



United States Extends and Tightens Iran Sanctions

In the last two weeks, the United States promulgated two legal measures that substantially expand and intensify U.S. sanctions regarding Iran. On 10 August 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 (the “ITRA”). This new legislation followed on an executive order that the President issued on 31 July 2012 (the “31 July Order”).

Overview

In unprecedented ways, the ITRA and the 31 July Order strengthen the posture of the United States in the two main areas of Iran sanctions. First, they take the *embargo* on Iran-related activity by U.S. companies and individuals about as far as it can go. Second, they expand the types of activity by non-U.S. companies and individuals that can trigger *secondary boycott* sanctions by the U.S. government. Secondary boycott sanctions are sanctions imposed extraterritorially against particular non-U.S. companies and individuals in response to specified types of activity related to Iran. Secondary boycott sanctions do not involve traditional civil or criminal penalties but instead are measures designed to prevent non-U.S. persons from accessing the U.S. market or conducting business with U.S. persons. In this way, the U.S. “boycotts” these entities based on their involvement with Iran.

The embargo is comprehensive and, with few qualifications, broadly forbids U.S. persons to engage in transactions with or relating to Iran. Enforcement of the embargo is vigorous and straightforward, and U.S. persons found to have violated it face conventional, severe civil and criminal penalties. The ITRA expands the embargo by punishing U.S. companies for the activities of their non-U.S. subsidiaries regarding Iran.

Secondary boycott measures are more complicated. The authority of the United States to impose penalties against non-U.S. persons for activities that take place outside of the United States has long been controversial. In the past, U.S. enforcement of secondary boycott measures has been very limited. In fact, the Iran Sanctions Act (“ISA”), the cornerstone of Iran-related secondary boycott measures, was enacted in 1996, but the United States imposed no sanctions under the ISA until 2010.

In the last two years, in response to escalating tensions with Iran, there has been a push towards greater enforcement of the secondary boycott. Expansion and strengthening of Iran-sanctions measures by the European Union and other jurisdictions have also intensified the willingness of the U.S. government to impose sanctions extraterritorially.

In addition to increased enforcement, non-U.S. companies need to be aware of the expansion of activity considered sanctionable. Secondary boycott measures initially focused on companies transacting business in Iran’s petroleum sector and, to a lesser extent, actions bearing on weapons of mass destruction, terrorism and human rights violations. Sanctions now focus on Iran’s financial sector, with recent developments making participation in most transactions with an Iranian bank sanctionable. The process of imposing sanctions remains convoluted, but avenues are available to non-U.S. persons to forestall or mitigate sanctions.

In addition, both U.S. and non-U.S. companies whose securities, including American Depositary Receipts, are traded on a U.S. exchange, are now required to disclose certain activity related to Iran in quarterly and annual reports. Activity disclosed will be made public. Reported information will be sent to the President, who must initiate an investigation to explore whether sanctions should be imposed. Given the current political environment, the President is far more likely to impose sanctions.

In response to the expansion of activity for which non-U.S. companies may be sanctioned as well as the increase in the number of enforcement actions, non-U.S. companies would be well advised to carefully assess potential risks under secondary boycott provisions.

Introduction

Since 1995, the United States has forbidden business with and in Iran by “U.S. persons”—U.S. citizens and residents; entities organized under U.S. law; and all persons in the United States. Once relatively limited, the embargo on Iran has expanded over the years and is now nearly comprehensive.

In addition, U.S. officials administer a variety of statutes and other measures that authorize or mandate imposition of sanctions against non-U.S. persons to penalize specified types of activity relating to Iran. The cornerstone of these secondary boycott measures is the ISA, which the Congress broadened in 2010 via amendments in the Comprehensive Iran Sanctions, Accountability, and Divestment Act (the “CISADA”).

The ISA was first enacted in 1996 mainly to induce non-U.S. companies to forgo major oil and gas investments in Iran (and, previously, Libya). The U.S. government has expanded the ISA to extend to other petroleum-related transactions, including supply of refined petroleum products to Iran and provision of services in support of petroleum-related transactions. Of late, though, the focus of U.S. secondary boycott policy has turned toward choking Iran’s petroleum sector profits indirectly through sanctions against third country financial institutions that participate in Iran-related transactions.

