

## International Legal Developments: Iran Nuclear Sanctions Being Lifted

By [Eric Filipink](#) and [Edward M. Lebow](#)

Trade relations with Iran and the legal framework that governs them are going to be changing markedly in the near future as longstanding trade sanctions which were implemented to curtail Iran's nuclear capabilities are being lifted. The Iran nuclear deal, more formally known as the Joint Comprehensive Plan of Action (JCPOA), has come into effect as of "Adoption Day" on October 18, 2015. It survived both the 60-day U.S. Congressional review period which concluded on September 17 and opposition from hardliners in Iran's parliament, which approved the deal on October 13. Although Adoption Day had already occurred, the deal overcame its final hurdle a few days later on October 21 when it finally won approval from Iran's Supreme Leader Ayatollah Khamenei. Agreed upon between Iran and its negotiating partners – the United States, United Kingdom, France, Russia, China, Germany and the European Union – the JCPOA will roll back Iran's nuclear program and subject Iran to years of international monitoring in exchange for sanctions relief.

Under the JCPOA, the United Nations, the European Union and the United States will be lifting the international sanctions imposed in response to Iran's nuclear program. For the United States, this means suspending its so-called "secondary" sanctions, which blocked non-U.S. entities from doing business in Iran. These include sanctions on banking and financial transactions involving Iran, financial messaging services, insurance and re-insurance, investment in the oil, gas and petrochemical sectors, the purchase and sale of petroleum and refined petroleum products, shipping, shipbuilding and the transport sector, exports of gold, minerals, precious metals and software, and transactions involving the automotive sector – all of which will now be permitted activities when undertaken by non-U.S. entities. In addition, the United States has also agreed to allow exports of U.S. commercial passenger aircraft and related parts and services to Iran for civilian use and to allow imports of Iranian carpets and foodstuffs such as pistachios and caviar. Furthermore, the United States will also allow non-U.S. entities that are owned or controlled by a U.S. person to engage in the permitted activities listed above. The removal of international sanctions by the United States under the JCPOA means that non-U.S. persons will be able to conduct business with Iran once the sanctions are lifted, although such transactions will probably not be able to be conducted in U.S. dollars or pass through banks in New York. While sanctions relating to Iran's nuclear program are being lifted, the United States will not be removing its sanctions related to Iran's support for international terrorism, its human rights abuses and its destabilizing use of conventional weapons in the Middle East region. Apart from the few current exceptions to the U.S. sanctions regime, such as U.S. exports of food, medicine, basic medical supplies, humanitarian relief and certain IT hardware and software to Iran, this means that U.S. companies will still be prohibited from dealing with Iran even after the other international sanctions are lifted.

The changes to the international sanctions regime against Iran will occur over the course of the next several months. On Adoption Day, the United States and European Union took action to prospectively suspend their sanctions (the United Nations had already taken a similar step on July 20). The suspension of sanctions will be contingent upon the successful implementation of Iran's obligations to limit uranium enrichment, phase out its centrifuges and dismantle and convert its reactors. In this regard, President Barack Obama issued a memorandum to the United States Secretary of State, Secretary of the Treasury, and the Secretaries of Commerce and Energy instructing them to take all appropriate measures to ensure the prompt and effective implementation of the US commitments set forth in the JCPOA; and Secretary of State John Kerry issued contingent waivers of certain statutory sanctions. Given their contingent nature, these waivers will only become effective as of "Implementation Day," which is the day on which the International Atomic Energy Agency (IAEA) will verify that Iran has implemented the required nuclear-related measures. Implementation Day will probably



occur four to six months after Adoption Day, meaning within the first or second quarter of 2016. On Implementation Day, the sanctions will be suspended automatically.

At present, U.S. sanctions against Iran remain in place, except for those limited sanctions that were eased under the earlier Joint Plan of Action which took effect on November 24, 2013. Despite the arrival of Adoption Day, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has warned that U.S. persons continue to be prohibited from entering into contracts involving Iran or its government, including with individuals and entities on the List of Specially Designated Nationals and Blocked Persons (SDN List). This prohibition even includes contracts contingent upon the eventual implementation of sanctions relief under the JCPOA. OFAC has advised that it will provide further information and detailed guidance on implementation of U.S. sanctions commitments under the JCPOA prior to Implementation Day.

For more information, please contact:

[Eric Filipink](mailto:eric.filipink@haynesboone.com)  
+1 212.835.4851  
[eric.filipink@haynesboone.com](mailto:eric.filipink@haynesboone.com)

[Edward M. Lebow](mailto:ed.lebow@haynesboone.com)  
+1 202.654.4514  
[ed.lebow@haynesboone.com](mailto:ed.lebow@haynesboone.com)