



## SANCTIONS AND FINANCIAL INSTITUTIONS REGULATORY UPDATE

### **United States Imposes New Sanctions Against Iran Aimed at Petroleum, Petrochemical, Banking and Nuclear Sectors**

On November 21, 2011, the United States imposed new sanctions against Iran in response to the recent alleged plot to assassinate the Saudi Ambassador in the United States and new findings by the International Atomic Energy Agency concerning Iran's nuclear activities. Because the United States already maintains a nearly comprehensive embargo of Iran, these new sanctions primarily target non-U.S. persons with dealings in Iran's petroleum, petrochemical, banking and nuclear sectors. The sanctions are accompanied by complementary measures imposed by the United Kingdom and Canada, with additional jurisdictions expected to impose similar measures in the coming days.

#### **Petroleum Sector**

Pursuant to the Iran Sanctions Act (ISA), the United States already maintains a sanctions regime that targets non-U.S. persons who knowingly support Iran's petroleum sector by: (1) investing in the development of Iran's petroleum resources; (2) selling, leasing or providing to Iran goods, services, technology or other support that could permit the maintenance or expansion of Iran's domestic production of refined petroleum products; and (3) selling, leasing or providing to Iran goods, services, technology or other support that could permit the import of refined petroleum products into Iran. These activities are sanctionable under the ISA when they exceed certain dollar thresholds.

Under [Executive Order 13590](#), non-U.S. persons involved in the petroleum sector supply chain are again targeted. Sanctions now may be applied to non-U.S. persons who knowingly sell, lease or provide to Iran goods, services, technology or support that could directly and significantly contribute to the maintenance or enhancement of Iran's ability to develop petroleum resources located in Iran, when the value of a single transaction is at least \$1 million or when aggregate transactions are worth at least \$5 million over a 12-month period. The term "develop" includes exploration, extraction, refinement and transport by pipeline of petroleum resources. The term "petroleum resources" includes petroleum, oil, natural gas, liquefied natural gas and refined petroleum products (*i.e.*, diesel, gasoline, jet fuel and aviation gasoline).

Sanctions mirror those imposed under the ISA and include the denial of export credits, export licenses and government contracts, as well as prohibitions on foreign exchange, banking and property-related transactions (to the extent such transactions are subject to the jurisdiction of the United States). The State Department has discretion in the selection of sanctions imposed on a person found to have violated the Executive Order.

## Petrochemical Sector

Executive Order 13590 also targets the activities of non-U.S. persons in the petrochemical sector. The President now may sanction non-U.S. persons who knowingly sell, lease or provide to Iran goods, services, technology or support that could directly and significantly contribute to the maintenance or expansion of Iran's domestic production of petrochemical products, when the value of a single transaction is at least \$250,000 or when aggregate transactions are worth at least \$1 million over a 12-month period. The term "petrochemical products" includes aromatic, olefin and synthesis gas, ethylene, propylene, butadiene, benzene, toluene, xylene, ammonia, methanol and urea. The sanctions are the same as those identified above with respect to the petroleum sector.

The petrochemical sector is a new target of U.S. economic sanctions. The Administration identified it as a sector of interest because petrochemicals are a significant source of Iran's export revenues and because imports of petrochemicals can serve as a cover for other sanctioned imports. To accompany the new sanctions targeting the petrochemical sector, the Administration has announced that it will launch a worldwide diplomatic campaign to encourage other countries to shift purchases of Iranian petrochemical products to other suppliers.

## Banking Sector

The U.S. Treasury Department also designated Iran as a [jurisdiction of primary money laundering concern](#) under Section 311 of the USA PATRIOT Act. This designation covers the entire Iranian financial sector, including Iran's Central Bank, private Iranian banks and subsidiaries or branches of Iranian banks operating outside of Iran.

Once such a designation is made, U.S. financial institutions must take it into account as part of their overall risk management programs. As a practical matter, non-U.S. financial institutions also consider such designations when contemplating transactions. The Administration anticipates that Iran's designation as a jurisdiction of primary money laundering concern will have a chilling effect on the willingness of non-U.S. financial institutions to do business involving Iran, a prospect that does not bode well for companies engaged in authorized trade under the Trade Sanctions Reform Act.

In addition, based on a designation under Section 311, the Treasury Department has the authority to require U.S. financial institutions and financial agencies to take special measures against the jurisdiction of primary money laundering concern. The imposition of these measures must follow a regulatory process including a notice and comment period. Accordingly, in connection with the designation of Iran under Section 311, Treasury's Financial Crimes Enforcement Network issued a [notice of proposed rule making](#), in which it proposes to require U.S. financial institutions to implement additional due diligence measures in order to prevent any improper, indirect access by Iranian banking institutions to U.S. correspondent accounts. Comments on this proposal are due within 60 days of its publication.

## Nuclear Sector

Finally, pursuant to Executive Order 13382, the United States sanctioned [eleven individuals and entities](#) for their role in Iran's nuclear procurement networks and nuclear development programs. The newly sanctioned persons are:

- Nuclear Reactors Fuel Company
- Noor Afzar Gostar Company
- Fulmen Group
- Yasa Part
- Javad Rahiqi
- Modern Industries Technique Company (MITEC)
- Neka Novin
- Parto Sanat
- Paya Partov
- Simatic
- Iran Centrifuge Technology Company (ITESA)

The assets of these persons within the jurisdiction of the United States are now blocked, and U.S. persons are prohibited from engaging in transactions involving these persons.

Sidley Austin LLP has a team of lawyers well-versed in U.S. economic sanctions against Iran. We would be pleased to assist companies to assess the impact of the new Iran sanctions on their operations.

If you have any questions regarding this update, please contact the Sidley lawyer with whom you usually work.

### **Sidley Austin's Sanctions Practice**

Lawyers in our Sanctions Practice advise companies on the applicability of U.S. sanctions programs to corporate and banking transactions, insurance contracts and the sale of goods and services. We handle license applications for agricultural commodities, medical devices and medicines under the Trade Sanctions Reform and Export Enhancement Act of 2000. We also represent companies in enforcement actions involving U.S. sanctions, assist with internal investigations and the development of compliance programs, and counsel clients on voluntary disclosures. For more information about our Sanctions Practice please contact Lisa Crosby ([lcrosby@sidley.com](mailto:lcrosby@sidley.com), +1.202.736.8754) or Robert Torresen ([rtorresen@sidley.com](mailto:rtorresen@sidley.com), +1.202.736.8570).

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