The Congress strengthened financial sanctions measures through the National Defense Authorization Act enacted at the end of 2011 (the “NDAA”). The NDAA requires the President to prohibit or restrict non-U.S. financial institutions’ ability to maintain correspondent or payable-through accounts in the United States if they have knowingly conducted or facilitated a significant financial transaction with Iran’s Central Bank or a sanctioned Iranian financial institution. Given the breadth of current sanctions against Iranian banks, this provision covers essentially the entire Iranian banking sector. The NDAA provides for sanctions against government-owned third country financial institutions only when underlying transactions with Iranian banks are for the sale of petroleum products.

Before sanctioning non-U.S. financial institutions under the NDAA for transactions that involve petroleum or petroleum products, the President must first make a determination that the quantity of petroleum products produced outside of Iran is sufficient to allow buyers of Iranian petroleum and petroleum products to significantly reduce their purchases from Iran. The President made this determination on 30 March 2012 and must revisit the issue every 180 days thereafter. The NDAA also exempts financial transactions from these sanctions requirements if the President determines that the country with primary jurisdiction over the person engaging in the transaction has significantly reduced its purchases of Iranian crude oil. Exempted countries include major importers of Iranian oil such as China, India, Japan, Singapore, South Africa, South Korea and Turkey.

EU sanctions against Iran have also reached an expansiveness that is unusual in European history. Most significantly, EU authorities imposed a ban on Iranian oil imports that became effective 1 July 2012. The EU Council has also prohibited the supply of specialized financial messaging services to any financial institution subject to the EU’s Iranian sanctions (including the Iranian Central Bank and Bank Tejarat). In response, the Society for Worldwide Interbank Financial Telecommunication (SWIFT), an organization that links banks around the world through a messaging system, has stopped providing services to these institutions.

Secondary boycott measures (*e.g.*, ISA, NDAA and now ITRA) generally make imposition of sanctions dependent on sanctionable activity in which the non-U.S. person engages “knowingly.” The protective utility of this requirement is limited since the measures define “knowingly” essentially as “having reason to know.”

The Obama Administration has intensified enforcement of embargo and secondary boycott sanctions provisions. On 31 July 2012, the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) announced sanctions under CISADA against Bank of Kunlun in China and Elaf Islamic Bank in Iraq for knowingly facilitating transactions with or providing financial services to sanctioned Iranian banks. In addition, recent reports describe major U.S. enforcement actions against Standard Chartered PLC for alleged Iran embargo violations.

Through ever-tightening sanctions measures, the United States and other countries have sought to impel Iran to change its nuclear practices. With 2012 negotiations with Iran making little progress, the United States has strengthened sanctions measures considerably through the ITRA and the 31 July Order.

Approaches to Selection of Secondary Boycott Sanctions

United States measures generally provide for one of four approaches to selection of secondary boycott sanctions when non-U.S. persons are found to have engaged in sanctionable activity. First, for some sanctionable activity, the President is generally

required to impose sanctions against the non-U.S. person from a menu of sanctions set forth in the ISA (“ISA Sanctions”). Prior to enactment of the ITRA, the ISA required at least three out of a possible nine sanctions in response to sanctionable activity. As discussed below, the ITRA amends the ISA to require at least five out of an expanded list of 12 possible sanctions.

Second, the NDAA and other measures regarding financial activity provide for sanctions designed to withdraw or limit the sanctioned non-U.S. bank’s access to the U.S. banking system (“Banking Sanction”). Specifically, the Banking Sanction eliminates the ability of the targeted bank to open a U.S. correspondent or payable-through account or places restrictions on maintenance of such U.S. accounts.

Third, the U.S. government can impose a government procurement ban (“Procurement Sanction”) against entities engaging in sanctionable activity, prohibiting sanctioned entities from being awarded contracts to supply goods or services to the U.S. government.

Lastly, the most aggressive approach to sanctions is blocking of property and property interests of the targeted non-U.S. person (“Blocking Sanction”), which essentially terminates the sanctioned person’s access to U.S. business and markets. When a Blocking Sanction is imposed against a non-U.S. person, U.S. persons are generally forbidden to engage in any payment, transfer, export, withdrawal or other dealing involving the property or interest in property of that person. Non-U.S. persons whom the U.S. government designates as being “blocked” (“Blocked Persons”) are placed on OFAC’s List of Specially Designated Nationals and Block Persons (“SDN List”).

