

**CLIENT ALERT:**

**EFFECTIVE JANUARY 20, 2014, U.S. EASES SANCTIONS  
AGAINST IRAN PURSUANT TO THE JOINT PLAN OF ACTION  
BETWEEN IRAN AND THE P5+1**

January 21, 2014

**INTRODUCTION**

On November 24, 2013, the P5 + 1 group of nations<sup>1</sup> and Iran entered a Joint Plan of Action (“JPoA”) designed to curtail Iran’s nuclear program for a period of six months and to give the parties time to seek a more permanent accord. Under the JPoA, Iran agreed to take steps to halt the development of its nuclear program, and in exchange, the P5 + 1 agreed to ease certain sanctions against Iran. Over the course of the next several months, the parties negotiated the technical aspects of the JPoA, and on January 12, 2014, the parties announced that agreement had been reached on implementation procedures for the six-month period to commence on January 20, 2014. In accordance with those procedures, the International Atomic Energy Agency confirmed on January 20 that Iran had met its initial commitments under the JPoA, and on that same date, the U.S. announced an easing of certain sanctions.

**THE EASING OF U.S. SANCTIONS IS LIMITED AND REVERSIBLE**

It is important to understand that the easing of U.S. sanctions is quite limited. The individual sanctions from which relief has been granted will be discussed below, and the following points should be kept in mind:

- With the exception of civil aviation activities and the humanitarian channel discussed below, the easing of sanctions does not apply to U.S. persons or to any foreign entity owned or controlled by a U.S. person.
- The relief granted applies only to activities taking place exclusively during the six-month period beginning January 20, 2014, and ending July 20, 2014 (the “JPoA period”).
- The relief granted may be revoked by the U.S. authorities if Iran does not meet its commitments under the JPoA.
- The U.S. authorities retain the authority to impose sanctions:
  - (i) For activities that occurred prior to January 20, 2014;
  - (ii) For activities that occur during the six-month period of sanction relief if those activities are materially inconsistent with the sanctions relief prescribed under the JPoA; and
  - (iii) For violations of all other U.S. sanctions other than those where some relief has been specifically granted.
- The relief does not permit transactions with persons or entities on the U.S. Specially Designated Nationals list, except for limited and specific exceptions.
- All other U.S. sanctions, other than those which have been eased pursuant to the JPoA, remain in effect and will be enforced. In their FAQs on the JPoA sanctions relief effective on January 20, the U.S. Department of the Treasury and the U.S. Department of State caution:

The U.S. will continue to vigorously enforce our sanctions against Iran that are not subject to the limited relief provided pursuant to the JPOA, including by taking action against those who seek to evade or circumvent our sanctions. The USG [U.S.

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<sup>1</sup> The P5+1 consists of the United States, the United Kingdom, China, France, Russia, and Germany.

government] also retains the authority to revoke this limited sanction relief at any time if Iran fails to meet its commitments under the JPOA.

## **SANCTIONS RELIEF**

The sanctions relief granted by the U.S. authorities falls into six categories:

### **1. *Sanctions Related to Iran's Export of Petrochemicals and Any Associated Services***

This relief will allow for the export of petrochemical products *from Iran* by means of the following steps:

- A. The U.S. will not impose correspondent or payable-through account sanctions on any foreign financial institution that conducts or facilitates transactions that are initiated and completed entirely within the JPoA period for the export of petrochemical products from Iran. Iranian petrochemical products are defined in FAQ No. 4 of the FAQs issued by the U.S. authorities on January 20, 2014.

See: <http://www.treasury.gov/resource-center/sanctions/Programs/pages/iran.aspx>

- B. No blocking sanctions will be imposed against persons who, exclusively during the JPoA period, "...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 January 20 Guidance issued by the Department of the Treasury and the Department of State on sanctions relief.<sup>2</sup>
- C. No sanctions will be imposed on persons engaging in transactions, exclusively during the JPoA period, for the export of petrochemical products from Iran, as long as such transactions are initiated and completed within the JPoA period. This relief also applies to "associated services," which means "...any necessary service – including any insurance, transportation, or financial service – ordinarily incident to the underlying activity covered by the JPoA...."
- D. Note that this relief, and all other relief discussed in this Alert, does not permit any dealings with persons or entities on the U.S. SDN list, other than the petrochemical companies listed in the Guidance and in footnote 2 hereto, and Iranian depository institutions listed solely under Executive Order 13599, and NIOC and NITC with respect to permissible crude oil shipments. See No. 5 below.

### **2. *Sanctions Related to Iran's Auto Industry and any Associated Services***

This relief will permit the sale, supply or transfer *to Iran* of significant goods and services used in connection with Iran's automotive sector.

- A. The U.S. will not impose correspondent or payable-through account sanctions on any foreign financial institution that conducts or facilitates financial transactions that are initiated and completed entirely within the JPoA period for the sale, supply or transfer to Iran of significant goods or services used in the Iranian automotive sector.
- B. No sanctions will be imposed on persons engaging in transactions, initiated and completed entirely within the JPoA period, for the sale, supply or transfer to Iran of significant goods or services used in the Iranian automotive sector. This relief also applies to "associated services."

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<sup>2</sup>Bandar Imam Petrochemical Company, Bou Ali Sina Petrochemical Company, Ghaed Bassir Petrochemical Products Company, Iran Petrochemical Commercial Company, Jam Petrochemical Company, Marjan Petrochemical Company, Mobin Petrochemical Company, National Petrochemical Company, Nouri Petrochemical Company, Pars Petrochemical Company, Sadaf Petrochemical Assaluyeh Company, Shahid Tondgooyan Petrochemical Company, Shazand Petrochemical Company and Tabriz Petrochemical Company.

