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Cross-Border Regulatory & National Security Practice Group Client **Alert:** President Announces U.S. Withdrawal from Joint Comprehensive Plan of Action

On May 8, 2018, the President of the United States of America (the “President”) announced the withdrawal of the United States from the Joint Comprehensive Plan of Action (the “JCPOA”), an agreement regarding Iran’s nuclear program entered into between the P5 + 1 – the United States, the United Kingdom, France, China, Russia and Germany – and Iran on July 14, 2015. The JCPOA requires Iran to achieve and maintain certain milestones, including alterations in its nuclear infrastructure and reductions in its nuclear fuel centrifuges and supplies of nuclear materials, in exchange for suspension of certain economic and financial sanctions previously imposed by the United Nations Security Council, the European Union and the United States in response to Iran’s nuclear proliferation activities. As a consequence of U.S. withdrawal from the JCPOA, U.S. sanctions suspended in connection with the JCPOA will be re-imposed.

Secondary Sanctions

As contemplated under the JCPOA, on January 16, 2016 (“Implementation Day”), the United States suspended nuclear-related ‘secondary sanctions’ against Iran (*i.e.*, those U.S. sanctions that apply to non-U.S. person individuals and entities). In order to effectuate U.S. withdrawal from the JCPOA, on May 8, 2018, the President directed the U.S. Secretary of State and the U.S. Secretary of the Treasury to prepare for the re-imposition of all such secondary sanctions, subject to grace or ‘wind-down’ periods of 90 or 180 days, depending on the particular sanction, as noted below.

Following conclusion of a 90-day wind-down period on August 6, 2018, the United States will re-impose the following sanctions:

- Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- Sanctions on Iran's trade in gold or precious metals;
- Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal and software for integrating industrial processes;
- Sanctions on significant transactions related to the purchase or sale of Iranian rials or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;
- Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and
- Sanctions on Iran's automotive sector.

Following conclusion of a 180-day wind-down period on November 4, 2018, the United States will re-impose the following sanctions:

- Sanctions on Iran's port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines;
- Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company, including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and certain Iranian financial institutions;
- Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and certain Iranian financial institutions;
- Sanctions on the provision of underwriting services, insurance or reinsurance; and
- Sanctions on Iran's energy sector.

On Implementation Day, the United States also removed more than 400 individuals and entities from the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC") Specially Designated Nationals and Blocked Persons List, Foreign Sanctions Evaders List and Non-SDN Iran Sanctions Act List. No later than November 5, 2018, the United States will re-impose the sanctions that applied to such individuals and entities prior to Implementation Day.

Primary Sanctions

In addition to suspending nuclear-related secondary sanctions, the United States also issued on Implementation Day certain relief under 'primary sanctions' against Iran (*i.e.*, those U.S. sanctions that apply to U.S. person individuals and entities). As

directed by the President, U.S. withdrawal from the JCPOA will involve reversal of all such relief, subject to 'wind-down' periods of 90 or 180 days, depending on the particular form of relief, as noted below.

Following conclusion of a 90-day wind-down period on August 6, 2018, the United States will revoke the following JCPOA-related authorizations under U.S. primary sanctions against Iran:

- The general license authorizing importation into the United States of Iranian-origin carpets and certain foodstuffs;
- Specific licenses issued in connection with the statement of licensing policy establishing a favorable disposition with respect to applications for authorization to export or otherwise provide to Iran commercial passenger aircraft and related parts and services for exclusively civil, commercial passenger aviation use (the "SLP"); and
- The general license relating to contingent contracts for activities eligible for authorization under the SLP.

Effective November 5, 2018, the United States will revoke the general license authorizing U.S.-owned or -controlled foreign entities to engage in certain dealings involving Iran.

To implement re-imposition of sanctions and associated wind-down periods, on May 8, 2018, the U.S. Department of State revoked existing waivers suspending U.S. sanctions in connection with the JCPOA and issued new more limited waivers reflecting the applicable wind-down periods. Separately, OFAC plans to replace the general licenses noted above with more narrowly tailored authorizations to allow for the wind-down of relevant activities during the applicable wind-down periods. In order to avoid potential sanctions or enforcement actions under U.S. law, parties engaged in activities for which U.S. sanctions were suspended in connection with the JCPOA but will be re-imposed as announced by the President on May 8, 2018 will need to take actions to wind down such activities by the end of the applicable wind-down period.

This Client Alert is not comprehensive as to the full scope of the JCPOA or U.S. sanctions against Iran and is only a summary of certain key actions taken on May 8, 2018, or expected to be taken thereafter, by the United States relating to the JCPOA.

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