

## ECONOMIC SANCTIONS UPDATE

January 5, 2012

### **ADDITIONAL U.S. ECONOMIC SANCTIONS WITH RESPECT TO IRAN**

Financial institutions and companies that trade in or do business with Iran should be aware that on December 31, 2011 and effective immediately, the United States government has again strengthened and expanded the scope of economic sanctions on Iran.

The new sanctions, among other things, penalize foreign financial institutions that engage in certain business with or involving Iran's central bank, Bank Markazi, and transactions in regard to purchases from or sales to Iran of petroleum and petroleum products.

### **Background**

On December 31, 2011, President Obama signed into law new Iran economic sanctions legislation contained within the larger National Defense Authorization Act for 2012 (the "Act").

### **The New Sanctions Under the Act**

In summary, the new sanctions under the Act:

- Require the President to block the property of and prohibit all transactions with or involving Iranian financial institutions (strengthens and codifies existing sanctions in this regard);
- 60 days after the Act (*i.e.*, December 31, 2011), require the President to prohibit or restrict the opening and maintaining in the United States of a correspondent account or payable-through account by a foreign financial institution that the President determines has knowingly conducted or facilitated any significant financial transaction with the Central Bank of Iran or another Iranian financial institution; and authorize the President to impose sanctions with respect to the Central Bank of Iran.
  - o The conduct or facilitation of a transaction for the sale of food, medicine, or medical devices to Iran is excluded from the foregoing sanctions.
  - o The prohibition or restriction of the opening and maintaining in the United States of a correspondent account or payable-through account will apply to foreign financial institutions owned or controlled by the government of a foreign country, including a central bank of a foreign country, if it engages in a financial transaction for the sale or purchase of petroleum or petroleum products to or from Iran that is conducted or facilitated 180 days after December 31, 2011, and the President determines that there is a sufficient supply of petroleum or petroleum products from countries other than Iran to permit a significant reduction in the volume of petroleum and petroleum products purchase from Iran by or through a foreign financial institution.

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- **Exception:** Subject to certain timeframes, the foregoing sanctions will not be imposed against a foreign financial institution if the President determines that there is a sufficient supply of petroleum or petroleum products from countries other than Iran to permit a significant reduction in the volume of petroleum and petroleum products purchased from Iran by or through a foreign financial institution, and the President determines that the country with primary jurisdiction over the foreign financial institution has significantly reduced its volume of crude oil purchases from Iran.
- **Waiver:** The sanctions entailing a prohibition or restriction on the opening and maintenance of a correspondent account or payable-through account for a foreign financial institution may be waived for period of 120 days (and successive 120 day periods) if the President determines that such a waiver is in the national security interests of the United States, and submits a report to Congress justifying the waiver.

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For more information and guidance, please contact and consult:

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