

# JCPOA Implementation Day Raises New Sanctions Challenges

January 20, 2016

## Overview

On January 16, 2016, the International Atomic Energy Agency (“IAEA”) verified that Iran has fulfilled certain nuclear-related commitments described in the Joint Comprehensive Plan of Action (“JCPOA”) agreed to on July 14, 2015 by the permanent members of the UN Security Council plus Germany, the European Union (“EU”) and Iran. Also on January 16, the U.S. Secretary of State **confirmed** the IAEA’s verification, and the United States and EU implemented certain sanctions relief. Accordingly, January 16 marks “**Implementation Day**” under the JCPOA.

This memorandum provides a brief overview of the sanctions relief provided or, in certain cases, announced by the U.S. Government on Implementation Day and key related steps undertaken by the United States, including:<sup>1</sup>

- the President’s signing of a new **Executive Order** (the “**Implementation Day E.O.**”) effectuating certain sanctions relief and providing implementing authorities for certain existing U.S. sanctions outside the scope of the JCPOA;
- the publication by OFAC of new **Guidance** Relating to the Lifting of Certain U.S. Sanctions Pursuant to the Joint Comprehensive Plan of Action on Implementation Day (the “**Guidance**”) and **Frequently Asked Questions** Relating to the Lifting of Certain U.S. Sanctions Under the JCPOA on Implementation Day (the “**FAQs**”);
- OFAC’s issuance of **General License H** (“**GL H**”) authorizing certain transactions by or relating to U.S.-owned or -controlled foreign entities, which significantly relaxes the sanctions that have prohibited since late 2012 non-U.S. subsidiaries of U.S. companies from engaging in most transactions related to Iran;
- OFAC’s issuance of a **Statement of Licensing Policy** regarding commercial passenger aircraft (the “**Commercial Aircraft SLP**”);
- OFAC’s **removal** of specified individuals and entities from its Specially Designated Nationals and Blocked Persons List (“**SDN List**”), the Foreign Sanctions Evaders List (“**FSE List**”), and/or the Non-SDN Iran Sanctions Act List (“**NS-ISA List**”); and
- OFAC’s publication of a **list** of persons identified as blocked solely pursuant to E.O. 13599, which consists of persons that OFAC previously identified as meeting the definition of the Government of Iran (“**GOI**”) or an Iranian financial institution.

Notwithstanding the sanctions relief announced on Implementation Day, including the lifting of U.S. nuclear-related “secondary sanctions”<sup>2</sup> on Iran, as described in the JCPOA, many U.S. sanctions

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<sup>1</sup> The U.S. Department of State and the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) have each published Internet resources collecting, among other things, information on steps being taken by the U.S. Government in connection with Implementation Day. Please follow these links to access the State Department [JCPOA webpage](#) and an OFAC [Iran Sanctions Resource Center](#).

targeting Iran, the GOI, and designated Iranian individuals and entities – including other secondary sanctions – remain in effect:

- Under “primary” or “direct” U.S. sanctions, U.S. persons continue to be broadly prohibited from engaging in transactions or dealings with Iran and the GOI unless such activities are exempt from regulation or authorized by OFAC.
- U.S. financial institutions, including their non-U.S. branches, remain subject to the Iranian Transactions and Sanctions Regulations (31 C.F.R. part 560) (the “**ITSR**”) and continue to be generally prohibited from clearing transactions involving Iran.
- The ITSR’s prohibitions on the exportation or reexportation of U.S.-origin goods, technology or services to Iran, which may apply to non-U.S. persons, remain in effect.
- Non-U.S. persons can also still be directly liable for “causing” a sanctions violation by a U.S. person or for “exporting services” (including financial services, such as the clearing of a U.S. dollar transaction) from the United States to a U.S. sanctions target.
- As discussed in further detail below, not all secondary sanctions have been lifted. Non-U.S. persons remain subject to U.S. secondary sanctions, including, for foreign financial institutions, correspondent and payable-through account sanctions, for certain activities, such as knowingly facilitating a significant financial transaction with any Iranian or Iran-related person that remains or is placed on the SDN List.<sup>3</sup>

These remaining prohibitions underscore the continuing importance, for both U.S. and non-U.S. persons, of conducting due diligence regarding the identity, ownership, and sanctions status of counterparties and other persons playing a role in proposed transactions involving or potentially involving Iran.

