

The U.S. Follows Through on Temporary Suspension of Sanctions, as Parties Continue to Negotiate Over Iran's Nuclear Program

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Iran's Initial Implementation Confirmed

On January 20, 2014, the International Atomic Energy Agency ("IAEA") verified that Iran has begun to meet its obligations to curtail nuclear development activities pursuant to the November 24, 2013 Joint Plan of Action agreement ("JPOA") among Iran and the "P5+1" group of nations (the United States, Russia, China, France, the United Kingdom, and Germany).

The U.S. Response and Next Steps

Following through on its own commitments under the JPOA, the United States immediately suspended portions of the following sanctions programs, for a period of six months ending July 20, 2014: (i) sanctions related to Iran's export of petroleum products; (ii) sanctions related to Iran's auto industry; (iii) sanctions related to gold and other precious metals; (iv) sanctions related to civil aviation; and (v) sanctions related to Iran's export of crude oil. The U.S. will also relax restrictions to facilitate the financing of humanitarian transactions with Iran, already permitted under existing programs. Finally, the Obama Administration is waiving statutory provisions that would require nations that have previously demonstrated reductions in purchases of Iranian crude to achieve further reductions, and it is working with the other P5+1 nations to release a portion of the proceeds from Iran's global oil sales currently frozen in offshore bank accounts.

All of these steps were carefully negotiated in the JPOA, as part of a "first step" plan to reach a more comprehensive, permanent resolution of international concerns over Iran's nuclear program. Notwithstanding the successful launch of this interim agreement, the United States and its allies are under no illusions that achieving a permanent agreement will be easy. Indeed, President Obama has said that he places the odds of success at "not more than 50/50." Meanwhile, his Administration continues to face down an effort by prominent members of Congress in both parties to pass legislation imposing additional sanctions, a move that Iran stated would be fatal to the negotiations.

The Mechanics of Suspending Sanctions

To carry out its obligation to temporarily suspend sanctions, the U.S. Government not only will permit some transactions that were previously barred under a broad network of sanctions programs, but will also allow the provision "associated services" in support of those transactions, including financing, insurance, and transportation services. This is a complicated undertaking, as illustrated in the detailed

guidance documents released jointly on January 20 by the U.S. State Department and U.S. Treasury Department. For example, while the U.S. expressly commits not to impose blocking or other sanctions (including, for non-U.S. financial institutions, restrictions maintaining U.S. correspondent or payable-through accounts) on persons who engage in, materially assist, sponsor, or provide financial, material, or technological support for, or goods or services to or in support of, transactions otherwise covered by the suspended programs, it requires that those transactions: (i) are conducted and completed entirely within the effective period of the JPOA (January 20 – July 20, 2014), and (ii) do not involve (a) counterparties on the list of “Specially Designated Nationals and Blocked Persons” (the “SDN List”), except for Iran Air and a specified group of Iranian petrochemical companies identified in an Annex appended to the guidance documents; or (b) Iranian-controlled financial institutions that have been separately designated as supporting terrorism or the expansion of programs of weapons of mass destruction in Iran. Moreover, for most of these programs (other than those involving civil aviation or trade in humanitarian goods), the temporary relief is afforded only to non-U.S. persons (and then only to those who are not owned or controlled by U.S. persons)—U.S. citizens and companies, and foreign entities owned or controlled by them, are still flatly barred from engaging in such dealings with Iran, except as otherwise authorized by the U.S. Government.

Outlook for the Future

The exacting nature of the implementation guidance, and the explicit restrictions on scope and permitted counterparties, ensure that dealings with Iran remain a complicated undertaking, even for the most well-advised companies. Moreover, this temporary rollback in sanctions is taking place against the complex and uncertain backdrop of ongoing substantive negotiations over a comprehensive resolution of the dispute over Iran’s nuclear program. Those working for a diplomatic solution face substantial obstacles (both political and practical) at every turn, presenting the prospect that, at the end of the six-month period, sanctions might not only be reinstated, but dramatically increased.



If you have any questions concerning these developing issues, please do not hesitate to contact the following Paul Hastings Washington, D.C. lawyers:

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