Memorandum

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VIA EMAIL

Date: March 20, 2012

To: Clients and Friends

From: Stanley J. Marcuss

Re: When an Entity Is Owned or Controlled by the Government of Iran for U.S. Sanctions Purposes

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The Treasury Department's Office of Foreign Assets Control has amended the Iranian Transactions Regulations to redefine when an entity is owned or controlled by the government of Iran. The Regulations prohibit among other things exports from the United States to Iran or the government of Iran, imports from Iran or the government of Iran into the United States, reexports from third countries of U.S.-origin goods, technology or services to Iran or the government of Iran and exports to Iran or the government of Iran from third countries of many non-U.S.-made or non-U.S.-origin goods, technology or services if they contain specified levels of U.S.-origin content. The term "Government of Iran" includes any entity owned or controlled by the government of Iran.

Under the old definition, an entity was considered as being owned or controlled by the government of Iran if the latter owned a "<u>majority</u> or controlling interest" in the entity or the entity was otherwise controlled by the Iranian government. Under the new definition, an entity is treated as being owned or controlled by the government of Iran if the latter owns a "<u>50 percent</u> or greater interest" or a controlling interest in the entity or the entity is otherwise controlled by the Iranian government.

The difference between a "majority interest" and a 50 percent interest can, of course, be as little as a 10th of a percent or less. But what a difference a 10th of a percent can make! The new rule means that an entity in which the Iranian government has a 50 percent interest is to be treated as part of the government of Iran regardless of whether the government, in fact, controls the entity.

There is, as a consequence, much to be said about the logic of the new rule. It is, however, a reminder of the general proposition about the need to know your customer.