

## International Trade Alert

February 10, 2017

### Key Points

- The U.S. Department of the Treasury's Office of Foreign Assets Control has added 25 new entities and individuals to its Specially Designated Nationals List, including some located in China, Lebanon, Iran and the United Arab Emirates. These designations were made under pre-existing authorities and are consistent with past designations the Obama administration made after implementing the Iran nuclear deal.
- The Trump administration and Congress appear to be considering additional options to respond to Iran's recent missile tests and alleged continuing support of terrorist organizations, including possible designation of Iran's Islamic Revolutionary Guard Corps on the U.S. State Department list of foreign terrorist organizations—prompting questions regarding the potential repercussions of such action for U.S. and multilateral political, diplomatic interests.



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### Trump Administration Makes First Iran Sanctions Designations

On February 3, 2017, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued a press release announcing sanctions against 25 individuals and entities that the U.S. government has associated with the supply chains of technology and materials being used by Iran to support its ballistic missile program. OFAC also designated individuals and entities acting on behalf of, or providing support to, Iran's Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) and Lebanon's Hizballah. Notably, the OFAC press release emphasizes that these actions are "fully consistent with the United States' commitments under the Joint Comprehensive Plan of Action (JCPOA)"—the nuclear deal reached with Iran and implemented last year.

### Impact of New Designations

OFAC made these new designations under two pre-existing executive orders (EOs): EO 13382 and EO 13324. EO 13382 authorizes sanctions against those involved with weapons of mass destruction (WMD) and ballistic missile proliferation. EO 13324 authorizes sanctions against those found to be supporting global terrorism. To support OFAC's designations, the press release describes a series of links and affiliations of those designated to procurement networks supporting Iran's ballistic missile program and the IRGC-QF. The newly designated individuals and entities include entities located in China, Lebanon, Iran and the U.A.E.

The sanctions generally prohibit U.S. persons (including U.S. citizens, permanent residents, U.S. companies and their foreign branches, and any person or entity located in the United States) from engaging in transactions with the newly designated parties. They also block the property and interests in property of sanctioned parties that come into the possession or control of any U.S. person. In addition, OFAC's action makes all of the new Specially Designated Nationals (SDNs) subject to secondary U.S. sanctions, imposing restrictions on interaction of non-U.S. persons with these sanctioned parties. Secondary sanctions generally enable the U.S. government to sanction non-U.S. person entities that knowingly facilitate significant transactions with, or provide material support to, these and other SDNs previously designated in this way.

In considering their business interests and compliance obligations in this environment, companies should be particularly vigilant in identifying transactions involving these newly designated entities and in more generally tracking any future changes to the Iran sanctions that may affect their activities and business planning. Given the uncertainty, companies should remain diligent in managing their compliance practices to ensure that they do not engage in impermissible activities. This includes conducting appropriate diligence in the conduct of business activities and transactions, such as screening of counterparties, end users and end uses of exports and reexports of goods, technology and services to safeguard compliance with U.S. and other countries' sanctions and export controls associated with Iran and more broadly.

### **Iran's Response**

Immediately prior to these designations, in response to the Trump administration's statement putting Iran "on notice," Iranian officials vowed to conduct more missile tests, which it claims do not violate either the nuclear deal or United Nations Security Council resolutions barring Iran from testing "ballistic missiles designed to be capable of delivering nuclear weapons." They also stated that Iran's ballistic missile tests are for defensive purposes and that the technology involved is not capable of carrying a nuclear warhead.

### **Possibility of Additional U.S. Sanctions Action**

Since these new sanctions designations, the Trump administration reportedly has been considering a further sanctions designation of Iran's Islamic Revolutionary Guard Corps (IRGC), Iran's most powerful military organization, as a foreign terrorist organization (FTO), which would add the IRGC to the list of FTOs maintained by the U.S. Department of State.

We are closely monitoring the U.S. government's activities with respect to Iran and will report on significant further developments as they occur. Please do not hesitate to contact us if you require any assistance related to developments in Iran and elsewhere.

## Contact Information

If you have any questions concerning this alert, please contact the Akin Gump lawyer with whom you usually work or:

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