

To: Our Clients and Friends

June 5, 2013

New, Wide-Ranging U.S. Presidential Executive Order on Iran

The President has issued a new executive order to implement the Iran Freedom and Counter-Proliferation Act that significantly expands the jurisdictional reach of U.S. economic sanctions for non-U.S. financial institutions and other foreign persons in their dealings with Iran. The main provisions authorize sanctions against the following:

1. Foreign financial institutions which knowingly conduct or facilitate a significant transaction relating to (i) the purchase or sale of Iranian rials, (ii) financial instruments whose value is based on the Iranian rial exchange rate, (iii) the Iranian automotive sector or (iv) any Iranian person on OFAC's SDN List with certain exceptions relating to Iranian financial institutions whose property or interests in property are blocked pursuant to another executive order;
2. Foreign financial institutions that maintain significant funds or accounts outside Iran that are denominated in Iranian rials;
3. Anyone who provides good or services, including financial services or support, of a material nature to any Iranian person on OFAC's SDN List with the exception of Iranian financial institutions whose property or interests in property are blocked pursuant to another executive order; and
4. Anyone who knowingly engages in a significant transaction relating to the Iranian automotive sector or owns or controls or is owned or controlled by such person.

The term "financial institution" is defined for purposes of the executive order to mean a bank, an insurance company, an underwriter, a securities broker or any company providing financial services.

The penalties that may be imposed for violating these prohibitions vary based on the prohibition at issue. They include the following:

1. Prohibiting foreign financial institutions identified as violating any of the executive order's prohibitions from opening or maintaining U.S. correspondent bank accounts;
2. Blocking the property or interests in property of anyone identified as violating any of the executive order's prohibitions if such property or property interests are in the United States or the possession or control of a U.S. person;

3. Blocking the property or interests in property of anyone owning or owned by an entity identified as violating the executive order's prohibition on involvement in the Iranian automotive sector if such property is in the United States or the possession or control of a U.S. person;
4. Blocking the property or interests in property of an entity's principal executive officers if the entity is identified as violating the executive order's prohibition on involvement in the Iranian automotive sector and such property or property interests are in the United States or the possession or control of a U.S. person;
5. Prohibiting U.S. financial institutions from (i) making loans totaling more than \$10,000,000 in any 12-month period to anyone identified as violating the executive order's prohibition on involvement in the Iranian automobile sector or (ii) engaging in any foreign exchange transaction in which such person has an interest;
6. Restricting or prohibiting imports into the United State from a person identified as violating the executive order's prohibitions on involvement in the Iranian auto sector; and
7. Prohibiting any entity penalized as a consequence of violating the executive order's prohibitions on involvement in the Iranian auto sector and any of such entity's principal officers from participating in Ex-Im Bank programs, receiving U.S. government export licenses, participating in U.S. government contracts and enjoying other rights or privileges under U.S. law.

The new executive order is extraordinarily complicated. What is described above is just a brief summary.

The executive order, however, illustrates the extent to which the U.S. government is exercising its extraterritorial muscle pursuant to congressional mandate or otherwise to restrict dealings with Iran by those over whom the United States has no direct jurisdiction. The effects may be extensive and have significant precedential consequences.

Please let us know if we can be of help.

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