## Background

As detailed in our [memorandum dated August 11, 2015](#), the JCPOA provides for phased sanctions relief to Iran in exchange for certain commitments intended to ensure that Iran’s nuclear program is peaceful and does not culminate in the production of nuclear weapons. The United Nations Security Council (“**UNSC**”) endorsed the JCPOA on July 20, 2015 by means of UNSC Resolution 2231, and the JCPOA came into effect on October 18, 2015 (“**Adoption Day**”). Pursuant to the JCPOA, the IAEA was requested to monitor and verify Iran’s performance of certain nuclear-related measures and to provide relevant updates to the IAEA Board of Governors and the UNSC.

Implementation Day marks the termination of the Joint Plan of Action (“**JPOA**”) agreed to by the JCPOA parties on November 24, 2013 and extended several times thereafter. Temporary U.S. sanctions relief granted under the JPOA has also been terminated as unnecessary, as sanctions suspended by the JPOA were lifted on Implementation Day pursuant to the JCPOA.

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<sup>2</sup> “Secondary sanctions” are sanctions targeting non-U.S. persons for certain Iran-related activities undertaken outside the United States.

<sup>3</sup> The Guidance and FAQs note in particular that the following Iranian financial institutions remain on the SDN List as of Implementation Day: Ansar Bank, Bank Saderat, Bank Saderat PLC and Mehr Bank. See “Status of Secondary Sanctions” below for a more detailed discussion of remaining secondary sanctions.

## The Implementation Day E.O.

On Implementation Day, the President signed the Implementation Day E.O.<sup>4</sup> It notes a “fundamental shift in circumstances with respect to Iran’s nuclear program,” and, in order to effectuate certain U.S. commitments under the JCPOA,<sup>5</sup> revokes the following E.O.s:

- E.O. 13574 of May 23, 2011 (Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Sanctions Act of 1996, as Amended);
- E.O. 13590 of November 20, 2011 (Authorizing the Imposition of Certain Sanctions With Respect to the Provision of Goods, Services, Technology, or Support for Iran’s Energy and Petrochemical Sectors);
- E.O. 13622 of July 30, 2012 (Authorizing Additional Sanctions With Respect to Iran); and
- E.O. 13645 of June 3, 2013 (Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Freedom and Counter-Proliferation Act of 2012 and Additional Sanctions With Respect To Iran).

The Implementation Day E.O. also revokes sections 5 through 7 and section 15 of E.O. 13628 dated October 9, 2012 (Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Threat Reduction and Syria Human Rights Act of 2012 and Additional Sanctions with Respect to Iran), but leaves the remaining provisions in force.

The Implementation Day E.O. authorizes the imposition of certain sanctions that are outside the scope of the U.S. commitment to lift nuclear-related sanctions under the JCPOA. To this end, the E.O.:

- authorizes the Secretary of the Treasury to impose blocking sanctions pursuant to the Iran Freedom and Counter-Proliferation Act of 2012 (“**IFCA**”) on any person determined knowingly to provide significant financial, material, technological, or other support to, or goods or services in support of any activity or transaction on behalf of or for the benefit of an Iranian person included on SDN List, other than certain Iranian financial institutions;
- authorizes the Secretary of the Treasury or the Secretary of State, pursuant to certain sections of IFCA, to impose one or more from a list of specified measures—including blocking sanctions, prohibitions on a range of financial transactions, and restrictions or prohibitions on the importation of goods, technology or services into the United States—on a person determined to have knowingly engaged in specified activities not covered by JCPOA commitments; and
- blocks the property and interests in property of any person determined by the Secretary of the Treasury to have engaged in corruption or other activities relating to the diversion of goods intended for the people of Iran or the misappropriation of related proceeds (or to be owned or controlled by, or act on behalf of such a person).

As discussed below, on January 17, 2016, the United States announced new sanctions on a number of individuals and entities involved in procurement for Iran’s ballistic missile program.

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<sup>4</sup> The Implementation Day E.O. is entitled, “Revocation of Executive Orders 13574, 13590, 13622, and 13645 with Respect to Iran, Amendment of Executive Order 13628 with Respect to Iran, and Provision of Implementation Authorities for Aspects of Certain Statutory Sanctions.” It has not yet been assigned a number.

<sup>5</sup> See section 4 of Annex II and section 17.4 of Annex V of the JCPOA.