Changes to Sanctions Policies

Penalizing Parent Companies for Actions of Non-U.S. Subsidiaries

The ITRA requires the President to forbid any non-U.S. entity that is owned or controlled by a U.S. person knowingly to engage in any transaction, directly or indirectly, with the Iranian government or any person subject to Iranian jurisdiction that would be prohibited if the transaction were engaged in by a U.S. person or in the United States. To a great extent, then, the new statute essentially instructs non-U.S. subsidiaries of U.S. companies to comply with the U.S. embargo of Iran.

The ITRA does not, however, go so far as to mandate criminal or civil penalties against such non-U.S. subsidiaries. Rather, the law specifies that standard civil penalties for embargo violations are to be imposed against the U.S. parent company of the subsidiary engaging in embargo-inconsistent behavior. The penalty provision will not apply to a prohibited transaction if the U.S. person “divests or terminates its business with” the non-U.S. affiliate within 180 days of enactment of the ITRA (6 February 2013).¹

Expanded ISA Sanctions

The ITRA expands ISA Sanctions—the secondary boycott sanctions that are generally to be imposed under the ISA against non-U.S. persons in response to activity the ISA establishes as being sanctionable. Whereas prior law required imposition of at least three sanctions from a statutory menu of sanctions, the new statute increases the minimum number of sanctions to five. In addition, the ITRA expands the menu of sanctions from which the President is to choose from nine to twelve.

Up to now, the ISA Sanctions menu has contained nine options:

- denial of any guarantee, insurance, or extension of credit from the U.S. Export-Import Bank;
- denial of licenses for the U.S. export of military or militarily-useful technology to the entity;
- denial of U.S. bank loans exceeding \$10 million in one year to the entity;

¹ Historically, the United States purported fully to extend embargo measures to U.S.-owned or controlled non-U.S. companies, including measures threatening criminal and civil penalties against such entities for violations. This type of policy, long criticized as being contrary to international law, remains in the U.S. embargo of Cuba. The ITRA introduces an interesting hybrid: the law purports to mandate embargo consistency by U.S.-owned or controlled non-U.S. companies, but provides for penalties only against the U.S. parent entity.

- if the entity is a financial institution, a prohibition on its service as a primary dealer in U.S. government bonds; and/or a prohibition on its serving as a repository for U.S. Government funds (each counts as one sanction);
- prohibition on U.S. government procurement from the entity;
- restriction on imports from the entity;
- prohibitions on transactions subject to U.S. jurisdiction and in which the sanctioned person has any interest involving foreign exchange;
- prohibitions on transactions subject to U.S. jurisdiction and in which the sanctioned person has any interest involving transfers of credit or payments between financial institutions, or by, through or to, any financial institution; and
- Blocking Sanction (described above).

The three additions to the ISA Sanctions menu are:

- a ban on U.S. persons investing in or purchasing significant amounts of equity or debt instruments of a sanctioned entity;
- denial of visas and exclusion from the United States of corporate officers, principals of or shareholders with a controlling interest in a sanctioned entity; and
- sanctions on the principal executive officer or officers or anyone with similar authority over a sanctioned entity.

Expansion of Sanctionable Activities

In many respects, the ITRA and the 31 July Order expand the circumstances in which the President can or, in some instances, generally must impose secondary boycott sanctions against non-U.S. persons.

Petroleum-Related Sanctionable Activities

- Supporting Iranian Petroleum Production

The ITRA amends the ISA generally to require ISA Sanctions in response to provision to Iran of goods, services, technology or other support which could directly and significantly contribute to maintenance or enhancement of Iran's ability to develop petroleum resources located in Iran.

- Supporting Iranian Importing/Refining of Refined Petroleum Products

The ITRA expands the ISA definition of what constitutes activity generally requiring ISA Sanctions for provision of goods, services, technology or other support that could contribute to enhancement of Iran's ability to import refined petroleum products. The new statute adds as sanctionable activity "bartering or contracting by which goods are exchanged for goods, including the insurance or reinsurance of such exchanges" and "purchasing, subscribing to, or facilitating the issuance of sovereign debt of the Government of Iran."

