

Client Alert

May 2019

New Sanctions on Iran's Iron, Steel, Aluminum, and Copper Sectors

What Happened: In an effort to target revenue streams that may provide support for the Government of Iran's nuclear program, President Donald Trump issued an Executive Order on May 8, 2019 (Metals Order) authorizing broad sanctions with respect to the iron, steel, aluminum and copper sectors (i.e., industrial metals sector) of the Islamic Republic of Iran.

The Bottom Line: These sanctions reach far beyond Iran's borders and create heightened risks for foreign companies and foreign financial institutions (FFIs) engaged in business related to Iran's industrial metals sector.

The Full Story

The Order authorizes the secretary of the US Department of the Treasury (Treasury Secretary), acting in consultation with the secretary of the US Department of State, to impose both blocking sanctions on foreign persons and correspondent and payable-through account (CAPTA) sanctions on FFIs. Specifically, the Treasury Secretary may designate as Specially Designated Nationals (SDNs) and "block" the property of any person that, after May 8, 2019:

- (i) operates in Iran's industrial metals sector or, by virtue of ownership and control rules established by the Office of Foreign Assets Control (OFAC) of the US Department of Treasury, owns, controls or operates any entity that is part of these sectors;
- (ii) knowingly engages in a significant transaction for the sale, supply or transfer of goods or services in connection with Iran's industrial metals sector; or
- (iii) knowingly engages in a significant transaction for the purchase, acquisition, sale, transport or marketing of metals and products from Iran's industrial metals sector.

In addition, the Metals Order authorizes the imposition of US economic sanctions against any person that materially assists a person sanctioned for any of the above activities or that is deemed to be owned or controlled by any such person by virtue of OFAC's ownership and control rules.

In addition to the general blocking sanctions described above, the Metals Order authorizes OFAC to impose CAPTA sanctions on FFIs determined to have facilitated significant financial transactions related to the sale, supply or transfer of goods or services in connection with Iran's industrial metals sector or purchase, acquisition, sale, transport or marketing of metals and products from Iran's industrial metals sector as well as for facilitating transactions with blocked persons. Per [OFAC's March 14, 2019 announcement](#), FFIs determined to have facilitated these types of transactions will be designated on OFAC's CAPTA List. CAPTA-designated FFIs will be prohibited from, or have strict conditions imposed upon, maintaining correspondent or payable-through accounts in the United States.

Also on May 8, 2019, OFAC released limited guidance on the Metals Order that summarizes the sanctions and clarifies that persons engaged in transactions that could be sanctioned under the Order will have a 90-day wind-down period to conclude existing transactions without exposure to these sanctions. All new transactions—even ones that are completed within this 90-day window—are potentially subject to being sanctioned under the Metals Order. OFAC has not yet provided guidance specific to the Metals Order on what constitutes a “significant transaction,” but has indicated that it intends to adopt a standard similar to that used in interpreting the Iran Freedom and Counter-Proliferation Act. Under this standard, OFAC considers the totality of the facts and circumstances of a given transaction(s), particularly the size, number and frequency of the transactions, the nature of the transaction, whether the transaction is performed with the involvement or approval of management, the proximity between the person or FFI engaging in the transaction, the impact of the transaction on the objectives of the sanctions and whether the transaction involves an attempt to obscure or conceal the actual parties or true nature. Given the wide reach of the sanctions on Iran’s industrial metals sector, further guidance may be forthcoming.

In light of the Metals Order, OFAC’s guidance and accelerating tensions between Iran and the United States, foreign entities that conduct business related to Iran’s industrial metals sector, FFIs and others should promptly assess their sanctions exposure under the Order. Under the Metals Order, for example, a foreign (non-FFI) company that has no US presence but that utilizes the US financial system for wire transfers may be subject to the potential blocking of its funds as they transit the US financial system even where such transfer is being made between two foreign companies. Foreign companies seeking to mitigate sanctions risk and US-connected companies seeking to limit exposure to potential enforcement actions should also take careful note of the wind-down period and plan for forthcoming SDN designations under the Order. The full text of the Metals Order and OFAC’s guidance thereon is available [online here](#), and the president’s statement regarding the administration’s position with respect to Iran is available [online here](#).

The anti-money laundering and economic sanctions practice at Hunton Andrews Kurth LLP will continue to closely monitor the development of this and other US sanctions matters. Please contact us if you have any questions or would like further information regarding the Metals Order, Iran sanctions or other OFAC sanctions matters.

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