## General License H

Also on January 16, OFAC issued a new GL under the ITSR, GL H: “Authorizing Certain Transactions Relating to Foreign Entities Owned or Controlled by a United States Person.” Subject to certain exceptions, GL H authorizes an entity owned or controlled by a U.S. person and established or maintained outside the United States (a **“U.S.-owned or -controlled foreign entity”**)<sup>6</sup> to engage in prospective transactions, directly or indirectly, with the GOI or any person subject to the GOI’s jurisdiction that would otherwise be prohibited by section 560.215 of the ITSR.<sup>7</sup> Although the terms of GL H are broad and amount to a significant change in the treatment of foreign subsidiaries of U.S. companies, GL H does not render such foreign subsidiaries the equivalent of non-U.S. persons for the purposes of U.S. sanctions targeting Iran. These foreign subsidiaries are subject to certain residual restrictions under section 560.215 of the ITSR.<sup>8</sup> In addition, note that U.S.-owned or -controlled foreign entities are subject to remaining U.S. secondary sanctions, as are all other non-U.S. persons.

GL H also authorizes a U.S. person to engage in activities related to the establishment or alteration of operating policies and procedures of a U.S. entity or a U.S.-owned or -controlled foreign entity to the extent necessary to allow such foreign entity to engage in transactions authorized by the above-mentioned provision of GL H. Further, GL H authorizes a U.S. person to engage in activities to incorporate a foreign entity that the U.S. person owns or controls into any “automated and globally integrated” computer, accounting, email, telecommunications, or other business support system, platform, database, application or server necessary for information storage, collection, transmission, generation or processing related to transactions authorized by GL H. The Guidance underscores that, with the exception of these two new authorizations, the prohibitions on facilitation by U.S. persons pursuant to ITSR section 560.208 remain in effect.

As noted in GL H and stressed in the Guidance, transactions not authorized by GL H include:

1. the direct or indirect exportation or reexportation—including by non-U.S. persons—of goods, technology, or services from the United States, as prohibited by section 560.205 of the ITSR;
2. any transfer of funds to, from, or through a U.S. depository institution or a U.S.-registered broker or dealer in securities;
3. any activity involving an individual or entity on the SDN List that would be prohibited by sanctions administered by OFAC other than the ITSR if engaged in by a U.S. person or in the United States;
4. activities involving any individual or entity identified on the FSE List;
5. unless authorized by the U.S. Department of Commerce, activity prohibited by, or requiring a license under, part 744 of the U.S. Export Administration Regulations (“**EAR**”) or involving a person whose export privileges have been denied pursuant to part 764 or 766 of the EAR;

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<sup>6</sup> For the purposes of GL H, an entity is “owned or controlled” by a U.S. person if the U.S. person (1) holds a 50 percent or greater equity interest by vote or by value; (2) holds a majority of seats on the board of directors; or (3) otherwise controls the actions, policies, or personnel decisions of the entity.

<sup>7</sup> GL H, paragraph (a). Section 560.215 of the ITSR prohibits U.S.-owned or -controlled foreign entities from knowingly engaging in any transactions, directly or indirectly, with the GOI or any person subject to the jurisdiction of the GOI that would be prohibited by the ITSR if engaged in by a U.S. person or in the United States.

<sup>8</sup> For example, as noted below, GL H does not authorize U.S.-owned or -controlled foreign entities to engage in transactions involving military, paramilitary, intelligence or law enforcement entities of the GOI, or any official, agent or affiliate thereof.

6. transactions involving any military, paramilitary, intelligence, or law enforcement entity of the GOI, or any officials, agents, or affiliates thereof;
7. any activity that is sanctionable under E.O. 12938 or 13382 (relating to Iran's proliferation of weapons of mass destruction ("WMD") and their means of delivery, including ballistic missiles), E.O. 13224 (relating to international terrorism), E.O. 13572 or 13582 (relating to Syria), E.O. 13611 (relating to Yemen), or E.O. 13553 or 13606, or section 2 or 3 of E.O. 13628 (relating to Iran's commission of human rights abuses against its citizens); and
8. any nuclear activity involving Iran that is subject to the procurement channel established pursuant to paragraph 16 of UNSC Resolution 2231 and section 6 of Annex IV of the JCPOA but has not been approved through the procurement channel process.

