

Iran sanctions client briefing
*Changes to EU and US sanctions
Following the Joint Plan of Action*



The Geneva Joint Plan of Action (“JPOA”), which was agreed between the P5+1 and Iran on 24 November 2013 and was the result of extensive negotiations between the EU, the USA and Iran, came into effect on 20 January 2014.

Pursuant to the JPOA, a temporary relaxation of certain EU and US sanctions has been implemented for the period of 20 January 2014 – 20 July 2014 (the “JPOA Period”). The details are below (Sections 1 and 2).

Prolonged maintenance of the sanctions relief will depend on Iran’s compliance with the JPOA. The commitments that Iran has made in exchange for the present temporary sanctions relief are set out below (Section 3).

Section 1: The EU

The JPOA is implemented by amendments to Regulation 267/2012 (as amended) (the “Regulation”), which are to be found in Regulation 42/2014 (the “2014 Regulation”). The 2014 Regulation provides in particular for the following sanctions relief:

- **Crude oil and petroleum products**

Suspension of the prohibition on the transportation of “petroleum oils and oils obtained from bituminous minerals, crude” of Iranian origin or that are exported from Iran to any other country. The prohibition on the transportation of other petroleum products, as listed in Annex IV to the Regulation, remains in place.

Suspension of the prohibition on the provision of insurance and reinsurance related to the import, purchase or transport of petroleum oils and oils obtained from bituminous minerals, including crude. The prohibition on the provision of financing or financial assistance in respect of such transactions remains in place, as does the prohibition on the provision of financing, financial assistance, insurance and/or reinsurance in respect of the import, purchase or transport of other crude and petroleum products as listed in Annex IV.

It remains prohibited to purchase or to import into the EU any crude oil or petroleum products located in or which originated in Iran.

- **Petrochemical products**

Suspension of the prohibitions relating to the import, purchase and transportation of petrochemical products from Iran or which are of Iranian origin. Suspension also of the prohibition on the provision of financing, financial assistance, insurance and/or reinsurance in respect of such import, purchase or transportation. The relevant products are all those listed in Annex V of the Regulation.

- **Gold and precious metals**

Prohibitions relating to the direct or indirect supply, sale, purchase, transfer, transport and export or import of gold and precious metals to or from the Government of Iran, its public bodies, corporations and agencies or any person, entity or body acting on their behalf, at their direction or controlled by them have been suspended, as has the prohibition on the provision of technical assistance, brokering, financing or financial assistance related to gold and precious metals to the same persons/entities.

The prohibitions remain in respect of diamonds whether or not worked, but not mounted or set.

- **Freezing of funds and economic resources**

EU Member State authorities are now permitted to authorise the release or the making available of funds or economic resources to the Iranian Ministry of Petroleum once they have determined that those funds or economic resources are necessary for the execution of contracts for the import or purchase of petrochemical products listed in Annex V of the Regulation, where such products originate in Iran or have been imported from Iran.

- **Vessels designed for storage of oil/petrochemical products**

The prohibition on making vessels designed for the transport or storage of oil and petrochemical products available to Iranian persons, entities or bodies has been suspended.

- **Restrictions on transfers of funds and on financial services**

The general prohibition on transfers of funds between credit and financial institutions either domiciled or registered in the EU and credit and financial institutions either domiciled or registered in Iran or controlled by an Iranian person or entity (“**Iranian credit or financial institutions**”) remains in place.

However, for transactions of this type that may be authorised, the 2014 Regulation provides for a tenfold increase in the thresholds above which authorisation is required.

Thus, the threshold for transfers due on transactions regarding foodstuffs, healthcare, medical equipment, or for agricultural or humanitarian purposes has been increased from 100,000 EUR to 1,000,000 EUR, and for transfers regarding personal remittances has been increased from 40,000 EUR to 400,000 EUR. For any other types of transfers that may be authorised, the threshold has been increased from 10,000 EUR to 100,000 EUR.

In cases where the amount of the transfer is below the relevant authorisation threshold, a blanket threshold of 10,000 EUR remains in place, above which the prior notification of any such transfer is required.

There has also been a tenfold increase from 40,000 EUR to 400,000 EUR in the authorisation threshold for transfers of money to or from an Iranian person or entity that are not made via an Iranian credit or financial institution. Here again, the notification threshold (10,000 EUR) remains unchanged.



Section 2: The U.S.

OFAC notice “Guidance Relating To The Provision Of Certain Temporary Sanctions Relief In Order To Implement The Joint Plan Of Action Reached On November 24, 2013, Between The P5+1 And The Islamic Republic Of Iran” (the “**Guidance Note**”) sets out the temporary measures taken to relax U.S. sanctions on Iran pursuant to the JPOA.

No new legislation has been enacted, but certain waivers have been issued to effect the temporary reliefs offered.

