

New Iran Sanctions Legislation Imposes SEC Disclosure Requirement

Article By:

Scott L. Olson

On August 10, 2012, President Obama signed into law the [Iran Threat Reduction and Syria Human Rights Act of 2012](#) (ITRA).¹ While the ITRA, among other things, expands sanctions against Iran, Section 219 of the ITRA amends the Securities Exchange Act of 1934 (Exchange Act) to require public companies to provide disclosure of certain Iran-related activities in their annual and quarterly reports filed after February 6, 2013.

This client alert summarizes Section 219 of the ITRA and provides practical considerations for issuers to consider.

Disclosure Requirement

Subject issuers. Each issuer required to file annual or quarterly reports under Section 13(a) of the Exchange Act must comply with the new disclosure requirement.

Disclosure triggers. A subject issuer must determine whether it or any of its affiliates:

- knowingly engaged in certain activities related to Iran's energy sector as described in Section 5(a) of the Iran Sanctions Act of 1996 (ISA);²
- knowingly engaged in the activities described in Section 5(b) of the ISA,³ including activities that would contribute to Iran's ability to acquire or develop weapons of mass destruction (WMDs) and participation in a joint venture with the government of Iran and certain other persons and entities involving the mining, production or transportation of uranium;
- knowingly engaged in the activities described in Section 104(c)(2) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA),⁴ including certain activities by foreign financial institutions that:
 - facilitate efforts by the government of Iran and related persons and entities to acquire or develop WMDs or to support terrorism;
 - facilitate the activities of persons subject to financial sanctions under certain United Nations Security Council Resolutions;
 - involve money laundering or facilitate efforts by Iranian financial institutions to carry out an activity described in the previous two sub-bullets; and

-
- facilitate transactions or provide financial services for certain persons and entities, including Iran's Revolutionary Guard Corps, whose property or property interests are blocked pursuant to the International Emergency Economic Powers Act (IEEPA);⁵
 - knowingly engaged in the activities described in Section 104(d)(1) of the CISADA,⁶ including transactions by persons owned or controlled by a domestic financial institution with or benefitting Iran's Revolutionary Guard Corps or any of its agents or affiliates whose property or interests in property are blocked pursuant to the IEEPA;
 - knowingly engaged in the activities described in Section 105A(b)(2) of the CISADA,⁷ including the transfer of certain goods or technologies, or the provision of services after the transfer of the goods or technologies, to Iran to be used to commit serious human rights abuses against the people of Iran; or
 - knowingly conducted any transaction or dealing with:
 - any blocked person under [Executive Order No. 13224](#), which relates to blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism;
 - any blocked person under [Executive Order No. 13382](#), which relates to blocking property of weapons of mass destruction proliferators and their supporters; or
 - the "Government of Iran" (as defined in [31 C.F.R. § 560.304](#)) without the specific authorization of a Federal department or agency.

Required disclosure. If a subject issuer or its affiliate engaged in any of the activities discussed above during the period covered by an issuer's annual or quarterly report to be filed after February 6, 2013, it must provide in the report a detailed description of each activity, including:

- the nature and extent of the activity;
- the gross revenues and any net profits attributable to the activity; and
- whether the issuer or its affiliate intends to continue the activity.

If an issuer provides this disclosure in its annual or quarterly reports, it must concurrently file with the Securities and Exchange Commission (SEC) a separate notice that the disclosure has been included in the relevant report.

SEC notification requirements. When the SEC receives a notice of Iran activity disclosures, it must (1) send the periodic report to the President, the U.S. House of Representatives' Committees on Foreign Affairs and Financial Services and the U.S. Senate's Committees on Foreign Relations and Banking, Housing and Urban Affairs and (2) post the information provided in the disclosure and the notice on its website.

Presidential investigation. Upon receipt of a report from the SEC containing Iran activity disclosures (other than disclosure of a transaction or dealing with the government of Iran without the specific authorization of a Federal department or agency), the President must initiate an investigation and determine within 180 days whether sanctions should be imposed.

Practical Considerations

Subject issuers should consider taking the following actions in response to the enactment of Section 219 of the ITRA.

- Determine whether they or their affiliates are engaged in any of the activities that would

trigger disclosure. While discovery of reportable Iran-related activities will require public disclosure that could result in the imposition of sanctions and reputational and financial harm, failure to provide the required disclosure could subject issuers to liability under the securities laws.

- Determine whether data gathering systems need to be modified to track and collect information about the enumerated activities.
- Determine whether disclosure controls and procedures need to be modified in order to record, process, summarize and report the enumerated activities.
- While the SEC is not required to conduct rulemaking to implement the new disclosure requirement, stay tuned for possible SEC guidance or rulemaking to resolve outstanding questions related to the disclosure requirement, including where to provide the disclosure in the periodic report, when the disclosure is required for an annual report (i.e., only when an enumerated activity occurred during the fourth fiscal quarter or, like the SEC's mine safety disclosure rules, when an activity occurred at any time during the fiscal year covered by the annual report) and how to file the separate notice.

1. Pub. L. No. 112-158, available at <http://www.gpo.gov/fdsys/pkg/BILLS-112hr1905enr/pdf/BILLS-112hr1905enr.pdf>.

2. 50 U.S.C. § 1701 note, as amended by the ITRA.

3. *Id.*

4. 22 U.S.C. § 8513(c)(2), as amended by the ITRA.

5. 50 U.S.C. § 1701 et seq.

6. 22 U.S.C. § 8513(d)(1). See also the Iranian Financial Sanctions Regulations at 31 C.F.R. § 561.202.

7. ITRA § 402(a).

Copyright © 2025, Hunton Andrews Kurth LLP. All Rights Reserved.

National Law Review, Volume II, Number 244

Source URL: <https://natlawreview.com/article/new-iran-sanctions-legislation-imposes-sec-disclosure-requirement>