

CLIENT MEMORANDUM

Lifting of Nuclear-Related Iran Sanctions Under July 14 Agreement Will Be Limited and Contingent

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On July 14, President Barack Obama announced that the United States, the United Kingdom, Germany, France, Russia, and China (the P5+1) had reached a historic agreement with Iran regarding Iran's nuclear development program. This agreement is entitled the "Joint Comprehensive Plan of Action" ("JCPOA"). Under the JCPOA, Iran has committed to take specified steps to curtail its nuclear program and to permit international inspection to verify compliance. On the same day, the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") issued a statement regarding the provisions of the JCPOA that relate to the lifting of U.S. nuclear-related sanctions against Iran.¹

For those parties interested in the timing and extent of sanctions relief, these are the most immediate, significant points that emerged from the JCPOA and the OFAC statement.

- **Sanctions relief is not guaranteed.** The JCPOA must be approved by the United Nations Security Council, the U.S. Congress, and the Islamic Consultative Assembly (Iran's parliament). Congress will have 60 days from July 20 to review the JCPOA and may disapprove the agreement. President Obama has pledged to veto any

¹ The statement can be found [here](#).

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disapproval resolution. Overriding the President's veto would require two-thirds majorities in both the House and Senate.

- ***The only sanctions relief available now is the interim relief that has been in effect since November 2013.*** As part of the international initiative to negotiate the agreement with Iran, in November 2013, the U.S. government temporarily suspended sanctions against Iran related to:
 - the purchase and sale of gold and other precious metals,
 - the export from Iran of petrochemical products,
 - automotive production in Iran, and
 - services associated with those sectors.

The 2013 relief also included easing the prohibition on crude oil exports from Iran and unfreezing \$4.2 billion in blocked assets. In addition, the United States agreed to allow Iran to establish payment systems for humanitarian goods, medical expenses for Iranians abroad, payment of UN obligations, and limited tuition assistance for Iranian students abroad, and agreed as well to license Iranian purchases relating to civil aviation safety. On July 14, this relief was extended pending the overall implementation of broader sanctions relief under the JCPOA.

- ***Only nuclear-related sanctions will be lifted under the JCPOA.*** The United States maintains a comprehensive sanctions regime against Iran. Only a limited subset of these sanctions are applicable to Iran's nuclear development program. The rest of the U.S. sanctions regime against Iran and Iranian nationals will remain in effect. Moreover, given the political controversy surrounding the JCPOA, it is unlikely that any specific sanction imposed against Iran, whether nuclear-related or not, that has been imposed by statute rather than Executive Order or regulation will be repealed.
- ***Sanctions will be lifted only after inspections.*** Under the JCPOA, Iran must implement many of the requirements for scaling down its current nuclear program before sanctions will be lifted. Sanctions will not be lifted until the International Atomic Energy Agency ("IAEA") verifies that Iran has implemented the key nuclear-related measures described in the JCPOA. OFAC has designated the IAEA verification date as the "Implementation Day." OFAC has promised to publish "detailed guidance" on sanctions relief prior to that date. Taking the review and approval process as well as the inspections timetable into account, the current estimate is that the Implementation Day may occur some time in January or February 2016, but it could also take much longer.

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- ***In many situations, OFAC will still require U.S. persons and their owned or controlled subsidiaries to obtain licenses to do business with Iran.*** Some sanctions relief will likely take the form of general licenses issued by OFAC that will permit U.S. persons (and their non-U.S. subsidiaries) to engage in certain specified transactions with Iran. However, U.S. companies and their non-U.S. subsidiaries may still require an OFAC license to engage in many financial and business-related transactions.
- ***Sanctions can “snap back” on relatively short notice.*** The JCPOA provides for an eight-person committee, dominated by non-Iranians, to review possible Iranian violations of the agreement that have been identified by the IAEA. If a majority of the committee finds a violation, sanctions are to be restored within 65 days.

The Iran sanctions regime and the sanctions provisions of the JCPOA are complex. In the near term, the sanctions relief provided under the JCPOA is limited. Moreover, the Obama Administration has stated that it will continue to respond to Iranian participation in international terrorism and regional destabilization. As a result, we believe that the United States will continue its aggressive enforcement of the non-nuclear-related sanctions that will remain in place against Iran. It is therefore important that individuals and companies wishing to engage in Iran-related transactions monitor developments, seek transaction-specific advice, and proceed cautiously to avoid possible legal exposure.

If you have any questions regarding this memorandum, please contact Russell L. Smith (202-303-1116, rsmith@willkie.com), Miriam A. Bishop (202-303-1126, mbishop@willkie.com) or the Willkie attorney with whom you regularly work.

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