

**“SHOULD I STAY OR SHOULD I GO?”
FOUR THINGS BUSINESSES SHOULD KNOW ABOUT THE AGREEMENT WITH IRAN**

On July 14, 2015, the U.S., UK, Russia, China, France, Germany and Iran announced a Joint Comprehensive Plan of Action (“JCPOA”) designed to ensure that Iran’s nuclear program will be exclusively peaceful. The JCPOA will provide Iran with phased sanctions relief upon international verification that Iran has implemented key nuclear commitments outlined in the JCPOA. Much of the media discourse has focused on what this means for the U.S. as a matter of foreign policy. But of course it will have significant commercial implications. We list below four key facts for businesses that may be considering investment in Iran.

1. Businesses have time to plan for future investment.

No sanctions are being lifted immediately. This is likely to be a process that could last between six months and a year, or even longer. What this means is that every business considering investment in Iran has time to obtain legal advice, insurance and to otherwise plan for an orderly investment process.

Under the terms of JCPOA, sanctions relief is conditioned on the completion of several stages and approvals. First, there is a 60-day period for the U.S. Congress to consider and vote on a resolution approving the JCPOA. It is generally expected that the U.S. Congress will not approve the agreement, but that President Obama will implement it in any event by way of a veto. The UN Security Council and the EU will also have to pass resolutions lifting their sanctions regimes, although these are likely to be far less controversial and therefore will occur much more quickly.

In addition, between now and December 15, 2015, the International Atomic Energy Agency will examine and report on whether Iran has implemented key nuclear-related measures described in the JCPOA. A positive report by “Implementation Day,” is a condition precedent to lifting certain sanctions.

2. Nuclear related sanctions will be lifted but U.S. sanctions related to terrorism and human rights will remain in effect.

The U.S. still considers Iran to be a state sponsor of terrorism. Accordingly, U.S. sanctions that were imposed in response to concerns about Iran’s funding of terrorism and its human rights violations will remain in place. Effectively, this means that U.S. companies will still be barred

from direct investment in Iran, and Iranian companies will still be denied access to the American economy and the American banking system.

However, certain sanctions – those imposed specifically in response to Iran’s nuclear program – will be lifted. These include the following:

- Sanctions imposed on foreign companies that buy or transport Iranian oil (so-called “secondary sanctions”) will be lifted;
- American companies will be able to sell civilian aircrafts to Iran;
- American-owned companies located outside the U.S. will be permitted to conduct business with Iran; and
- Imports from Iran of Persian carpets and certain foodstuffs, like pistachios and caviar, will be permitted.

The U.S. government will publish detailed guidance on the sanctions relief before it is implemented.

3. Sanctions that have been lifted may “snapback” automatically if Iran violates the terms of the JCPOA.

Investors in Iran need to be aware that even sanctions that are lifted may be re-imposed at any time if Iran violates the terms of the JCPOA. Thus, any business thinking of investment in Iran would be well advised to take precautions, including possibly seeking insurance coverage to protect against potentially catastrophic loss in the event that sanctions “snapback” – that is, are re-imposed – without a wind-down period. In such a case, new complications could arise as assets and bank accounts get “stuck” in Iran, and ongoing financial transactions are stopped mid-stream.

4. Discrepancies between U.S. sanctions and international sanctions will present new challenges for U.S. global businesses and international financial institutions.

The markets are likely to see a retreat to the status quo ante – when the U.S. was maintaining strong sanctions against Iran, while the EU and other countries permitted much more trade. The fading of the present global consensus in sanctions means that the sanctions picture is about to become more complicated for everyone, but that U.S. companies will once again be uniquely

prohibited from trade with Iran. The different sanctions levels will mean the U.S. banking industry will need to continue its vigilance for international transactions that are globally compliant but violate U.S. law. Thus, the need for U.S.-centric due diligence to detect and prevent prohibited transactions and the involvement of sanctioned Iranian entities will increase as global prohibitions dissipate.

For further information please contact:

A. Katherine Toomey at katherine.toomey@lewisbaach.com or +1.202.659.7216

Adam S. Kaufmann at adam.kaufmann@lewisbaach.com or +1.212.822.0128

Hillary Rosenberg at hillary.rosenberg@lewisbaach.com or +1.212.822.0161

Aaron T. Wolfson at aaron.wolfson@lewisbaach.com or +1.212.822.0164

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