

OFAC Announces Regulations and Guidance Implementing Withdrawal from the JCPOA

June 27, 2018 | Client Update | 4-minute read

On June 27, 2018, the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") announced [amendments](#) to the Iranian Transactions and Sanctions Regulations ("ITSR"), 31 C.F.R. part 560, and published updated [answers to frequently asked questions](#) ("FAQs") to further implement President Trump's May 8, 2018 [decision](#) to withdraw the United States from the Joint Comprehensive Plan of Action ("JCPOA") with Iran. The regulatory amendments, which will be effective when published in the Federal Register on June 28, 2018, revoke certain general licenses ("GLs") that had been issued as part of the sanctions relief provided to Iran under the JCPOA, and replace them with limited authorizations to wind down previously authorized activity. As of the effective date, U.S. persons and U.S.-owned or -controlled foreign entities will no longer be authorized to engage in new transactions pursuant to the revoked GLs, and may only engage in those limited transactions ordinarily incident and necessary to wind down previously authorized transactions and activities through the expiration date of the applicable wind-down GL.

Specifically, OFAC revoked existing GLs, and issued amended wind-down GLs, as follows:

- **Transactions by U.S.-owned or-controlled foreign entities:** Most significantly, OFAC has revoked [GL H](#), which authorized, subject to certain conditions and restrictions, all transactions otherwise prohibited by the ITSR by U.S.-owned or -controlled foreign entities with the Government of Iran and persons subject to the jurisdiction of the Government of Iran. GL H also authorized certain limited transactions by U.S. persons related to alteration of policies or provision of automated and globally integrated back office support. GL H is being replaced with an authorization for transactions and activities ordinarily incident to and necessary for winding down previously authorized activities. 31 C.F.R. § 560.537. All wind-down transactions authorized by this GL must be completed by 11:59 PM eastern standard time on **November 4, 2018**.
- **Importation of Iranian Origin Foodstuffs and Carpets:** OFAC had previously authorized the importation into the United States of certain Iranian-origin foodstuffs (including caviar and pistachios) and carpets from Iran or a third country. This GL will be narrowed to authorize only those transactions ordinarily incident to and necessary for winding-down previously authorized transactions. 31 C.F.R. § 560.534. OFAC similarly narrowed the related GL authorizing transactions related to letters of credit and brokering services relating to certain Iranian-origin foodstuffs and carpets. 31 C.F.R. § 560.535. All wind-down transactions authorized by these GLs must be completed by 11:59 PM eastern daylight time on **August 6, 2018**.
- **Contingent Contracts for Certain Transactions Related to Civil Aviation:** Pursuant to the JCPOA, OFAC issued a [Statement of Licensing Policy](#) ("SLP") for activities related to the export or reexport to Iran of commercial passenger aircraft and related parts and services, and also issued [GL I](#), which authorized transactions related to negotiation of, and entry into contingent contracts for activities eligible for authorization by specific license under the SLP. The SLP was revoked on May 8, 2018, and OFAC is now revoking GL I and replacing it with an authorization for all transactions and activities ordinarily incident to and necessary for the winding down of transactions related to the negotiation of contingent contracts that were previously authorized by GL I. 31 C.F.R. § 560.536. All wind-down transactions authorized by this GL must be completed by 11:59 PM eastern daylight time on **August 6, 2018**.

Concurrently with the announcement of the amendments to the ITSR, OFAC published updates to FAQs on the withdrawal from the JCPOA that it initially published on May 8, 2018. The updated FAQs (4.3, 4.4., and 4.5) now include references to the amendments to the ITSR announced on June 27, 2018, but do not provide any new substantive

guidance.

In addition to these changes to the primary sanctions against Iran, the U.S. government continues to work toward full re-imposition of all Iran-related secondary sanctions by the August 6 and November 4, 2018 target dates as set forth in the President's May 8, 2018 announcement and [National Security Presidential Memorandum](#). As part of this effort, the U.S. State Department has [confirmed](#) that it is asking other countries to reduce purchases of Iranian crude oil to zero by November 4, 2018, or face potential sanctions under section 1245 of the 2012 [National Defense Authorization Act](#). It remains to be seen how countries will react to this threat, and whether the U.S. government will follow through on what appears to be a very aggressive position on secondary sanctions.

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

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