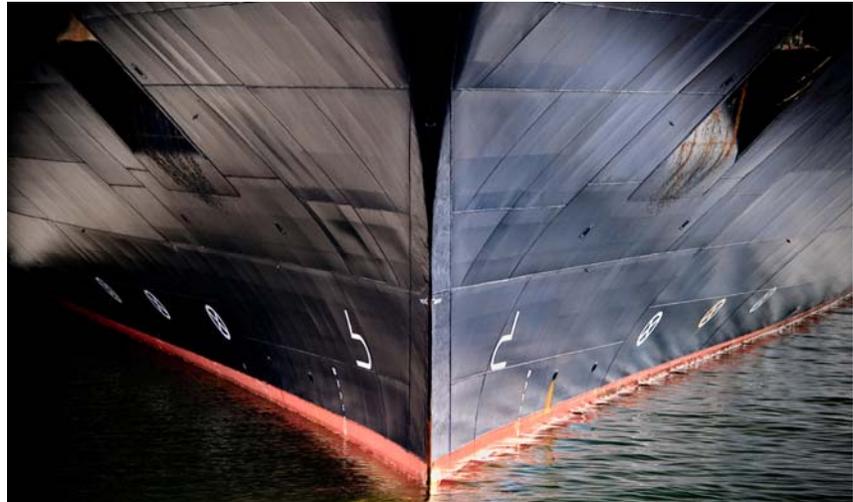


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BRIEFING  
LIFTING SANCTIONS AGAINST IRAN  
JULY 2015

- CHINA, FRANCE, GERMANY, RUSSIA, THE U.K. AND THE U.S. HAVE REACHED AN UNPRECEDENTED AGREEMENT WITH IRAN (THE "JCPOA")
- THE JCPOA EASES SANCTIONS AGAINST IRAN IN EXCHANGE FOR LIMITATIONS ON IRAN'S NUCLEAR PROGRAM
- IT INCLUDES A TIMELINE FOR MEASURING IRAN'S COMPLIANCE WITH THE AGREEMENT



On July 14, 2015, China, France, Germany, Russia, the United Kingdom and the United States reached an unprecedented agreement with Iran to ease sanctions in exchange for limitations on Iran's nuclear program. The Joint Comprehensive Plan of Action ("JCPOA") includes a timeline for measuring Iran's compliance with the agreement, and ties lifting of certain sanctions to that compliance.

This briefing will address the two main practical questions concerning the JCPOA – when will sanctions be lifted against Iran, and what sanctions will be lifted?

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“WHEN WILL SANCTIONS  
BE LIFTED AGAINST IRAN,  
AND WHAT SANCTIONS  
WILL BE LIFTED?”

**Timeline for lifting sanctions**

The key date for lifting of sanctions against Iran is “Implementation Day” – but there is a long road to reach Implementation Day. “Implementation Day” is the date when the International Atomic Energy Agency (“IAEA”) verifies that Iran has fulfilled its obligations under the JCPOA with respect to its nuclear program. No specific date has been fixed for Implementation Day, which could take several months.

First, to start the clock running, the JCPOA must be submitted to both the United Nations Security Council and to the U.S. Congress for approval. Each have somewhat different timelines, but the timelines will run concurrently.

U.S. timelines run from the date the JCPOA is submitted to the U.S. Congress for approval, which must be within five days of the execution of the JCPOA. Congress has 60 days to approve or reject the JCPOA. If Congress rejects the JCPOA, President Obama has 12 days to veto that rejection. Congress then has 10 days to

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“ALL SANCTIONS WILL REMAIN IN EFFECT UNTIL IMPLEMENTATION DAY... IF IRAN FAILS TO MEET ITS COMMITMENTS UNDER THE JCPOA AT ANY TIME AFTER IMPLEMENTATION DAY, SANCTIONS MAY BE RE-IMPOSED.”

override that veto; such an override, however, would require a vote of two-thirds of both houses of Congress and appears unlikely.

The U.N. Security Council timelines under the JCPOA start to run after the Security Council adopts a resolution endorsing the JCPOA and terminating current U.N. sanctions against Iran, to be effective on Implementation Day. 90 days after the adoption of the U.N. resolution, Iran will inform the IAEA that it will comply with its obligations under the JCPOA and permit IAEA to verify Iran’s implementation of measures required by the JCPOA.

Prior to Implementation Day, the EU will adopt a regulation that terminates sanctions against Iran, which will take effect on Implementation Day, and the US will issue waivers with respect to certain sanctions (primarily sanctions applicable to non-U.S. persons), which will also take effect on Implementation Day. All sanctions will remain in effect until Implementation Day.

If Iran fails to meet its commitments under the JCPOA at any time after Implementation Day, sanctions may be re-imposed.

#### Sanctions to be lifted

##### U.S. Sanctions

The U.S. sanctions that are to be waived on Implementation Day are largely limited to secondary sanctions – i.e., those sanctions that are applicable to non-U.S. persons. U.S. persons, however, will be able to engage in certain transactions with Iran that were previously prohibited, including selling commercial passenger aircraft and related parts and services to Iran and importing Iranian-origin carpets and foodstuffs. Significantly, the JCPOA states that the U.S. will “licence non-U.S. entities that are owned or controlled by a U.S. person to engage in activities with Iran that are consistent with” the JCPOA. This may open a significant window for foreign subsidiaries of U.S. companies to do business with Iran after Implementation Day, depending on how this provision is interpreted in regulations and licenses.

