

Impact of U.S. Withdrawal from the Iran Nuclear Deal

IN SHORT

The Situation: On May 8, 2018, President Trump announced that the United States has withdrawn from the Iran Nuclear Deal and will fully reimpose its suspended sanctions targeting Iran.

The Result: All currently suspended U.S. sanctions in respect of Iran, including sanctions applicable to non-U.S. persons, will be reimposed by November 5, 2018.

Looking Ahead: The reimposition of U.S. sanctions will have limited impact on U.S. companies. However, foreign companies majority-owned or controlled by U.S. persons must now begin winding down any Iran-related activities. In contrast, the impact of the reimposition of U.S. sanctions on non-U.S. companies is less clear, and as the international response develops, non-U.S. companies will increasingly face a complex compliance landscape.

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As we [reported](#) earlier, on May 8, 2018, President Trump announced that the United States will reimpose, after specified wind-down periods, all nuclear-related sanctions lifted under the Joint Comprehensive Plan of Action ("JCPOA") (commonly known as the "Iran Nuclear Deal"). As a result, the U.S. sanctions regime will revert to its pre-JCPOA scope by November 5, 2018.

In light of the comprehensive U.S. *primary* sanctions that remained in place after implementation of the JCPOA, President Trump's announcement will have little impact on U.S. companies. In contrast, foreign subsidiaries of U.S. organizations and their non-U.S. counterparts face a dramatically changed compliance landscape. With the reimposition of U.S. extraterritorial, or *secondary*, sanctions, non-U.S. companies must navigate increasingly complex terrain as they assess continued engagement with Iran, compliance with U.S. sanctions, and the pending response of the other JCPOA signatories.

Immediate Impact

Over the next 90 to 180 days (subject to any extension that may be put in place by the United States at a later stage), all U.S. sanctions suspended pursuant to the JCPOA will be reimposed.

Following a 90-day wind-down period ending on August 6, 2018, the United States will reimpose its *secondary* sanctions targeting activities related to: Iran's automotive sector; trade in graphite, raw or semi-finished metals, coal, and software for integrating industrial processes; and certain financial and banking transactions. During the same period, the United States will revoke the authorizations or licensing policies for imports of Iranian-origin carpets and foodstuffs (as well as certain related financial transactions) and civil aviation transactions.

Following a 180-day wind-down period ending on November 4, 2018, the United States will reimpose its *secondary* sanctions targeting certain transactions involving: the Central Bank of Iran and/or designated Iranian financial institutions; Iran's energy sector; Iran's port operators and/or Iran's shipping and shipbuilding sectors; and insurance, reinsurance, and underwriting services.

Effective November 5, 2018, the United States will also revoke General License H (and any subsequent wind-down authorizations issued in connection with that general license), which previously authorized foreign entities majority-owned or controlled by U.S. persons to engage in most transactions involving Iran. It appears all other Iran-related general and specific licenses, including licenses issued under the Trade Sanctions Reform and Export Enhance Act of 2000 ("TSRA"), issued by the Office of Foreign Assets Control ("OFAC") will remain unaffected.

Finally, no later than November 5, 2018, the United States will redesignate all persons who had been removed, through the JCPOA, from the List of Specially Designated Nationals and Blocked Persons and/or other U.S. sanctioned parties lists.



As a practical matter, the reimposition of U.S. sanctions suspended under the JCPOA will have limited impact on U.S. companies. The reimposition will, however, have immediate impact on non-U.S. organizations that are majority-owned or controlled by U.S. persons and on U.S.-linked aviation companies.



Near- and Long-Term Implications

As a practical matter, the reimposition of U.S. sanctions suspended under the JCPOA will have limited impact on U.S. companies, which have remained subject to U.S. *primary* sanctions that prohibit U.S. persons from engaging, directly or indirectly, in virtually all transactions or dealings with Iran without authorization.

The reimposition of U.S. sanctions will, however, have immediate impact on non-U.S. organizations that are majority-owned or controlled by U.S. persons and on U.S.-linked aviation companies. Over the coming months, OFAC will revoke the authorizations on which these companies have relied. As a result, any such companies should immediately reassess their existing Iran-related activities, including in-process and pending transactions, in order to prepare to wind-down Iran-related activities and ensure compliance with U.S. sanctions during the wind-down period.

The near- and long-term implications of President's Trump announcement for non-U.S. companies are less clear. Non-U.S. persons are not, with limited exceptions, subject to U.S. *primary* sanctions. However, U.S. *secondary* sanctions provide for an array of penalties that, in effect, foreclose access to U.S. markets—a meaningful deterrent for non-U.S. companies. Continued engagement with Iran will therefore become an increasingly fraught proposition for non-U.S. persons, and one that may be further complicated by the response of the international community to the U.S. withdrawal.

As the international response develops, non-U.S. companies should take steps to protect their interests. In particular, non-U.S. companies should reassess their Iran-related activities to determine their potential liability under the soon-to-be imposed U.S. *secondary* sanctions and/or any potential blocking statutes; open dialogues with their financial institutions, insurers, and other service providers regarding any Iran-related activities; and, significantly, prepare to possibly wind down any potentially sanctionable Iran-related activities in order to move promptly to comply with U.S. *secondary* sanctions, if warranted.

Jones Day will continue to monitor developments and provide updates.

THREE KEY TAKEAWAYS

1. The U.S. withdrawal from the Iran nuclear agreement will result in the reimposition of sanctions that had been lifted as part of JCPOA, or, the "Iran Nuclear Deal."
2. Because the comprehensive U.S. *primary* sanctions remained in place after implementation of JCPOA, the withdrawal and reimposition of sanctions hold few consequences for U.S. companies.
3. However, foreign subsidiaries of U.S. organizations and their non-U.S. counterparts face a markedly altered compliance situation, and those companies affected should take decisive and deliberate measures to protect their interests.

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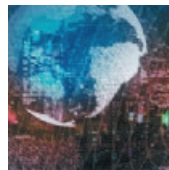
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