### **3. *Sanctions related to Gold and Other Precious Metals and any Associated Services***

This relief permits the sale of gold or other precious metals *to or from Iran* and will be implemented by the following steps:

- A. The U.S. will not impose correspondent or payable-through account sanctions on any foreign financial institution that conducts or facilitates transactions that are initiated and completed entirely within the JPoA period for the purchase or acquisition of gold or precious metals to or from Iran. However, no purchases can be made with “Restricted Funds.”<sup>3</sup>
- B. No blocking sanctions will be imposed against persons who, exclusively during the JPoA period, “...materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of” the purchase or acquisition of gold or precious metals to or from Iran, as long as such activities are initiated and completed entirely within the JPoA period. Once again, associated services are also permitted.

### **4. *Sanctions Related to Civil Aviation***

This easing will permit the temporary licensing of the supply and installation of spare parts for the safety of flight of Iranian civil aviation and associated services.

- A. The Office of Foreign Asset Control (“OFAC”) will issue a Statement of Licensing Policy establishing a favorable policy for licensing U.S. persons, U.S. owned or controlled foreign entities, and non-U.S. persons to engage in specific transactions to ensure the safe operation of Iranian commercial passenger aircraft, including that of Iran Air.
- B. The U.S. will not impose correspondent or payable-through account sanctions on any foreign financial institution that conducts or facilitates transactions that are related to the Statement of Licensing Policy conducted by non-U.S. person and initiated and completed entirely within the JPoA period.
- C. No blocking sanctions will be imposed against persons who, exclusively during the JPoA period, “...materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of” Iran Air in connection with activities intended to insure the safety of Iranian commercial passenger aircraft. Once again, associated services are also permitted.

### **5. *Sanctions Related to Iran’s Export of Crude Oil***

This relief permits China, India, Japan, the Republic of Korea, Taiwan and Turkey to maintain their current levels of crude oil purchases *from Iran* and also suspends sanctions on associated insurance and transportation services related to such crude oil sales.

- A. The U.S. will not impose correspondent or payable-through account sanctions on any foreign financial institution that conducts or facilitates transactions that are initiated and completed entirely within the JPoA period for the export of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan and Turkey, and for associated insurance and transportation services. This relief includes transactions with the National Iranian Oil Company (“NIOC”) and the National Iranian Tanker Company (“NITC”).
- B. No blocking sanctions will be imposed against persons who, exclusively during the JPoA period, “...materially assist, sponsor, or provide financial, material, or technological support for, or goods or

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<sup>3</sup> “Restricted Funds” refers to: (i) any existing or future revenues from the sale of Iranian petroleum or petroleum products, wherever they may be held, and (ii) any Central Bank of Iran (CBI) funds, with certain exceptions for non-petroleum CBI funds held at a foreign country’s central bank.

services to or in support of” the export of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan and Turkey and associated insurance and transportation services.

- C. No sanctions will be imposed on non-U.S. persons engaging in transactions, exclusively during the JPoA period, for the export of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan and Turkey and associated insurance and transportation services, as long as such transactions are initiated and completed within the JPoA period. This relief also applies to associated insurance and transportation services.

## **6. *Facilitation of Humanitarian and Certain Other Transactions***

The JPoA provides for the establishment of “a financial channel to facilitate humanitarian trade for Iran’s domestic needs using Iranian oil revenues held abroad.” Humanitarian trade includes transactions involving food and agricultural products, medicine, medical devices and medical expenses incurred abroad. This channel may also be used to pay Iran’s obligations to the U.N. and the tuitions of Iranian students studying abroad. The P5 + 1 and Iran are working on developing mechanisms to further this humanitarian trade. At this point, this effort does not appear to involve the easing of any specific sanctions.

### **SUMMARY**

The easing of U.S. sanctions described above has been implemented by the U.S. government issuing limited waivers of sanctions under Section 1245(d)(1) of the National Defense Authorization Act of 2012 and under various sections of the Iran Threat Reduction and Syria Human Rights Act, the Iran Sanctions Act, and the Iran Freedom and Counter-Proliferation Act. The relief that may have the most significant impact on the maritime community is the permissible trade in Iranian petrochemicals, as well as the permissible trade in Iranian crude oil to the six countries permitted to continue their purchases of Iranian crude. However, at this point there is no guarantee that the easing of sanctions will continue beyond 180 days, and, therefore, those in the maritime community should not enter any long-term contracts based on the relief granted on January 20. Further, it should be noted that if a permissible activity under the eased sanctions is initiated within the JPoA period, but is not completed until after that period expires on July 20, 2014, the activity will be subject to sanctions.

Additionally, as mentioned above, with the exception of the licensed supply of goods and services to the Iran civil aviation sector, none of the relief relates to U.S. persons or to foreign entities owned or controlled by U.S. persons. However, U.S. persons or U.S. owned or controlled foreign entities may continue to engage in generally or specifically licensed humanitarian transactions.

Significantly, as stated above, the relief granted does not permit transactions with persons or entities on the SDN list, except for the 14 petrochemical companies specifically listed as exceptions, any Iranian depository institution designated solely under Executive Order 13599 and, with respect to the permitted sales of crude oil only, NIOC and NITC.

Finally, other than the limited easing of sanctions described above, all other U.S. sanctions remain in effect and will be enforced.

*FREEHILL HOGAN & MAHAR LLP*  
80 Pine Street  
New York, NY 10036  
[www.freehill.com](http://www.freehill.com)

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*William L. Juska, Jr.   Gina M. Venezia   William Pallas*  
[juska@freehill.com](mailto:juska@freehill.com)   [venezia@freehill.com](mailto:venezia@freehill.com)   [pallas@freehill.com](mailto:pallas@freehill.com)