- **Petrochemical Products**
 - Suspension of sanctions on Iran’s petrochemical exports, as well as sanctions on any associated services.
 - The suspension of sanctions only applies to transactions that are started and completed during the JPOA Period.
 - The suspension applies only to non-U.S. persons and entities, and does not affect the restrictions that apply to U.S. persons or non-U.S. entities that are owned or controlled by a U.S. person and established or maintained outside the United States.
 - The suspension does not affect restrictions that apply to Specially Designated Nationals (“**SDNs**”) apart from those listed in an annex to the Guidance Note and certain Iranian depository institutions.
- **Automotive Industry**
 - Suspension of sanctions on Iran’s auto industry, as well as sanctions on associated services.
 - The suspension of sanctions only applies to transactions that are started and completed during the JPOA Period.
 - The suspension does not affect restrictions that apply to U.S. persons or non-U.S. entities that are owned or controlled by a U.S. person and established or maintained outside the United States, and applies only to non-U.S. persons and entities.
 - The suspension does not affect restrictions that apply to SDNs, except for certain depository institutions.
- **Gold and Precious Metals**
 - Suspension of sanctions on the sale to or from Iran of gold and precious metals, as well as sanctions on associated services.
 - Suspension is subject to the proviso that the funds for the purchases of gold and other precious metals concerned are not drawn from (i) any existing and 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.
 - The suspension of sanctions only applies to transactions that are started and completed during the JPOA Period.
 - The suspension applies only to non-U.S. persons and entities, and does not affect the restrictions that apply to U.S. persons or non-U.S. entities that are owned or controlled by a U.S. person and established or maintained outside the United States.
 - The suspension does not affect restrictions that apply to SDNs, apart from certain political subdivisions, agencies, or instrumentalities of the Government of Iran and certain Iranian depository institutions.



- **Aviation Industry**

- Temporary licensing of the supply and installation in Iran of spare parts for safety of flight for Iranian civil aviation and associated services and licensing of safety related inspections and repairs in Iran as well as associated services.
- Licensing policy will allow U.S. persons, U.S.-owned or -controlled foreign entities, and non-U.S. persons involved in the export of U.S.-origin goods to request specific authorization from OFAC to engage in transactions that are initiated and completed entirely within the JPOA Period to ensure the safe operation of Iranian commercial passenger aircraft, including transactions involving Iran Air.
- Suspension of sanctions against foreign financial institutions (not owned or controlled by a U.S. person), exclusively during the JPOA Period, to conduct or facilitate financial transactions relating to the type of activities covered by the licensing policy that are conducted on behalf of non-U.S. persons (not owned or controlled by a U.S. person), provided such activities are initiated and completed entirely within the JPOA Period, and further provided that the transactions do not involve persons on the SDN List other than Iran Air or certain Iranian depository institutions.
- Suspension of sanctions with respect to persons that, 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 ensure the safe operation of Iranian commercial passenger aircraft, provided such activities are outlined in the JPOA and are initiated and completed entirely within the JPOA Period and do not involve persons on the SDN List other than Iran Air or certain Iranian depository institutions.

- **Oil Exports**

- Suspension of sanctions with respect to certain transactions/services related to export of petroleum and petroleum products from Iran to China, India, Japan, the Republic of Korea, Taiwan, and Turkey.
- Suspension of sanctions only applies to transactions/services that are started and completed during the JPOA Period.
- The suspension does not affect restrictions that apply to U.S. persons or non-U.S. entities that are owned or controlled by a U.S. person and established or maintained outside the United States, and applies only to non-U.S. persons and entities.
- The suspension does not affect restrictions that apply to SDNs, except for NIOC, NITC and certain Iranian depository institutions.

- **Facilitation of Humanitarian and Certain Other Transactions**

- The P5 + 1 and Iran are also establishing mechanisms to further facilitate the purchase of, and payment for, the export of food, agricultural commodities, medicine, and medical devices to Iran, as well as to facilitate Iran's payments of UN obligations, Iran's payments for medical expenses incurred abroad by Iranian citizens, and Iran's payments of an agreed amount of governmental tuition assistance for Iranian students studying abroad. The U.S. Department of the Treasury will be contacting directly those foreign financial institutions whose involvement in handling these new mechanisms is sought by Iran.



Section 3: Iran's commitments

- Iran has made certain commitments, to be implemented over the JPOA Period, in exchange for above-described temporary sanctions relief, including the following:
 - To halt enrichment of uranium above 5%;
 - To neutralise its stockpile of near-20% enriched uranium;
 - To halt progress on its enrichment capacity;
 - To halt further advances of its activities at the Arak reactor – it shall not be commissioned, no plutonium reprocessing facility will be established, and fuel production will halt.
- In addition to these commitments, Iran has agreed to increase the transparency and monitoring by IAEA inspectors of its nuclear program.

For further information on the implications of the Iran sanctions, please contact:



David S Sellers

Head of Oil and Gas Group

Tel: +33 1 55 73 40 00

davidsellers@eversheds.com



Will Thomas

Head of International Arbitration Group

Tel: +33 1 55 73 41 15

williamthomas@eversheds.com





www.eversheds.com

©EVERSHEDS LLP 2014. Eversheds LLP is a limited liability partnership. DT03214_02/14