## SDN List Removals

Consistent with the United States' Implementation Day obligations, OFAC has removed over 400 individuals and entities (including vessels and aircraft) – those specified in Attachment 3 to Annex II of the JCPOA (the "**Newly-Delisted Persons**") – from the SDN List, the FSE List, and/or the NS-ISA List. In addition, OFAC made available on its website a list of persons identified as blocked solely pursuant to Executive Order 13599 (the "**E.O. 13599 List**"), which consists of persons that OFAC previously identified as meeting the definition of the GOI or an Iranian financial institution.<sup>9</sup> As a result of these removals, non-U.S. persons are no longer exposed to secondary sanctions for engaging in transactions with the Newly-Delisted Persons,<sup>10</sup> including the Central Bank of Iran ("**CBI**") and other Iranian financial institutions, provided that the non-U.S. person's transactions do not involve specified conduct (including support for terrorism, human rights abuses, proliferation of WMD, and certain actions relating to Syria and Yemen) or individuals or entities who remain or are placed on the SDN List.

The Guidance notes that, even after Implementation Day, individuals and entities meeting the ITSR's definition of the GOI or an Iranian financial institution (including Newly-Delisted Persons marked with an asterisk in Attachment 3 to Annex II of the JCPOA) remain persons whose property and interests in property are blocked pursuant to E.O. 13599 and section 560.211 of the ITSR. As a result, U.S. persons continue to be broadly prohibited from engaging in transactions or dealings with these individuals and entities unless such transactions or dealings are exempt from regulation or authorized by OFAC. The Guidance notes that the 13599 List is intended to assist U.S. persons in meeting their primary sanctions obligations under the ITSR with respect to these persons. U.S. persons also continue to have an obligation to block the property and interests in property of all individuals and entities that meet the definition of the GOI or an Iranian financial institution, regardless of whether the individual or entity has been identified by OFAC as meeting those definitions.

## Amendments to the ITSR

In connection with commitments described in the JCPOA,<sup>11</sup> on January 16, OFAC published an [amendment](#) to the ITSR licensing the importation into the United States of Iranian-origin carpets and foodstuffs, including pistachios and caviar. This general license has no legal effect until the final rule is published in the Federal Register, which OFAC notes is expected to occur "as soon as practicable."

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<sup>9</sup> See OFAC FAQ I.2.

<sup>10</sup> If a Newly-Delisted Person is designated in the future and added to the SDN List, significant transactions with such person could again expose non-U.S. persons to U.S. secondary sanctions.

<sup>11</sup> See section 5.1.3 of Annex II and section 17.5 of Annex V of the JCPOA.

## Commercial Aircraft SLP

OFAC has also released the Commercial Aircraft SLP, which establishes a regime for specific authorizations from OFAC to engage in transactions consistent with U.S. legal requirements for the (i) export, re-export, sale, lease or transfer to Iran of commercial passenger aircraft for exclusively civil aviation end use, (ii) export, reexport, sale, lease or transfer to Iran of spare parts and components for commercial passenger aircraft, and (iii) provision of associated services, including warranty, maintenance, and repair services and safety-related inspections, for all the foregoing, provided that licensed items and services are used exclusively for commercial passenger aviation.

Under section 560.405 of the ITSR, U.S. persons are authorized to engage in transactions that are ordinarily incident to a licensed transaction and necessary to give effect thereto. OFAC notes in its Guidance that services that are ordinarily incident and necessary to give effect to a licensed export, reexport, sale, lease, or transfer of a commercial passenger aircraft, or related parts and services, to Iran include “transportation, legal, insurance, shipping, delivery, and financial payment services provided in connection with the licensed export transaction.” Such services do not include (among other things) — and U.S. persons must apply for a separate specific license from OFAC to provide — insurance to cover a licensed aircraft or component over a period of years after it has been exported to Iran, or financing for the sale of a commercial passenger aircraft to Iran.<sup>12</sup>

## Waiver Determinations by the Secretary of State

In connection with Adoption Day, the Secretary of State issued contingent waivers ceasing the application of certain statutory sanctions required to fulfill U.S. commitments described in Sections 17.1-17.2 and 17.5 of Annex V of the JCPOA. These waivers entered into force on Implementation Day. The waivers generally apply to transactions by non-U.S. persons (or by “non-U.S. nationals” under certain statutes) described in specified provisions of IFCA, the National Defense Authorization Act for Fiscal Year 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012, and the Iran Sanctions Act of 1996, excluding any transactions involving persons on the SDN List.