After Implementation Day, the following transactions (among others) by non-U.S. persons will no longer be prohibited by U.S. sanctions:

- Financial and banking transactions with certain Iranian banks and financial institutions (including opening and maintenance of correspondent and payable through accounts at non-U.S. financial institutions, investments, foreign exchange transactions and letters of credit);
- Financial messaging services (such as SWIFT)
- Underwriting services, insurance or reinsurance;
- Investment in Iran’s oil, gas and petrochemical sectors;
- Purchase, acquisition, sale, transportation and marketing of petroleum, petrochemical products and natural gas from Iran;
- Export, sale or provision of refined petroleum products to Iran;
- Transactions with Iran’s energy sector;
- Transactions with Iran’s shipping and shipbuilding sectors and port operators; and
- Sale, supply or transfer of goods and services used in Iran’s automotive sector.

Such transactions, if performed by U.S. persons, however, may still be prohibited after Implementation Day.

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“U.S. SANCTIONS REMAIN IN EFFECT AND WILL BE ENFORCED UNTIL THEY ARE WAIVED ON IMPLEMENTATION DAY.”

The JCPOA also calls for the removal of a large number of persons and entities from the Specially Designated Nationals List, the Foreign Sanctions Evaders List, and the Non-SDN Iran Sanctions Act List. Tidewater (an operator of many ports in Iran) will be removed from the SDN List on Implementation Day.

It should be noted that U.S. sanctions remain in effect and will be enforced until they are waived on Implementation Day.

#### EU Sanctions

The current EU sanctions regime against Iran laid down in Council Regulation 267/2012 includes a broad oil and gas embargo, restrictions regarding the provision of key equipment for oil and gas as well as petrochemical industries, trade in gold and precious metals, and financial restrictions. Moreover, dual-use and military goods are covered by the sanctions. In its Council Decision 2014/21/CFSP of 20 January 2014 (amending Council Decision 2010/413/CFSP concerning restrictive measures against Iran) and the related Council Regulation No 42/2014 of 20 January 2014 (amending Council Regulation 267/2012), the EU suspended certain sanctions measures. On July 14, 2015, the EU extended this partial suspension of sanctions until January 14, 2016 by adopting Council Decision 2015/1148/CFSP of 14 July 2015 amending Decision 2010/413/CFSP concerning restrictive measures against Iran, which entered into force on July 14, 2015. The sanctions measures that will be suspended are as follows:

- In respect of crude and petroleum products, specified in Annex I to Regulation 42/2014 as “oils and oils obtained from bituminous minerals, crude” with HS Code 2709 00, it is no longer prohibited to:
  - transport them if they originate in Iran, or are being exported from Iran to any other country; and
  - provide, directly or indirectly, financing or financial assistance, including financial derivatives, as well as insurance and reinsurance, related to their import, purchase or transport.
  - All other EU sanctions prohibiting import, purchase, transport and financing in relation to Iranian oil or petroleum products will remain in place.
- The EU is allowing import, transport and purchase of Iranian petrochemical products. The prohibitions on associated services, including insurance and re-insurance, have also been suspended. Frozen funds may be released in case EU Member States determine that such funds are necessary for the execution of contracts for import or purchase of petrochemical products.
- The prohibition on “making available vessels designed for the transport or storage of oil and petrochemical products” has been suspended.
- The full range of prohibitions regarding sale, supply, transfer, export, purchase, import or transport of gold and precious metals have been suspended. Sanctions relating to diamond supply remain in place as do the sanctions on graphite and raw and semi-finished metals.
- The authorisation thresholds for Iranian fund transfers have been increased:
  - Prior Member State authorisation is only required when fund transfers for personal remittances have a value of EUR 400,000 or more.

- For fund transfers regarding foodstuffs, healthcare, medical equipment, or for agricultural or humanitarian purposes, prior Member State authorisation is required in case of a value of EUR 1,000,000 or more.
- Any other fund transfer above EUR 100,000 shall require prior authorisation by the competent authority of the Member State concerned.
- Fund transfers to or from Iranian parties that do not involve an Iranian financial institution only require prior Member State authorisation if they have a value of EUR 400,000 or more.

“FUND TRANSFERS BETWEEN EU-BANKS AND IRAN-RELATED BANKS OR FINANCIAL INSTITUTIONS REMAIN GENERALLY PROHIBITED UNLESS THEY ARE EXEMPTED... ALL IRAN-RELATED TRANSFERS OF EUR 10,000 OR MORE STILL REQUIRE NOTIFICATION TO THE MEMBER STATE.”

Fund transfers between EU-banks and Iran-related banks or financial institutions remain generally prohibited unless they are exempted by one of the exceptions provided for in Regulation 267/2012. Moreover, all Iran-related transfers of EUR 10,000 or more still require notification to the Member State.

#### U.N. Sanctions

U.N. sanctions that are to be terminated on Implementation Day (subject to reimposition if Iran fails to live up to its commitments) include U.N. resolutions adopted from 2006 through 2015 that provide for:

- asset freezes of individuals and companies linked to Iran’s nuclear program or engaged in or supporting sensitive the development of ballistic missiles and a related travel ban;
- asset freezes of entities controlled by the Islamic Revolutionary Guard and a related travel ban;
- a ban on supply of heavy weapons and nuclear-related technology to Iran;
- a ban on arms exports to Iran; and
- a ban on trade in items with both civilian and military uses to Iran.

## FOR MORE INFORMATION

Should you like to discuss any of the matters raised in this Briefing, please speak with one of the authors, Dr Ivana Mikešić and Jane Freeberg Sarma, or your regular contact at Watson Farley & Williams.

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