Likewise, the ITRA expands the ISA definition of provision of goods, services, technology or other support that facilitates maintenance or expansion of Iran's domestic production of refined petroleum products, which generally requires ISA Sanctions. The new statute adds to sanctionable assistance with respect to construction, modernization or repair of petroleum refineries, assistance with respect to "directly associated infrastructure including construction of port facilities, railways and roads, the primary purpose of which is to support the delivery of refined petroleum products."

- Joint Ventures with Iranian Government

The ITRA adds to activity for which ISA Sanctions must generally be imposed knowing participation in a joint venture established on or after January 1, 2002, to develop petroleum resources outside of Iran if the Iranian government is a substantial partner or investor in the venture or could acquire technological knowledge or equipment not previously available to Iran from the venture. To avoid sanctions, a person participating in such a joint venture must terminate it no later than 180 days after enactment of the ITRA, that is, by 6 February 2013.

- Supporting Iranian Petrochemical Production

The ITRA codifies an executive order issued on 21 November 2011, generally requiring the provision of ISA Sanctions against persons providing goods, services, technology or other support that could directly and significantly contribute to the maintenance or expansion of Iran's domestic production of petrochemical products.

- Transactions Relating to Iranian Petroleum Products

The 31 July Order expands on activity established as being sanctionable by the NDAA. The 31 July Order authorizes the Treasury Department to impose the Banking Sanction against any non-U.S. financial institution that knowingly conducts or facilitates certain significant financial transactions. Sanctionable financial transactions include any significant financial transaction for the purchase or acquisition of petroleum or petroleum products from Iran.

Instead of sanctioning non-U.S. financial institutions engaging with blocked Iranian financial institutions, the 31 July Order provides for sanctions against any non-U.S. financial institution conducting or facilitating a significant financial transaction for the purchase of petroleum or petroleum products even if the transaction manages to avoid including the Central Bank of Iran or a blocked Iranian bank. By targeting the transactions themselves rather than payment mechanisms, the administration seeks to prevent attempts by non-U.S. financial institutions to circumvent the NDAA by conducting transactions for the purchase of petroleum or petroleum products through bartering or working with non-bank intermediaries such as the National Iranian Oil Company ("NIOC"), Naftiran Intertrade Company ("NICO") or other Iranian entities.

In addition, the 31 July Order authorizes ISA Sanctions on any non-U.S. person who knowingly engages in a significant transaction for acquisition of petroleum or petroleum products from Iran. This is apart from the sanctions provisions that apply to non-U.S. financial institutions described above.

NDAA requirements that make sanctions contingent on sufficient oil supplies and grant exceptions for countries that the President determines are reducing their oil intake from Iran also apply to these provisions regarding acquisition of Iranian petroleum or petroleum products.

- Transactions Relating to Iranian Petrochemicals

The 31 July Order also authorizes sanctions against entities engaging in transactions relating to Iranian petrochemicals. In particular, the Banking Sanction is authorized against non-U.S. financial institutions conducting or facilitating a significant financial transaction for the purchase of petrochemical products from Iran. In addition, the President may impose any of the nine sanctions provided for under the pre-ITRA ISA against any non-U.S. person who knowingly engages in a significant transaction for the acquisition of petrochemical products from Iran.

- Providing Shipping Services

The ITRA attempts to halt transportation of Iranian crude oil and evasion of sanctions by shipping companies. The statute generally requires the President to impose ISA Sanctions against anyone who owns, operates, controls or insures a vessel that on or after 90 days from enactment of the ITRA (8 November 2012) is used to transport crude oil from Iran to another country.

Unlike with the normal ISA "knowingly" standard (reason to know), sanctions against beneficial owners are contingent on actual knowledge of sanctionable activity. For persons who otherwise own, operate, control or insure the vessel, ISA Sanctions may be imposed if the person should have known that the vessel was so used. The section is subject to the NDAA exception addressing the President's determination that there is a sufficient supply of non-Iranian oil as well as country exceptions.

