

Client Update

U.S. Sanctions on Iran: The Trump Administration's First Actions

NEW YORK

Carl Micarelli
cmicarelli@debevoise.com

David G. Sewell
dgsewell@debevoise.com

WASHINGTON, D.C.

Satish M. Kini
smkini@debevoise.com

Robert T. Dura
rdura@debevoise.com

LONDON

Alex Parker
aparker@debevoise.com

Konstantin Bureiko
kbureiko@debevoise.com

On February 3, 2017, following tests of Iran's ballistic missile program, the U.S. Treasury Department's Office of Foreign Asset Control ("OFAC") announced the addition of several individuals and entities to its list of Specially Designated Nationals ("SDN List").

Although the action was presaged by tough language from President Trump and several of his top advisers, the new designations appear to be a continuation of the United States' long-standing opposition to Iran's ballistic missile program and support of international terrorism rather than a departure from U.S. commitments under the Joint Comprehensive Plan of Action ("JCPOA") to waive certain U.S. sanctions targeting Iran's development of nuclear weapons.

However, as we have discussed in a previous [Client Update](#), President Trump has loudly criticized the JCPOA as "a disaster" and "so bad, it's suspicious." Whether the Trump administration determines to depart from the JCPOA remains to be seen.

HAS THERE BEEN A VIOLATION OF THE JCPOA?

Iranian officials denied the missile test launches violate either the JCPOA or United Nations Security Council Resolution 2231, which endorsed the JCPOA. The officials noted that they have been conducting such test launches since the JCPOA came into effect in January 2016; this is merely the first launch since President Trump took office. Iran's government has repeatedly warned that any new sanctions imposed by the Trump administration will be viewed as a violation of the nuclear deal.

Likewise, the Trump administration does not believe the sanctions imposed in response to the launch violate the JCPOA. Announcing the new designations, Acting OFAC Director John Smith noted that the "action is part of Treasury's

ongoing efforts to counter Iranian malign activity abroad that is outside the scope of the JCPOA.”

The United States, to honor its commitments under the JCPOA to lift nuclear-related sanctions on Iran, suspended most “secondary sanctions”¹ and removed more than 400 SDNs related to Iran’s nuclear program. However, the United States continues to maintain sanctions against Iran in response to Iranian support of international terrorism, human rights abuses and the development of ballistic missiles. To that end, OFAC stated that many of the individuals and entities recently designated acted in support of previously designated entities and, as such, the recent actions may be viewed as a continuation of the Obama administration’s policy toward Iran rather than a new approach of the incoming Trump administration.

WHAT ARE THE CONSEQUENCES FOR BUSINESS?

Although the recent designations do not represent a departure from previous U.S. policy toward Iran, the Trump administration has put Iran “on notice” regarding further provocative behavior, and tensions between the two countries continue to build with little indication of potential de-escalation.

Consequently, and as we discussed in seminars we held in our London and Paris offices last week on “*Doing Business in Iran - Sanctions, Politics, Risks and a Road Forward*,”² we may expect further U.S. sanctions on Iran; whether those continue to be incremental or, instead, represent a significant attempt to restore previous financial pressure on Iran remains a key question for businesses viewing Iran-related opportunities. It seems unlikely, given current guidance from OFAC, that a ramping up of U.S. sanctions on Iran would penalize businesses for transactions already conducted or underway, but there is certainly a possibility that future sanctions may require businesses to unwind ongoing transactions and exit Iran-related investments.

¹ “Secondary sanctions” were rules adopted by the United States to apply sanctions primarily against non-U.S. companies and individuals that engage in significant dealings with Iran (including with respect to its energy, petrochemical, banking and other sectors). Under the U.S. secondary sanctions regime, non-U.S. persons and entities engaging in any of the sanctioned activities with Iran may be subject to a number of restrictions imposed by the U.S. government.

² Slides from these seminars can be found at http://www.debevoise.com/~media/files/insights/publications/2017/02/20170208_doing_business_in_iran.ppt.

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We will continue to monitor the situation and provide updates. Please do not hesitate to contact us with any questions.