available at [www.kslaw.com](http://www.kslaw.com).*

*This alert provides a general summary of recent legal developments. It is not intended to be and should not be relied upon as legal advice. In some jurisdictions, this may be considered “Attorney Advertising.”*