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US Requires Blocking of Iranian Government and Banking Assets

The escalation of US sanctions against Iran continued today with the release by President Obama of an Executive Order "Blocking Property of the Government of Iran and Iranian Financial Institutions" (the "**Executive Order**").[1]

The Executive Order implements section 1245(c) of the National Defense Authorization Act for Fiscal Year 2012 (the "**NDAA**"), enacted on December 31, 2011. The NDAA required a change in US sanctions to block all property and property interests of Iranian banks that come within the United States or within the possession or control of a US person. Previously, US sanctions against Iran had only required US persons to reject transactions involving such banks, unless the US Treasury's Office of Foreign Assets Control ("**OFAC**") had designated the bank under its anti-terrorism or counter-proliferation sanctions, including those labeled [IFSR] by OFAC (under its Iranian Financial Sanctions Regulations or "**IFSR**"). As of this month, very few Iranian commercial banks remained unblocked by OFAC, so the Executive Order does not significantly change the status quo in that regard.

The Executive Order also imposes a blocking requirement on all transactions involving the property and property interests of the Central Bank of Iran and the Iranian Government as a whole, including any entities owned or controlled by it. Previously US persons only had to reject transactions involving the Iranian Government. The change brings the OFAC sanctions against Iran into line with OFAC's Cuba, Sudan and Syria sanctions, which all block transactions involving the governments of those countries and any entities owned or controlled by them, rather than requiring only a rejection. OFAC has published a partial list of Government of Iran entities and Iranian banks, assigned the label [IRAN], within its broader list of Specially Designated Nationals.

OFAC has clarified in a fact sheet and guidance issued today that the Executive Order does not expand the scope of the IFSR;[2] *i.e.*, in order for non-US dollar transactions with Iranian banks to attract retaliation under the IFSR they must involve an IFSR-designated bank or some other form of proscribed banking activity under the IFSR, rather than just an Iranian bank as such.

In addition, OFAC today issued two general licenses under the Executive Order authorizing certain transactions with Iran to continue despite the new blocking requirement. Under General License A, with very few exceptions, transactions permitted under an existing Iranian Transactions Regulations exemption, general license or specific license, including those related to exports of food and medicines, may continue in conformity with the terms of existing licenses.[3] Under General License B, US banks

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1 *Available at* http://www.treasury.gov/resource-center/sanctions/Programs/Documents/iran_eo_02062012.pdf

2 *Available at* http://www.treasury.gov/press-center/press-releases/Pages/tg1409.aspx and http://www.treasury.gov/resource-center/faqs/Sanctions/Pages/ques_index.aspx#iraneo

3 However, any specific license that does not have a specified expiration date will be deemed to expire on April 6, 2012 for purposes of the Executive Order.

and securities firms may continue to process noncommercial, personal remittances to or from Iran, or for or on behalf of individuals ordinarily resident in Iran who are not included in the definition of the Government of Iran, subject to conformity with existing OFAC regulations.

Separately, the US Congress continues to consider further legislation directed at globalizing the impact of US sanctions against Iran and compelling non-US firms to withdraw from non-US business with Iran to which the United States objects. Today's release of the new Executive Order seems unlikely to slow the momentum behind that trend.

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