## Status of Secondary Sanctions

The U.S. Government has now lifted nuclear-related secondary sanctions on: Iran’s financial, banking, energy, petrochemical, shipping, shipbuilding, and automotive sectors; Iran’s port operators; the provision of insurance, re-insurance and underwriting services in connection with activities that are “consistent with the JCPOA;”<sup>13</sup> Iran’s trade in gold and other precious metals; trade with Iran in graphite, raw or semi-finished metals such as aluminum and steel, coal, and certain software in connection with activities that are “consistent with the JCPOA;”<sup>14</sup> and the provision of associated services for each of the categories

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<sup>12</sup> See FAQs J.3-J.5.

<sup>13</sup> OFAC’s Guidance and FAQs do not provide a comprehensive definition of “activities consistent with the JCPOA.” In the context of secondary sanctions relief with respect to insurance services, OFAC’s Guidance states that activities consistent with the JCPOA include “activities [by non-U.S. persons] with individuals and entities set forth in Attachment 3 to Annex II of the JCPOA, including underwriting services, insurance, or re-insurance in connection with activities in the energy, shipping, and shipbuilding sectors of Iran, for NIOC or NITC, or for vessels that transport crude oil, natural gas, liquefied natural gas, petroleum, and petrochemical products to or from Iran.” Guidance, § II.B. See also FAQ D.1.

<sup>14</sup> In the context of trade by non-U.S. persons with Iran in certain materials and software, OFAC’s FAQ G.2. states that the United States considers transactions involving the following to be inconsistent with the JCPOA: “(1) persons on the SDN List, including the IRGC; (2) transfers of such materials or software for use in the military or ballistic missile programs of Iran; and (3) transfers that have not been approved by the procurement channel established by the JCPOA and paragraph 16 of [UNSC] Resolution 2231 (2015) if the transfer of the item is subject to the procurement channel.” FAQ G.2.

above. The Guidance notes that, for purposes of the JCPOA, the term “associated services” means any service – including technical assistance, insurance, re-insurance, brokering, transportation, or financial service – necessary and ordinarily incident to the underlying activity for which sanctions have been lifted pursuant to the JCPOA. Many of these transactions, including their associated services, remain prohibited to U.S. persons.

As noted, the Guidance and FAQs underscore that certain Iran-related secondary sanctions remain in effect, pursuant to authorities falling outside the scope of the Implementation Day sanctions relief. Secondary sanctions may be imposed for:

- significant transactions with:<sup>15</sup>
  - Iranian persons on the SDN List;
  - the Islamic Revolutionary Guard Corps (“**IRGC**”) or its designated agents or affiliates;
  - any other person on the SDN List designated under E.O. 13382 or E.O. 13224 in connection with Iran’s proliferation of WMD or its support for international terrorism, respectively; and
- the knowing sale, supply or transfer to or from Iran of materials described in section 1245(d) of IFCA (i.e., graphite, raw or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes) if sold, supplied or transferred to certain end-users or for certain end-uses, including in connection with the military or ballistic missile programs of Iran, or with Iranian nuclear activities inconsistent with the JCPOA.<sup>16</sup>

OFAC’s FAQ M.6. notes that, “To the extent an ongoing investigation of a non-U.S. person relates to activity within the scope of the secondary sanctions to be lifted on Implementation Day, the U.S. Government will not sanction the non-U.S. person under those authorities following Implementation Day.” This suggests that if a non-U.S. company engaged in conduct that was previously but, after Implementation Day, is no longer a predicate for secondary sanctions, the U.S. Government will not impose secondary sanctions on such non-U.S. party.

## New Designations

On January 17, OFAC invoked E.O. 13382 to designate and add to the SDN List six individuals of Iranian nationality, one individual of Chinese nationality, two UAE entities, and one Hong Kong entity, each with the tags “[NPWMD]” and “[IFSR].” OFAC also designated under E. O. 13382 and amended the SDN List entry for one previously designated Iranian individual. As noted in a January 17 [Statement by the President on Iran](#), these designations were made in connection with Iran’s recent missile test, and they target individuals and companies working to advance Iran’s ballistic missile program. The President noted that the United States will continue to enforce vigorously U.S. sanctions responding to Iran’s violations of human rights, support of terrorism, and development of ballistic missiles in violation of UNSC resolutions.

