

Client Alert



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For further information please contact:

Washington, DC Outbound Trade Group

Edward E. Dyson, Senior Counsel
+1 202 452 7004
edward.dyson@bakermckenzie.com

Nicholas F. Coward, Partner
+1 202 452 7021
nicholas.coward@bakermckenzie.com

Janet K. Kim, Partner
+1 202 835 1653
janet.k.kim@bakermckenzie.com

Sylwia A. Lis, Partner
+1 202 835 6147
sylwia.lis@bakermckenzie.com

Steven F. Hill, Of Counsel
+1 202 835 6121
steven.hill@bakermckenzie.com

Kerry B. Contini, Associate
+1 202 835 6100
kerry.contini@bakermckenzie.com

Focus on Iran

Outline of EU and U.S. Sanctions Relief for Iran under Joint Comprehensive Plan of Action

On 14 July 2015, Iran and the EU/E3+3 (China, France, Germany, the Russian Federation, the United Kingdom, the United States, and the European Union) announced that they had agreed on a Joint Comprehensive Plan of Action ("JCPOA" or "Agreement") on Iran's nuclear programme, including the lifting of sanctions currently imposed against Iran. If fully implemented, the JCPOA will ultimately see the comprehensive lifting of all UN Security Council ("UNSC") sanctions, as well as multilateral and national sanctions, related to Iran's nuclear programme, including increasing access in areas of trade, technology, finance, and energy. In return, Iran will limit its nuclear programme and allow the International Atomic Energy Agency ("IAEA") to verify and monitor Iran's compliance with the nuclear-related measures under the Agreement. There will also be a 65-day snapback mechanism by which sanctions may be reinstated for non-compliance, subject to a dispute resolution process.

Time Frame

According to a copy of the Agreement made available by the EU (available [here](#)), a resolution shall be promptly put forward to the UNSC to endorse the JCPOA. Ninety days after the UNSC adopts a resolution endorsing the JCPOA (or sooner if agreed by mutual consent), the commitments set forth in the JCPOA will come into effect ("Adoption Day"). In practical terms, this will mean that the JCPOA participants will begin to make the necessary arrangements to implement their respective commitments under the JCPOA on Adoption Day. However, the parties have agreed that the relaxation of UN, EU, and certain U.S. sanctions will only take effect once the IAEA has verified that Iran has implemented its nuclear-related commitments under the JCPOA ("Implementation Day"). **On this basis, sanctions may not be actually lifted or relaxed until late 2015 or early 2016.**

The EU has announced that it will prolong until 14 January 2016 the temporary suspension of EU restrictive measures agreed in the Joint Plan of Action ("JPOA") with Iran dated 24 November 2013. The U.S. Government has also announced its intention to extend the JPOA sanctions relief until Implementation Day and is likely to adopt an approach similar to the EU. **For now, all other sanctions targeting Iran remain in place until the sanctions relief described in the JCPOA is implemented and has taken effect.**

Lise S. Test, Associate
+1 202 835 6131
lise.test@bakermckenzie.com

Alexandre Lamy, Associate
+1 202 835 1862
alexandre.lamy@bakermckenzie.com

Maria H. van Wagenberg, Associate
+1 202 835 6118
maria.vanwagenberg@bakermckenzie.com

Joseph A. Schoorl, Associate
+1 202 835 1647
joseph.schoorl@bakermckenzie.com

Hannah N. Zarkar, Associate
+1 202 835 6155
hannah.zarkar@bakermckenzie.com

Chicago Trade Group

Bart M. McMillan, Partner
+1 312 861 2808
bart.mcmillan@bakermckenzie.com

Paul E. Amberg, Partner
+1 312 861 8675
paul.amberg@bakermckenzie.com

Eunkyung Kim Shin, Associate
+1 312 861 8211
eunkyung.shin@bakermckenzie.com

San Francisco / Palo Alto Trade Group

John McKenzie, Partner
+1 415 576 3033
john.mckenzie@bakermckenzie.com

Alison Stafford Powell, Of Counsel
+1 650 856 5531
alison.stafford-powell@bakermckenzie.com

Kathryn Anderson, Associate
+1 415 984 3825
kathryn.anderson@bakermckenzie.com

EU Sanctions

The EU and EU Member States commit to terminate all provisions of Council Regulation (EU) No 267/2012 (as amended) Council Decision 2010/413/CFSP (as amended), and to terminate or amend national implementing legislation as required. Implementation Day will see the removal of restrictions on:

- **Certain listed persons, entities and bodies** that have been designated due to their involvement in the Iranian oil and gas, financial, and shipping sectors. This includes Iranian banks and financial institutions, and the Central Bank of Iran ("CBI");
- **Financial, banking and insurance measures**, including the transfers of funds between EU persons, entities or bodies, including EU financial and credit institutions, and Iranian persons, entities or bodies, including Iranian financial and credit institutions, without the requirement for authorisation or notification;
- **Oil, gas and petrochemical sectors** including the import, purchase, swap or transport of Iranian crude oil and petroleum products, natural gas or petrochemical products and related financing;
- **Shipping, shipbuilding and transport sectors** the inspection, seizure and disposal by EU Member States of cargoes to and from Iran in their territories with regard to items which are no longer prohibited; and
- **Gold, other precious metals, banknotes and coinage** including the sale, supply, purchase, export, transfer or transport of gold and precious metals as well as diamonds, and provision of related brokering, financing and security services, to, from or for the Government of Iran, its public bodies, corporations and agencies, or the CBI.