Owning, operating or controlling a vessel that 90 days after enactment (8 November 2012) is used with actual knowledge by a beneficial owner or with reason to know in the case of the others listed, in a manner that conceals the Iranian origin of crude oil or refined petroleum products transported on the vessel is generally required to be sanctioned by ISA Sanctions. Activities that qualify as concealing the Iranian origin of crude oil or refined petroleum products include permitting the operator of the vessel to suspend operation of the vessel's satellite tracking device or obscuring or concealing the ownership, operation or control of the vessel by Iran. In addition to ISA Sanctions, the President may prohibit a vessel owned operated or controlled by a sanctioned individual and operated for this sanctionable activity from landing in the United States for up to two years.

Notably, these shipping sanctions contain an exception for underwriters and insurers exercising due diligence. Otherwise sanctionable underwriting/insurance/reinsurance activities will not be sanctioned if the President determines that the person has exercised due diligence in establishing and enforcing official policies, procedures and controls to ensure that the person does not underwrite or enter into insurance/reinsurance contracts for sanctionable shipping activity.

- Transactions Relating to NIOC/NICO/NITC or the Central Bank of Iran

Beginning 120 days after enactment (8 December 2012), the ITRA will generally require the President to impose ISA Sanctions against any person who knowingly provides underwriting services or insurance or reinsurance for NIOC or the National Iranian Tanker Company ("NITC"). The law contains the due diligence exception for insurers and underwriters.

The 31 July Order authorizes the Treasury Department to impose the Banking Sanction against any non-U.S. financial institution that knowingly conducts or facilitates certain significant financial transactions including any significant financial transaction with the NIOC or NICO (except for the sale of refined petroleum products under the ISA dollar threshold). The NDAA requirement of sufficient oil supply and exception for countries that the President determines are reducing their oil supply from Iran also applies to this provision.

The 31 July Order authorizes the Treasury Department to impose the Blocking Sanction against any person who has materially assisted, sponsored, or provided financial, material or technological support for, or goods or services in support of NIOC, NICO, or the Central Bank of Iran, or acquisition of U.S. bank notes or precious metals by the Iranian government.

Weapons of Mass Destruction—Related Activities

- Providing WMD-Related Goods to Iran

The ITRA generally requires the President to impose ISA Sanctions against non-U.S. persons who knowingly export, transfer or otherwise facilitate transshipment of goods, services, technology or other items to any person that the entity or person should have known would result in the other person providing the above items to Iran and that would contribute to Iran's ability to acquire or develop chemical, biological or nuclear weapons or a destabilizing number or type of advanced conventional weapons.

- Providing Shipping Services

The ITRA generally requires the President to apply the Blocking Sanction against any non-U.S. person who knowingly supplies a vessel, insurance or reinsurance or other shipping service for transportation to or from Iran of goods that could materially contribute to the activities of the government of Iran with respect to the proliferation of WMDs or support for acts of terrorism. Sanctions under this section would also apply to owners, subsidiaries and other affiliates of the sanctioned person if they knew or should have known that the party provided the vessel, insurance, reinsurance or other shipping service.

- Uranium Joint Ventures

The ITRA generally requires ISA Sanctions against persons who knowingly participate in joint ventures with Iran's government, Iranian firms or persons acting for or on behalf of the Iranian government in the mining, production or transportation of uranium anywhere in the world. Persons currently participating in these projects can avoid sanctions by withdrawing within 180 days (6 February 2013).

- Providing Financial Services to Blocked Persons

Further, the ITRA amends CISADA generally to require the imposition of the Banking Sanction against non-U.S. financial institutions that facilitate significant transactions or provides significant services to persons who are blocked based on their connection to Iran's proliferation of WMDs or support of terrorism. The provision of CISADA that the ITRA amended provided for sanctions against

financial institutions facilitating a significant transaction or providing financial services to another financial institution whose property or interest in property was blocked.

- Subsidiaries and Agents of UN-Sanctioned Parties

CISADA required the Secretary of the Treasury to issue regulations that generally require the Banking Sanction against non-U.S. financial institutions that facilitate activities of a person subject to financial sanctions pursuant to United Nations Security Council Resolutions that impose sanctions with respect to Iran. The ITRA requires the Secretary of the Treasury to issue regulations within 90 days that will generally require the Banking Sanction to be imposed against a non-U.S. financial institution facilitating the activity of anyone acting on behalf of, at the direction of, or owned or controlled by those sanctioned persons.

