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Trump Withdraws U.S. From Iran Deal: Can Your Company Still Do Business?

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On May 8, President 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. The U.S. Treasury Department's Office of Foreign Assets Control issued a Frequently Asked Questions document in coordination with the announcement to assist with the implementation of the Iran sanctions program. Here is the bottom line so far.

Following a wind-down period, all U.S. nuclear-related sanctions that were lifted to effectuate JCPOA sanctions relief will be reimposed. Certain sanctions are subject to a 90-day wind-down period that will be formally reimposed on August 6, and the rest are subject to a 180-day wind-down period ending on November 4. On November 5, General License H, which allows U.S.-owned or U.S.-controlled foreign companies to do business in Iran, will be gone. The most significant sanctions to be reimposed are "secondary sanctions," which place strict limits on foreign companies doing business with Iran.

As a result of the reimposition of secondary sanctions, foreign entities, even those not owned or controlled by U.S. parties, will have to decide whether they want to do business with Iran or the U.S. Specifically, foreign entities will not be able to do business in Iranian rials and do business with or through the U.S. banking system. Such businesses could also be added to the Specially Designated Nationals and Blocked Persons lists.

Other specific provisions that will be rolled back and directly affect U.S. entities concern the sale of airplanes and parts, Iranian carpets and foodstuffs, and certain financial transactions that were permitted under the Iranian Transactions and Sanctions Regulations (ITSR). These provisions are subject to the 90-day wind-down period. As an ongoing reminder, none of these changes affect the ITSR's general prohibition against U.S. persons doing business with Iran. This means the prohibitions on sales to Iran that existed before the JCPOA still exist. No U.S. parties can sell any products to Iran unless specifically authorized. This means no paperclips, coffee mugs, etc., can be sent to Iran unless the transaction is covered by a license. The President also reimposed sanctions on Iranian government trade in gold and precious metals, the purchase of U.S. dollar banknotes, and the direct and indirect sale of certain metals and software, as well as sanctions involving Iran's automotive, port, shipbuilding, petroleum, banking and energy sectors, and the issuance of Iranian sovereign debt.

U.S. and foreign entities must quickly evaluate all current and future business and investments in and with Iranian entities and determine if there are any exceptions to divesting of all Iranian business activities. Moreover, any facilitation of Iranian activities must also be considered. These changes are new, and there may be additional guidance provided for foreign entities to apply for additional exemptions or waivers. European Union (E.U.) leaders have already said they plan to press the U.S. government for potential carve-outs to the sanctions for European companies. However, as of today, the Administration wants all global businesses to decide whether they will do business with the U.S. or do business with Iran. Regulatory compliance obligations may become even trickier if the E.U. implements a protected harbor or blocking regulation for European companies doing business with Iran. It will be critical to follow the implementation of the Iranian sanctions

program as well as the E.U.'s diplomatic efforts and response during the wind-down period over the course of the coming months.

For more information on the Iran nuclear deal or related matters, please contact a member of Baker Donelson's Global Business Team.