Specific arms restrictions/missile proliferation sanctions will remain in place for up to eight years until the JCPOA's "Transition Day": the earlier of (i) the date eight years after Adoption Day or (ii) the date on which the IAEA reports that it has reached the conclusion that all nuclear material in Iran is for peaceful activities. Human rights related sanctions and those targeting terrorist financing are, however, expected to remain in place.

U.S. Sanctions

The principal impact of U.S. sanctions relief will be on non-U.S. persons not generally subject to U.S. jurisdiction. The U.S. sanctions applicable to U.S. persons, non-U.S. persons acting or causing an act to occur in the United States, and non-U.S. subsidiaries of U.S. companies will remain in effect, subject to certain favorable licensing policies, as noted below.

More specifically, the Agreement provides for phased relief of certain U.S. sanctions against Iran starting on Implementation Day. U.S. sanctions relief would be provided through suspension and eventual termination of certain secondary U.S. sanctions against Iran, which target specific activities of non-U.S. persons

Toronto Trade Group

Paul Burns, Partner
+1 416 865 6912
paul.burns@bakermckenzie.com

Brian Cacic, Associate
+1 416 865 2327
brian.cacic@bakermckenzie.com

Lisa Douglas, Associate
+1 416 865 6972
lisa.douglas@bakermckenzie.com

Jonathan Tam, Associate
+1 416 865 2324
jonathan.tam@bakermckenzie.com

London Trade Group

Ross Denton, Partner
+44 (0) 20 7919 1978
ross.denton@bakermckenzie.com

Sunny Mann, Partner
+44 (0) 20 7919 1397
sunny.mann@bakermckenzie.com

Jennifer Revis, Of Counsel
+44 (0) 20 7919 1381
jennifer.revis@bakermckenzie.com

Tristan Grimmer, Senior Associate
+44 (0) 20 7919 1476
tristan.grimmer@bakermckenzie.com

James Robinson,
Senior Associate
+44 (0) 20 7919 1631
james.robinson@bakermckenzie.com

Ben Smith, Senior Associate
+44 (0) 20 7919 1088
ben.smith@bakermckenzie.com

Mayuko Roald, Associate
+44 (0) 20 7919 1080
mayuko.roald@bakermckenzie.com

Sven Bates, Associate
+44 (0) 20 7919 1173
sven.bates@bakermckenzie.com

Laura Philippou, Associate
+44 (0) 20 7919 1042
laura.philippou@bakermckenzie.com

that are not otherwise subject to U.S. jurisdiction. The JCPOA provides for relief from certain U.S. secondary sanctions in the following areas:

- **Financial and banking transactions**, including financial messaging services, involving the Government of Iran, the CBI, Iranian financial institutions and other specified Iranian parties, as well as certain activities involving the Iranian Rial, the provision of U.S. banknotes to the Government of Iran, use of offshore Iranian revenues for bilateral trade, and Iranian sovereign debt;
- **Insurance transactions**, including the provision of underwriting services, insurance, or re-insurance in connection with activities consistent with the JCPOA, including those involving specified Iranian parties, Iran's shipping and shipbuilding sectors, the National Iranian Oil Company ("NIOC") or the National Iranian Tanker Company ("NITC"), or vessels that transport oil, gas, petroleum or petrochemical products to or from Iran;
- **Iranian energy and petrochemical sectors**, including transactions relating to the provision of oil, gas, petroleum or petrochemical products to or from Iran; providing support, investment (including through joint ventures), goods, services (including financial services), and technology to Iran in connection with Iran's energy sector, in particular its petroleum and petrochemical sectors; or engaging in activities with Iran's energy sector, including with targeted entities such as NIOC and NITC;
- **Iranian shipping, shipbuilding, and port sectors**, including on port operators, the Islamic Republic of Iran Shipping Lines, South Shipping Line, NITC, and the port operator of Bandar Abbas, parties that own, operate, control or insure vessels transporting oil, gas, petroleum or petrochemical products to or from Iran, and on provision of goods or services (including financial services) relating to the Iranian shipping, shipbuilding, or port sectors;
- **Gold and other precious metals**, including on the provision of gold or other precious metals to or from Iran, directly or indirectly, and the conduct of related services and financial transactions, including insurance and transportation;
- **Supply to Iran of software and metals**, including on the provision of graphite, raw or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes, to or from Iran in connection with activities consistent with the JCPOA, directly or indirectly, and the conduct of related services and financial transactions, including insurance and transportation;
- **Iranian automotive sector**, including financial or other transactions for the sale, supply, or transfer to Iran of goods and services used in connection with Iran's automotive sector;