Iran Revolutionary Guard Corps—Related Activities

The ITRA establishes a variety of sanctions policies relating to the Iranian Revolutionary Guard Corps (“IRGC”).

- IRGC Officials and Agents

The ITRA requires the President to identify and designate for sanctions known officials, as well as agents or affiliates of the IRGC within 90 days of enactment (8 November 2012) and periodically thereafter. These persons will generally be subject to the Blocking Sanction and placed on the SDN List.

- Assisting the IRGC

The ITRA generally requires ISA Sanctions against non-U.S. persons who knowingly and materially assist, sponsor, or provide financial material or technological support for or goods or services to the IRGC or any of its officials agents or affiliates. In addition, the ITRA generally provides for ISA Sanctions against persons engaging in similar transactions with UN-sanctioned persons or those acting on their behalf.

- Procurement Ban

The ITRA generally requires the President to impose the Procurement Sanction against non-U.S. persons who interact with the IRGC by requiring certification by prospective U.S. government contractors that neither they nor their subsidiaries have engaged in significant economic transactions with designated IRGC officials, agents or affiliates.

Human Rights Violations

- Iran

The ITRA generally requires the imposition of the Blocking Sanction against persons found to have transferred goods or technology to Iran that are likely to be used by the Iranian government to commit human rights abuses. The legislation also ordinarily requires the Blocking Sanction against those who engage in censorship or other related activities against Iranian citizens. The ITRA directs the State Department to clarify which technologies are considered “sensitive technologies” for purposes of the U.S. government procurement ban on persons who export “sensitive technologies” used to restrict the free flow of unbiased information or restrict the speech of the people of Iran.

- Syria

Sanctions policies similar to those described above with respect to Iran are prescribed to combat human rights abuses in Syria.

Other Sanctionable Activities

- Iranian Sovereign Debt

The ITRA generally requires the President to impose ISA Sanctions against any person who knowingly purchases, subscribes or facilitates issuance of sovereign debt of the Iranian government or an entity controlled by it, including governmental bonds.

- Communications Services Providers

The ITRA authorizes the Blocking Sanction against any communications services provider that, 90 days after the law is enacted (8 November 2012), continues to knowingly and directly provide specialized financial messaging services to, or knowingly enables or facilitates direct or indirect access to such messaging services for, the Central Bank of Iran or any blocked Iranian financial institution. There is an exception for persons subject to a sanctions regime under non-U.S. law for engaging in the same activities. As discussed above, SWIFT has stated that it has cut-off the Iranian financial sector pursuant to EU sanctions laws. Significantly, despite a push from some lawmakers the law does not target SWIFT directors.

More Narrow Presidential Waiver Authority

The ITRA places additional limitations on the President’s discretion to waive what are otherwise mandatory sanctions. With the ITRA, ISA sanctions can be waived only for a year when it is “essential”—rather than the former “necessary”—to the national security interests of the United States. The President may renew the waiver for additional years upon reporting to Congress. Before the ITRA, the President could waive sanctions for an unlimited period upon a finding that a waiver was “necessary” to national security.

New SEC Disclosure Requirement

The ITRA requires all companies (U.S. or non-U.S.) whose securities (including American Depository Receipts) are traded on a U.S. exchange to disclose to the Securities and Exchange Commission (“SEC”) in annual or quarterly reports if the company or any affiliate has knowingly engaged in certain Iran-related activities. The disclosure must encompass a detailed description of all such activity, “including the nature and extent of the activities; the gross revenues and net profits attributable to the activities; and whether the issuer or the affiliate of the issuer (as the case may be) intends to continue the activity.”

The SEC reporting provision will apply to any annual or quarterly report required to be filed with the SEC 180 days after enactment of the ITRA (6 February 2012). It mandates detailed public disclosure of the information and conveyance of that information by the SEC to the Congress and the President. The President must then initiate an investigation to explore whether sanctions should be imposed and make a sanctions determination within 180 days.

