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Client Alert: P5 +1 and Iran Achieve Implementation Day, Triggering Suspension of Certain U.S. and International Sanctions Against Iran

On January 16, 2016, the United States announced the suspension of certain sanctions against Iran pursuant to the landmark agreement reached on July 14, 2015 between the P5 + 1 – the United States, the United Kingdom, France, China, Russia and Germany – and Iran regarding Iran’s nuclear program. The Joint Comprehensive Plan of Action (“JCPOA”) came into effect on October 18, 2015 (“Adoption Day”), when Iran began to implement its commitments thereunder, including alterations to its current nuclear infrastructure and reductions in its nuclear fuel centrifuges and materials. The International Atomic Energy Agency (“IAEA”) verified Iran’s implementation of such commitments on January 16, 2016 (“Implementation Day”), triggering the obligations of the United Nations Security Council (“UNSC”), the European Union (“EU”) and the United States under the JCPOA to lift certain economic and financial sanctions previously imposed against Iran.

The Implementation Day sanctions relief includes suspension of U.S. nuclear-related ‘secondary sanctions’ against Iran, which generally apply to non-U.S. persons (*i.e.*, foreign individuals and corporations). In particular, **as of Implementation Day, non-U.S. persons may engage in certain dealings involving:**

- Iran’s financial, banking, energy, petrochemical, shipping, shipbuilding, and automotive sectors;
- Iran’s trade in gold and other precious metals;
- Iran’s trade in graphite, raw or semi-finished metals (such as aluminum and steel), coal and software for integrating certain industrial processes; and
- the provision of services, including insurance, re-insurance and underwriting, necessary and ordinarily incident to the underlying activity for which sanctions have been suspended under the JCPOA.

Such sanctions relief also includes the removal of over 400 individuals and entities from the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”) Specially Designated Nationals and Blocked Persons List, Foreign Sanctions Evaders List and Non-SDN Iran Sanctions Act List. Pursuant to the United States’ other JCPOA commitments, OFAC also issued on Implementation Day: (i) a statement of licensing policy establishing a favorable disposition with respect to applications for authorization to export or otherwise provide to Iran commercial passenger aircraft and related parts and services for exclusively civil, commercial passenger aviation use; (ii) a general license authorizing U.S.-owned or -controlled foreign entities to engage in certain dealings involving Iran; and (iii) a general license authorizing importation into the United States of Iranian-origin carpets and certain foodstuffs. Separately, as of Implementation Day, the UNSC terminated all provisions of previous UNSC resolutions on the Iranian nuclear issue and the EU terminated all nuclear-related economic and financial sanctions against Iran.

It should be noted that the sanctions relief afforded by the United States in connection with Implementation Day does not involve – and the U.S. government has given no indication that it is contemplating – the lifting of any U.S. sanctions imposed against Iran and certain Iranian entities and individuals based on support for terrorism, human rights violations or ballistic missile development. Subject to limited exceptions and licenses, including those referenced above, ***U.S. persons*** (*i.e.*, U.S. nationals and permanent residents and corporations domiciled or registered in the United States) ***remain broadly prohibited from engaging in activities in, with or involving Iran.*** Therefore, U.S. corporations and nationals, including U.S. citizens working for foreign companies, must remain mindful and vigilant of U.S. sanctions in connection with any dealings involving Iran.

The next significant milestone under the JCPOA is expected to occur on the earlier of the date when the IAEA reaches the conclusion that all nuclear material in Iran remains in peaceful activities or the date that is 8 years after Adoption Day (“Transition Day”). Upon Transition Day, the EU will terminate all provisions of EU proliferation-related sanctions (including restrictions on ballistic missile transfers) and the United States will seek legislative action to terminate or modify certain U.S. sanctions on the acquisition of nuclear-related commodities and services. Should Iran fail in the meantime to abide by its JCPOA commitments, any particular sanctions lifted by the UNSC, EU or United States pursuant to the JCPOA may ‘snap back’ into place.

This Client Alert is not comprehensive as to the full scope of UNSC, EU or U.S. sanctions against Iran and is only a summary of certain key actions taken on Implementation Day and other related elements of the JCPOA.

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