Alexandra Demper, Associate
+44 (0) 20 7919 1075
alexandra.demper@bakermckenzie.com

Claire Rivington, Associate
+44 (0) 20 7919 1785
claire.rivington@bakermckenzie.com

Mara Ghiorghies, Associate
+44 (0) 20 7919 1516
mara.ghiorghies@bakermckenzie.com

Daniel Lund, Associate
+44 (0) 20 7919 1326
danielwilliam.lund@bakermckenzie.com

Richard Smith, Associate
+44 (0) 20 7919 1811
rich.smith@bakermckenzie.com

Amsterdam Trade Group

Jasper Helder, Partner
+31 20 551 7579
jasper.helder@bakermckenzie.com

Chiara Klau, Senior Associate
+31 20 551 7812
chiara.kloui@bakermckenzie.com

Barcelona Trade Group

Valeria Enrich, Partner
+34 93 20 608 44
valeria.enrich@bakermckenzie.com

Frankfurt Trade Group

Ulrich Ellinghaus, Partner
+49 (0) 69 29 908 251
ulrich.ellinghaus@bakermckenzie.com

Julia Pfeil, Senior Associate
+49 (0) 69 29 908 513
julia.pfeil@bakermckenzie.com

- **Delisting of Iranian parties as Specially Designated Nationals ("SDNs") and other sanctions listings**, including a large number of Iranian SDNs, as well as Foreign Sanctions Evaders, and parties sanctioned under the Iran Sanctions Act, as set out in Attachment 3 to Annex 1 of the JCPOA (although U.S. persons and their owned-or-controlled entities will continue to be prohibited from dealing with the parties in Attachment 3 to Annex 1 that OFAC has identified as Government of Iran entities);
- **Nuclear proliferation measures**, including on acquisition of nuclear-related commodities and services for nuclear activities contemplated under the JCPOA (e.g., peaceful nuclear activities), joint ventures relating to uranium mining, production, and transportation, and on Iranian citizens engaging in U.S. higher education coursework relating to nuclear science and engineering, and the energy sector.

The sanctions relief does not apply to U.S. sanctions that have been imposed to address human rights or terrorism issues relating to Iran. It also does not apply to U.S. sanctions imposed under the Iranian Transactions and Sanctions Regulations ("ITSR") by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), which continue to prohibit most Iran-related transactions by U.S. persons and non-U.S. entities owned or controlled by U.S. persons. According to the copy of the JCPOA made available by the EU, however:

- The U.S. Government has agreed to license non-U.S. entities owned or controlled by U.S. persons to engage in activities consistent with the Agreement. It is not known whether those licenses will be general or specific or whether they will permit some level of U.S. person involvement, e.g., U.S. parent company facilitation of transactions undertaken by their foreign subsidiaries. In contrast, however, U.S. Persons will continue to be prohibited from engaging in any transactions subject to the ITSR.
- In addition, the U.S. Government has agreed to: (a) allow for the sale of commercial passenger aircraft and related parts and services to Iran, through licensing of exports and provision of associated services, and (b) license the importation into the United States of Iranian-origin carpets and foodstuffs.

OFAC has not yet implemented any of these authorizations and has stated that it will issue guidance on JCPOA relief prior to Implementation Day. While the United States is not precluded from having the spirit or intent of these authorizations take effect in the interim prior to Implementation Day, e.g., through the issuance of specific licenses on a case-by-case basis rather than the issuance of general licenses, it remains unclear today whether the U.S. Government is willing to do that.

Lastly, the JCPOA's sanctions relief does not alter the disclosure requirement applicable to publicly traded companies that are already required to file and annual or quarterly reports under Section 13(a) of the Securities Exchange Act of 1934, as amended, for certain specifically identified dealings or transactions primarily related to Iran. This disclosure requirement applies to the activities of issuers (whether U.S. or non-U.S.) as well as their U.S. or non-U.S. affiliates.