Activity by Non-U.S. Persons that Is Generally Sanctionable

With the advent of the ITRA and the 31 July Order, activity by non-U.S. persons that can attract—or, sometimes, must attract—secondary boycott sanctions includes the following.

Activity Involving Petroleum Products

Depending on the circumstances, the following activities by non-U.S. persons can be sanctionable:

- Investments contributing to Iran’s ability to develop petroleum resources
- Provisions of goods, services, technology or support that could contribute to Iran’s ability to develop petroleum resources in Iran
- Provision of goods, services, technology or support contributing to Iran’s production of refined petroleum products including significant assistance with respect to petroleum refineries or directly associated infrastructure
- Supply of refined petroleum products to Iran
- Provision of goods and services contributing to Iran’s ability to import refined petroleum products;
- Provisions of goods, services, technology or support that could contribute to Iran’s domestic production of petrochemical products

- Engaging in joint ventures with respect to development of petroleum resources with the Iranian government or through which the Iranian government could receive technical knowledge
- Owning, operating, controlling or insuring a vessel used to transport crude oil from Iran to another country
- Owning, operating or controlling a vessel concealing the Iranian origin of Iranian crude oil or refined petroleum products
- Engaging in a significant transaction for the acquisition of petroleum, petroleum products or petrochemical products from Iran
- Engaging in a financial transaction for the purchase of petroleum, petroleum products or petrochemical products from Iran
- Conducting or facilitating a financial transaction for the purchase or acquisition of petroleum, petroleum products or petrochemicals from Iran
- Providing underwriting services or insurance for NIOC or NITC
- Conducting or facilitating certain financial transactions with NIOC or NICO

Financial Activity

As discussed above, secondary boycott provisions have increasingly targeted the financial sector of Iran. Under the NDAA, the Banking Sanction must generally be imposed against a non-U.S. financial institution engaging in any significant financial transaction with the Central Bank of Iran or any blocked Iranian bank. Pursuant to an executive order issued on 5 February 2012, all Iranian banks are blocked, meaning this provision effectively provides for sanctions against a non-U.S. bank engaging in any transaction with the Iranian banking system. The NDAA does provide an exception for non-U.S. government owned or controlled financial institutions. Sanctions can only be imposed on these institutions for transactions involving petroleum or petroleum products.

As discussed above, non-U.S. financial institutions will not be sanctioned for dealings with Iranian banks for transactions involving petroleum and petroleum products unless the President has determined that there is a sufficient supply of these products from other suppliers (as he did on 30 March 2012). In addition, sanctions will not be applied for transactions for petroleum and petroleum products if the country with primary jurisdiction over the non-U.S. financial institution has been granted an exception based on its reduced purchase of Iranian crude oil.

Activity Associated with Weapons of Mass Destruction

Depending on the circumstances, the following activities by non-U.S. persons can be sanctionable:

- Exporting, transferring, permitting or otherwise facilitating the transshipment of goods, services, technology or other items to any person that a person should have known would result in the other person providing the above items to Iran and that would contribute to the ability of Iran to acquire or develop chemical, biological or nuclear weapons, or a destabilizing number or type of advanced conventional weapons
- Selling, leasing or providing a vessel, insurance or reinsurance or any other shipping service for the transportation to or from Iran of goods that could materially contribute to the activities of the Iranian government with respect to proliferation of WMDs or support for acts of terrorism
- Participating in joint ventures with the Iranian government or an Iranian person acting on its behalf in the mining production or transportation of uranium
- Facilitating transactions or providing services to persons whose property or interests in property are blocked based on their connection to Iran's proliferation of WMDs or support of terrorism

Other Sanctionable Activity

Depending on the circumstances, the following activities by non-U.S. persons can be sanctionable:

- Assisting, sponsoring or providing financial, material or technological support for or goods and services in support of NIOC, NICO or the Central Bank of Iran, or acquisition of U.S. bank notes or precious metals by the Iranian government
- Purchasing, subscribing or facilitating the issuance of sovereign debt of the Iranian government or an entity controlled by it
- Providing assisting, sponsoring or providing financial support for or goods or services to the IRGC or its agents or affiliates
- Providing specialized financial messaging services to, or knowingly enabling or facilitating direct or indirect access to such messaging services for, the Central Bank of Iran or any blocked Iranian financial institution.

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