

U.S. Expands Sanctions Targeting Iran's Metals Sector

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On May 8, 2019, the one-year anniversary of his [decision](#) to end the United States' participation in the Joint Comprehensive Plan of Action ("JCPOA") with Iran, President Trump issued a new [Executive Order](#) "Imposing Sanctions with Respect to the Iron, Steel, Aluminum, and Copper Sectors of Iran" (the "Order"), as part of the administration's ongoing "maximum pressure" campaign with respect to Iran. The Order, which seeks to deny the Iranian government revenue derived from the export of products from Iran's iron, steel, aluminum, and copper sectors, provides the Secretary of the Treasury with the authority to impose blocking sanctions on persons determined:

- to be operating in the iron, steel, aluminum, or copper sector of Iran, or to be a person that owns, controls, or operates an entity that is part of the iron, steel, aluminum, or copper sector of Iran;
- to have knowingly engaged, on or after May 8, 2019, in a significant transaction for the sale, supply, or transfer to Iran of significant goods or services used in connection with the iron, steel, aluminum, or copper sectors of Iran;
- to have knowingly engaged, on or after May 8, 2019, in a significant transaction for the purchase, acquisition, sale, transport, or marketing of iron, iron products, aluminum, aluminum products, steel, steel products, copper, or copper products from Iran; or
- to provide material assistance, sponsor, provide support for or goods or services in support of, be owned or controlled by, or have acted or purported to act for or on behalf of, a person determined to be subject to blocking sanctions pursuant to the Order.

The Order also authorizes the imposition of correspondent or payable-through account sanctions on foreign financial institutions determined to have, on or after May 8, 2019, knowingly conducted or facilitated any significant financial transaction:

- for the sale, supply, or transfer to Iran of significant goods or services used in connection with the iron, steel, aluminum, or copper sectors of Iran;
- for the purchase, acquisition, sale, transport, or marketing of iron, iron products, aluminum, aluminum products, steel, steel products, copper, or copper products from Iran; or
- for or on behalf of any person determined to be subject to blocking sanctions pursuant to the Order.

Certain conduct sanctionable under the Order had previously been (and remains) sanctionable under Section 1245 (a)(I)(B) or (C) of the Iran Freedom and Counterproliferation Act (“**IFCA**”), which authorizes the imposition of menu-based sanctions (*i.e.*, sanctions selected from the list of options provided in § 6 of the [Iran Sanctions Act](#)) on persons determined to have knowingly engaged in transactions relating to the sale, supply, or transfer, directly or indirectly, to or from Iran of certain materials, including raw and semi-finished metals such as aluminum and steel, for certain end-uses or involving Iranian persons included on the List of Specially Designated Nationals and Blocked Persons. However, the Order substantially broadens the scope of activity relating to Iran’s metals sector that is sanctionable.

Although the Order is effective immediately, the Treasury Department’s Office of Foreign Assets Control (“**OFAC**”) indicated in a response to [Frequently Asked Questions](#) (“**FAQs**”) that persons engaged in transactions that could be sanctioned under the Order will have a 90-day period to wind down those transactions without exposure to sanctions. OFAC cautioned, however, that entering into new business is not considered wind-down activity and would be sanctionable even if it occurred during the wind-down period. See FAQ 668.

Separately, in response to increasing U.S. pressure, including the [narrowing](#) of waivers permitting transactions relating to civil nuclear activity in Iran and the attempt to push Iran’s oil exports to zero through [elimination](#) of Significant Reduction Exemptions, Iran announced that it was taking its first steps to potentially walk away from its own commitments under the JCPOA. Specifically, Iran [announced](#) that it would increase stockpiles of heavy water and low enriched uranium, and that it would end limits on enrichment of uranium in 60 days, unless the other remaining parties to the JCPOA take steps to resume oil trade and banking transactions with Iran. In response, the European Union (“**EU**”) offered a [statement](#) reaffirming its commitment to the JCPOA and reiterating its

determination “to continue pursuing efforts to enable the continuation of legitimate trade with Iran,” including through operationalization of the **Special Purpose Vehicle** the EU has established for that purpose, albeit to little effect thus far. The EU statement, however, also criticized “ultimatums,” and urged Iran to remain in full compliance with JCPOA and refrain from escalatory steps.