

June 28, 2018

## United States Takes Steps to Re-Impose Certain Primary Sanctions on Iran

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### Treasury Department Revokes JCPOA-Related General Licenses Under the ITSR, Amends the ITSR, and Publishes Revised FAQs Related to Reinstatement of Elements of the Pre-JCPOA Primary Sanctions Regime

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#### SUMMARY

On June 27, 2018, the Department of the Treasury's Office of Foreign Assets Control ("OFAC") took actions (the "June 27 Actions") to implement President Trump's decision to cease the United States' participation in the Joint Comprehensive Plan of Action ("JCPOA") with respect to Iran and to re-impose the U.S. nuclear-related sanctions targeting Iran that were lifted under the JCPOA. Specifically, OFAC took the following steps to reimpose certain primary sanctions applicable to Iran:

- General License H ("GL H"), which had granted sanctions relief to foreign entities owned or controlled by U.S. persons, was revoked, and the Iranian Transactions and Sanctions Regulations ("ITSR") were amended to authorize activities ordinarily incident and necessary to the wind-down of activities that had been authorized under GL H through November 4, 2018;<sup>1</sup>
- General License I ("GL I"), which had permitted U.S. persons to engage in certain transactions related to the Iranian commercial aircraft industry, was revoked, and the ITSR were amended to authorize wind-down of activities that had been authorized under GL I through August 6, 2018;<sup>2</sup>
- The ITSR were amended to limit the scope of licenses in the ITSR authorizing the importation into the United States of, and dealings in, Iranian-origin carpets and foodstuffs, as well as related letters of credit and brokering services, solely to wind-down of such activities, through August 6, 2018;<sup>3</sup> and
- Reflecting the changes noted above in the FAQs (initially published on May 8, 2018) that provide guidance with respect to OFAC's intentions and expectations relating to the reimposition of sanctions and the wind-down of activities that had been permitted pursuant to the sanctions relief granted by the JCPOA ("OFAC Guidance").<sup>4</sup>

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The revised licenses and regulations do not authorize new business that is unrelated to a wind-down; new business that was authorized by GL H, GL I, or the general licenses relating to Iranian-origin carpets and foodstuffs is now generally prohibited. The revised licenses and regulations only authorize activities that are ordinarily incident and necessary to the wind-down of business that was authorized under the now revoked or modified licenses, and only through the expiration of the relevant wind-down periods. Most significantly, the revocation of GL H means that, except for authorized wind-down activities, non-U.S. persons owned or controlled by U.S. persons no longer may rely on GL H and must comply with the general prohibitions on dealings with Iran that apply to U.S. persons.<sup>5</sup>

OFAC's June 27 Actions are consistent with the plans OFAC disclosed in the initial version of the OFAC Guidance. The updated OFAC Guidance reflects the revocations and revisions made on June 27, but has not substantively changed. The OFAC Guidance continues to caution that "[p]ersons engaging in activity undertaken pursuant to the U.S. sanctions relief provided for in the JCPOA should take the steps necessary to wind down those activities by either August 6, 2018, or November 4, 2018, as applicable, to avoid exposure to sanctions or an enforcement action under U.S. law."<sup>6</sup> The OFAC Guidance also continues to provide that OFAC will evaluate efforts taken to wind down activities and whether any new business was entered into involving Iran during the applicable wind-down period when considering potential enforcement or sanctions actions to take with respect to activities engaged in after the applicable wind-down period.<sup>7</sup>

With the June 27 Actions, the United States has reversed the limited primary sanctions relief that it had granted pursuant to the JCPOA. Following November 4, 2018, without further action from OFAC or the State Department, the United States will have fully reimposed the pre-JCPOA primary sanctions and secondary sanctions regime.

For a detailed discussion of changes to the secondary sanctions regime, please see our previous Memorandum to Clients entitled *United States Withdraws from the Joint Comprehensive Plan of Action with Iran*, published on May 9, 2018.<sup>8</sup>

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ENDNOTES

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<sup>1</sup> 31 C.F.R. § 560.537.

<sup>2</sup> 31 C.F.R. § 560.536.

<sup>3</sup> 31 C.F.R. § 560.534, 535.

<sup>4</sup> *Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action* (May 8, 2018, updated on June 27, 2018), available at [https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf).

<sup>5</sup> See 31 C.F.R. § 560.215; 31 C.F.R. § 560.204.

<sup>6</sup> *Id.* at 1.1.

<sup>7</sup> *Id.* at 2.2.

<sup>8</sup> Memorandum to Clients entitled *United States Withdraws from the Joint Comprehensive Plan of Action with Iran* (May 9, 2018), available at <https://www.sullcrom.com/united-states-withdraws-from-the-joint-comprehensive-plan-of-action-with-iran>.

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