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## IRAN SANCTIONS LIFTED - WHAT NOW?

### What Sanctions Have Been Lifted

In a major milestone under the terms of the 2015 Vienna Agreement (the “JCPOA”), the International Atomic Energy Agency confirmed on 16 January 2016 that Iran had implemented its nuclear-related commitments, thereby ushering in the agreement’s “Implementation Day.” Accordingly, most EU sanctions as well as US “secondary sanctions” (those applicable to non-US entities with certain “contacts” with the US) against Iran have been lifted, and non-US persons and entities may now engage in a wide variety of Iran-related transactions. Sectors of the Iranian market now open to investment and exports include, without limitation: energy and petrochemicals, oil and gas, shipping, mining, aviation, automobiles, spare parts/components, pharmaceuticals and hotels & leisure.

The newly eased sanctions regime also permits international banks and insurers (including reinsurers and underwriters), as well as non-US based export credit agencies (such as Germany’s Hermes) to resume working on Iran-related transactions. This may take some time, however, as many EU-based banks, for example, have adopted a cautious approach to Iran-market re-entry, pending additional confirmation from lawmakers in order to avoid future liability.

Moreover, Iranian banks not otherwise blacklisted by the US or EU may now rejoin international institutions (including SWIFT), and at least a dozen Iranian banks have already submitted their applications to this effect. Iran-issued bonds or government securities can again be traded, and Tehran will gain access to frozen funds of at least \$100 billion (due, mostly, to Iranian individuals and entities, primarily banks, which are no longer blacklisted).

### Continued Restrictions: Applicable to US “Persons”

Under continued US “primary sanctions,” however, US “persons” remain broadly prohibited from doing business with or in Iran without a special license from the US Office of Foreign Assets Control (“OFAC”). There are several significant exceptions to this prohibition, most notably under “General License H,” which permits non-US entities “controlled” by US “persons” to conduct business in Iran (subject to on-going restrictions applicable, generally, under EU and US guidelines). US “persons” may also work on the “start-up” decision-making phase of an Iran-related project, but may not be employed in its on-going operations.

The application of US “primary sanctions” also means that USD-denominated transactions will continue to be off-limits for investors and exporters, globally, so long as US-banks will be prohibited from clearing the same.

### Continued Restrictions: Applicable to both US and EU Investors/Exporters

Additional limitations to the easing of sanctions include EU and US regulations, which will continue to outline a graduated system of sanctions for certain goods/transactions subject to prohibition or specific licensing requirements. Prohibited goods under both EU- and US-issued restrictions include products which relate, mostly, to goods subject to export control regimes for ballistic missile technology and the military, along with goods that could be used for human rights violations in Iran and the Middle East region. Specific EU licensing requirements remain applicable with respect to goods which are covered by the International Export Control Regime NSG (Nuclear Suppliers Group), some software, and certain graphites, raw metals and metal semi-finished products.

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OFAC-related licensing requirements have a broader implication for US-based businesses, although little specific sector-specific guidance has been provided so far. Furthermore, prohibitions remain against doing business with entities with individuals listed on the updated list of “Specifically Designated Nationals” maintained by both OFAC and the EU.

Investors and exporters with and to Iran (whether or not they are registered in the US) may also abide by additional US-imposed restrictions (absent a specific OFAC license) even if they are not otherwise tied to US “persons.” Those restrictions include a limitation on “knowingly” re-exporting to Iran US manufactured goods, or non-US manufactured goods with more than 10% US content.

These on-going compliance issues, as well as the possible “dual-use” implications of goods which are legitimately exported to Iran, means that exporters subject to both EU and/or US regulations will need to conduct a continuous monitoring of the fast-changing landscape of Iran-related regulations and guidelines.

### **Conclusion**

The lifting of sanctions should be viewed as a gradual process of opening up Iran’s market to the outside world. Confidence in trade with and to Iran will depend, to a large degree, on on-going compliance requirements as further clarified by US and EU officials, as well as the general state of geopolitics and investor confidence in working with Iran. It will be some time before the full extent of what is possible is presented fully to outside investors and exporters, but the situation should improve noticeably with the reintegration of Iran with international financing and insurance institutions. Irrespective of developments, exporters and investors seeking to do business with and to Iran should continue to monitor compliance-related issues closely.

### **MENA Legal Advisers: Supporting Your Success in Iran**

We are a Middle East regional law firm specializing in working with a worldwide array of investors, suppliers, lenders and service providers looking to do business in the Middle East and, especially, Iran. Our Tehran office is staffed by lawyers qualified to practice in Iran, Europe and the United States. Our lawyers are fluent in English, German, French, Arabic as well as Farsi.

We have been present in Iran for more than 30 years, and focus on managing the unique aspects of doing business in Iran, so that our clients can turn their attention to a successful outcome.

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