

Iran: U.S. Sanctions

by The Swedish Club and Reed Smith LLP
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OVERVIEW

The United States has more or less a complete ban on “U.S. persons” conducting transactions with an Iranian nexus. Here, “U.S. person” means U.S. citizens and permanent resident aliens, entities organized under the laws of the United States and their foreign branches, and non-U.S. entities owned or controlled by the foregoing. Persons physically located in the United States, regardless of their citizenship, are also required to comply with the U.S. Iranian embargo.

The sanctions that may apply to non-U.S. persons include: (1) sanctions imposed by the EU and (2) secondary imposed by the U.S.

SECONDARY SANCTIONS

The U.S. has also imposed secondary sanctions on Iran. This means that non-U.S. persons can be sanctioned for engaging in certain transactions with Iran, even when those transactions do not have a U.S. nexus.

The following is a non-exhaustive list of activities targeted by U.S. secondary sanctions:

- the purchase or transport of petroleum, petroleum products, or petrochemical products from Iran;
- transactions with Iranian petroleum companies including National Iranian Oil Company (NIOC) and Naftiran Intertrade (NICO), even if the entity with which you are dealing is not incorporated in Iran;
- the provision of bunkers to Iranian vessels and vessels conducting certain Iranian trades;
- the purchase, acquisition, sale, transport, or marketing of iron, iron products, aluminum, aluminum products, steel, steel products, copper, or copper products from Iran;
- certain transactions with Iran’s automotive sector;
- certain transactions with Iran’s construction, mining, manufacturing and textiles sectors;
- certain transactions with Iran’s port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines, South Shipping Line Iran, or their affiliates, including providing bunkering services for their vessels;
- certain transactions with Iran’s energy sector;
- trade in gold or precious metals; and
- certain transactions and dealing in, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes.

Non-U.S. persons engaged in transactions without a U.S. nexus that involve or benefit SDNs may also risk sanctions if the transactions provided financial, material or technological support to the SDN. Additionally, non-U.S. financial institutions that engage in “significant transactions” with or on behalf of SDNs will also risk sanctions.

Regarding insurance the following applies:

Section 202 of the Iran Threat Reduction and Syria Human Rights Act of 2012

- Sanctions on insuring vessels used to transport crude oil from Iran to another country

Section 1246 of the Iran Freedom and Counter-proliferation Act (IFCA)

- Sanctions on the provision of underwriting services, insurance or reinsurance or any activity covered by U.S. sanctions or:
 - to any person in the energy, shipping or shipbuilding sectors of Iran, or
 - for the sale, supplier transfer to or from Iran of the materials described in section 1245(d) of IFCA, or
 - to any person designated for the imposition of sanctions in connection with Iran's proliferation of weapons of mass destruction or delivery systems for same, or Iran's support for international terrorism, or
 - any Iranian person included on the SDN List

The U.S. secondary sanctions pose particular problems for members based in EU states or otherwise subject to EU law. Pursuant to [Council Regulation 2271/96](#), as amended by [Delegated Regulation 2018/1100](#), EU companies/persons are required not to comply with U.S. secondary sanctions. In addition, EU companies/persons may be reimbursed for losses, caused by the application of U.S. secondary sanctions. For more information about Delegated Regulation 2018/1100, please see [P&I Circular of 9 August 2018](#).

In sum, the situation regarding U.S. sanctions is complex. EU based companies/persons may find themselves in a position where they either are in breach of U.S. sanctions or EU sanctions. Members are therefore recommended to exercise great caution and to seek legal advice should they contemplate any business relationship or transactions with an Iranian nexus.

Disclaimer: This Member Alert is intended to provide only general guidance and information pertaining to the issues identified and commented upon herein. The content of this Alert is not intended to be and should not be treated as being final and binding legal advice. If Members consider they are likely to or in fact have encountered problems or difficulties as discussed in this Alert, they are asked to contact the Club and obtain further legal advice relevant to their specific circumstances.