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<sup>15</sup> OFAC recommends in the FAQs that a person considering business in Iran or with Iranian persons conduct due diligence sufficient to ensure that it is not knowingly engaging in transactions with the IRGC or other Iranian or Iran-related persons on the SDN List and keep records documenting that due diligence. See FAQ M.2.

<sup>16</sup> See footnote 14.

## European Sanctions Relief

On January 16, the Council of the EU issued [Council Decision 2016/37/CFSP](#) (the “**Implementation Day CD**”), and the European External Action Service published an [Information Note on EU sanctions to be lifted under the JCPOA](#). On January 18, Her Majesty’s Treasury published a [Financial Sanctions Notice](#) on this EU sanctions relief. The Implementation Day CD lifted certain restrictive measures against Iran contained in Council Decision 2010/413/CFSP, including restrictions applicable to EU individuals and entities with respect to certain transactions involving Iran in: the financial, banking, insurance, oil, gas, petrochemical, shipping, shipbuilding, and transport sectors; trade in gold, other precious metals, banknotes, and coinage; and software. In addition, the Implementation Day CD terminated the EU asset freeze and visa ban measures applicable to specified Iranian banks and financial institutions, and specified persons, entities, and bodies related to the oil, gas, and petrochemical sectors.

As anticipated in our August 11, 2015 memorandum, EU sanctions relief under the JCPOA is more extensive than U.S. sanctions relief, and will permit EU persons to engage in a materially broader range of commercial activities in Iran or with Iranian companies than U.S. persons. However, certain activities by EU persons that are no longer prohibited by EU sanctions could still implicate U.S. sanctions targeting Iran that remain in place and continue to apply in certain respects to non-U.S. persons – for example, clearing U.S. dollars through U.S. financial institutions, exporting or reexporting U.S.-origin goods, technology, or services to Iran, or causing U.S. persons to violate their sanctions obligations – in addition to the remaining secondary sanctions discussed above under “Status of Secondary Sanctions.”

Effective January 17, certain Swiss sanctions against Iran were also lifted. As noted in a [Statement from the Swiss Federal Council](#) released on January 16, the Swiss Federal Council has revised its Ordinance on Measures regarding the Islamic Republic of Iran. The remaining restrictions in the updated Swiss Ordinance are based on corresponding UN and EU measures.

## Potential Re-imposition of Sanctions

As discussed in our August 11, 2015 memorandum, if Iran is found to be in noncompliance with the JCPOA and the JCPOA’s dispute-resolution mechanisms fail to produce accord, the JCPOA provides for the restoration (or “**snapback**”) of sanctions waived or lifted pursuant to the JCPOA. In the event of such snapback, the JCPOA stipulates that re-imposed sanctions would not apply retroactively to JCPOA-compliant contracts signed prior to the date of re-imposition. However, the JCPOA does not “grandfather” any contracts entered into pursuant to the JCPOA relief; therefore, reimposed sanctions would probably be applied prospectively to any activities still occurring or contemplated under contracts signed before the date of the sanctions snapback. The FAQs note that the U.S. Government has a past practice of working with U.S. or third-country companies to minimize the impact of sanctions on the legitimate activities of those parties undertaken prior to the imposition of sanctions, and that OFAC anticipates doing the same in the event of a JCPOA sanctions snapback, including by posting guidance on OFAC’s website in such an event.<sup>17</sup>

## Conclusion

Although the sanctions relief provided on Implementation Day is significant, especially outside the United States, many transactions remain prohibited, at least for U.S. persons. Despite the lifting of U.S. nuclear-related secondary sanctions, as described in the JCPOA, non-U.S. companies dealing with Iran still face the risk of U.S. secondary sanctions unrelated to Iran’s nuclear program, as well as broad prohibitions on

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<sup>17</sup> See FAQ M.5.

the export or re-export of U.S.-origin goods and services and on the transit of most Iran-related transactions through the U.S. financial system. The divergence between U.S. and non-U.S. sanctions obligations, which had diminished between 2010 and 2015, has re-emerged as a compliance challenge for global businesses, especially financial institutions operating both within and outside of the United States. Non-U.S. persons planning to do business in Iran or with Iranian persons should consider the risk of residual U.S. sanctions and any links between their proposed Iranian transactions and persons, goods, technologies or services still subject to U.S. enforcement jurisdiction.

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your regular Davis Polk contact.

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