Stockholm Trade Group

Mattias Hedwall, Partner
+468 566 177 33
mattias.hedwall@bakermckenzie.com

Olof Konig, Associate
+46 8 566 177 55
olof.konig@bakermckenzie.com

Zurich Trade Group

Philippe Reich, Partner
+41 44 384 1382
philippe.reich@bakermckenzie.com

Moscow Trade Group

Paul Melling, Partner
+7 495 787 2700
paul.melling@bakermckenzie.com

Alexandr Bychkov, Partner
+7 495 787 2700
alexander.bychkov@bakermckenzie.com

Kyiv Trade Group

Serhiy Chorny, Partner
+380 44 590 0101
serhiy.chorny@bakermckenzie.com

Ihor Olekhov, Partner
+380 44 590 0101
ihor.olekhov@bakermckenzie.com

Hennadiy Voytsitskyi, Partner
+ 380 44 590 0101
hennadiy.voytsitskyi@bakermckenzie.com

Victoria Ischenko, Associate
+380 44 590 0101
victoria.ischenko@bakermckenzie.com

Hanna Shtepa, Associate
+380 44 590 0101
hanna.shtepa@bakermckenzie.com

As noted above, the U.S. Government has [announced](#) that it will further extend temporary U.S. sanctions relief under the JPOA in the interim. As part of this U.S. extension, all specific licenses with an expiration date on or before 14 July 2015 that were issued pursuant to OFAC's Second Amended Statement of Licensing Policy on Activities Related to the Safety of Iran's Civil Aviation Industry will remain in effect through Implementation Day. Prior to implementation, the JCPOA must also meet the requirements of the [Iran Nuclear Agreement Review Act of 2015](#), which imposes a 60-day congressional review period on the JCPOA during which the President may not waive, suspend, reduce, provide relief from, or otherwise limit certain sanctions against Iran. The President has [announced](#) that he will "veto any legislation that prevents the successful implementation of this deal."

Snapback Mechanism

A Joint Commission consisting of the EU/E3+3 and Iran will be established to monitor the JCPOA's implementation. If any JCPOA party believes another party is not meeting its commitments under the JCPOA, that party can refer the matter to the Joint Commission, which would have 15 days to resolve the matter (although this period can be extended by consent). Thereafter, the issue can be referred to the Ministers of Foreign Affairs, who have another 15 days to resolve the issue (which can also be extended by consent). In parallel with or in lieu of consideration by the Ministers of Foreign Affairs, a further request can be made to an Advisory Board, including the two members appointed by the disputing JCPOA participants and an independent third member, to resolve the matter. The Advisory Board will provide a non-binding opinion within 15 days, to be considered by the Joint Commission for up to five days.

At this point, a party could treat an unresolved issue as grounds to cease performance of JCPOA commitments, reimpose its own national sanctions, and/or notify the UNSC. The UNSC will then have 30 days to vote on a resolution to continue the lifting of sanctions, after which the provisions of previous UNSC resolutions will be automatically re-imposed (the "snapback") unless the UNSC decides otherwise. In summary, in the event of alleged non-compliance with the JCPOA and no UNSC resolution to continue the lifting of sanctions (or if no agreement is made to vary these timelines), the UNSC sanctions would be re-imposed at the end of this 65-day period, although the Agreement does not appear to prohibit a JCPOA participant (such as the United States) from re-imposing national sanctions before the UNSC review process begins. This means that national sanctions could be re-imposed as early as 35 days after a complaint is lodged (or sooner if the Advisory Board, Ministers of Foreign Affairs, and/or the Joint Commission do not utilize the full time periods allowed for review).

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The foregoing is intended only to provide a general summary of recent developments regarding sanctions targeting Iran. If you have any questions or if you require advice on any specific transactions or plans, please contact one of the members of Baker & McKenzie's International Trade Practice Group.

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Sydney Trade Group

Anne Petterd, Partner
+61 2 8922 5221
anne.petterd
@bakermckenzie.com

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[The E3/EU+3 and Iran Agree to Extend Negotiations; Limited Sanctions Easing Under Joint Plan of Action Also Extended](#)

[U.S. Government, European Union, and Switzerland Implement Limited Sanctions Easing Under Joint Plan of Action](#)

[EU Proposes Legislation to Ease Sanctions on Iran](#)

[New Deal on Iran's Nuclear Programme](#)

[IRISL Latest Company To Successfully Challenge EU Iran Sanctions Listing](#)

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[U.S. Congress Enacts Additional Sanctions Targeting Iran](#)

[OFAC Amends Iranian Transactions and Sanctions Regulations to Implement Executive Orders 13622 and 13628 and New Wind-Down General License](#)

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[Further Round of EU Sanctions Against Iran](#)

[Administration Announces New Sanctions Against Iran's Energy Sector and Financial System](#)

[UK Prohibits All Dealings Between UK and Iranian Banks](#)

[FinCEN Imposes New Reporting Requirement on Iranian Financial Transactions](#)

[U.S. Government Issues Guidance Regarding New Iran Sanctions Legislation and Publishes Iranian Human Rights Abuses Sanctions Regulations](#)

[Switzerland Tightens Up Its Sanctions Regime Against Iran](#)

[U.S. Government Implementation of New Iran Sanctions Legislation](#)

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