

Historic Agreement Reached with Iran—Iranian Nuclear Commitments in Exchange for Sanctions Relief

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The Joint Comprehensive Plan of Action (JCPOA)

On July 14, 2015, following two years of negotiations, China, France, Germany, Russia, the United Kingdom, the United States and the European Union (referred to as P5+1 or E3/EU+3) concluded a landmark agreement with Iran known as the Joint Comprehensive Plan of Action (JCPOA). In exchange for Iran's commitments relating to its nuclear programs, the P5+1 agreed to suspend all U.S., EU and UN nuclear-related sanctions imposed on Iran.

Under the JCPOA, the removal of trade sanctions will occur only *if and when* the International Atomic Energy Agency (IAEA) verifies that Iran has implemented the agreed nuclear-related measures. The JCPOA sets no specific deadline for this "Implementation Day." Moreover, even when the JCPOA is fully implemented, trade and economic sanctions imposed against Iran for reasons other than nuclear proliferation (e.g., support for terrorism) will remain in place. The [full text of the JCPOA](#) is available to read.

The [U.S. Office of Foreign Assets Control](#) (OFAC) and [European Commission](#) (EC) have formally extended the limited sanctions relief allowed pursuant to the P5+1 negotiations. However, guidance on implementation of the JCPOA has not yet been released by OFAC or the EC.

Businesses are well advised to proceed cautiously, and to closely monitor the implementation of the JCPOA, before engaging in any Iranian transactions or dealings for the following reasons:

1. The JCPOA remains subject to ratification by the parties (particularly, review by a skeptical U.S. Congress, *as shown below*);
2. Even after the JCPOA is ratified, any new sanctions relief is strictly contingent on Iran's verified compliance with its nuclear commitments; and
3. The U.S. sanctions relief will primarily apply to sanctions imposed on non-U.S. persons, leaving significant sanctions applicable to U.S. persons.

Iran Nuclear Measures

Under the JCPOA, Iran committed that “under no circumstances will Iran ever seek, develop or acquire any nuclear weapons.” Iran agreed to the following measures:

- To cap its uranium enrichment capability for 10 years
- To curtail specified nuclear research and development operations
- To convert certain nuclear facilities for peaceful energy purposes
- To subject its nuclear activities to international inspections and monitoring

In 82 pages and an attachment, Annex I to the JCPOA sets out the detailed nuclear-related measures that Iran must undertake in order for any sanctions relief to follow.

Sanctions Relief

The United Nations, United States, and European Union will lift nuclear-related sanctions imposed on Iran, simultaneously with verification reported by the IAEA that Iran has implemented the agreed nuclear-related measures.

United States

Annex II of the JCPOA provides that the United States will end its nuclear-related sanctions against Iran, covering the following current restrictions that apply to **non-U.S. persons**. *U.S. statutory sanctions that impose restrictions on dealings by U.S. persons with Iran (e.g., sanctions based on Iran’s support for terrorism, human-rights abuses, and missile activities) will remain in effect and will continue to be enforced.*

- i. Financial and banking transactions with various specified Iranian banks and financial institutions
- ii. Transactions in Iranian rial
- iii. Provision of U.S. banknotes to the Government of Iran
- iv. Bilateral trade limitations on Iranian revenues abroad, including limitations on their transfer
- v. Purchase, subscription to or facilitation of the issuance of Iranian sovereign debt, including governmental bonds
- vi. Financial messaging services to the Central Bank of Iran and Iranian financial institutions set out in Attachment 3 to Annex II
- vii. Underwriting services, insurance or reinsurance
- viii. Efforts to reduce Iran’s crude oil sales
- ix. Investment, including participation in joint ventures, goods, services, information, technology, and technical expertise and support for Iran's oil, gas and petrochemical sectors
- x. Purchase, acquisition, sale, transportation or marketing of petroleum, petrochemical products and natural gas from Iran
- xi. Export, sale or provision of refined petroleum products and petrochemical products to Iran
- xii. Transactions with Iran's energy sector

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- xiii. Transactions with Iran’s shipping and shipbuilding sectors and port operators
 - xiv. Trade in gold and other precious metals
 - xv. Trade with Iran in graphite, raw or semi-finished metals such as aluminum and steel, coal and software for integrating industrial processes
 - xvi. Sale, supply or transfer of goods and services used in connection with Iran’s automotive sector
 - xvii. Sanctions on associated services for each of the categories above
 - xviii. Removal of specified individuals and entities from the Specially Designated Nationals (SDN) List, the Foreign Sanctions Evaders List, and/or the Non-SDN Iran Sanctions Act List
 - xix. Terminate Executive Orders 13574, 13590, 13622, and 13645, and Sections 5 – 7 and 15 of Executive Order 13628.

The United States also will allow for the sale of commercial passenger aircraft and parts and services to Iran; will “license **non-U.S. entities that are owned or controlled by a U.S. person** to engage in activities with Iran that are consistent with this JCPOA”; and will license the importation into the United States of Iranian-origin carpets and foodstuffs (including pistachios and caviar).

European Union

The European Union and EU member states will terminate all provisions of Council Regulation (EU) No 267/2012, as subsequently amended, implementing all the nuclear-related economic and financial sanctions, including related designations. EU sanctions and restrictive measures to be removed are detailed in Annex II of the JCPOA.

United Nations

A new UN Security Council resolution endorsing the JCPOA will terminate all sanctions against Iran provided for in UN Security Council resolutions 1696 (2006), 1737 (2006), 1747 (2007), 1803 (2008), 1835 (2008), 1835 (2008), 1929 (2010), and 2224 (2015).

Dispute Settlement and Possible Sanctions Reinstatement

The JCPOA establishes a Joint Commission, which will include representatives from the P5+1 countries, for reviewing implementation of the JCPOA. It also creates a Dispute Resolution Mechanism for considering claims—by Iran or by any of the P5+1 countries—that the other side has failed to meet its commitments under the JCPOA. After review, the Joint Commission would provide an opinion on the matter and notify the UN Security Council. If the Joint Commission cannot resolve the issue, a three-person advisory board, consisting of one representative appointed by each party and a third independent member, will intervene. If, after this maximum 35-day process, a complaining party deems an unresolved issue to be of significant non-performance, then *that* party could treat the issue as grounds to cease performing its commitments under the JCPOA in whole or part. The party could also notify the UN Security Council. The UN Security Council would then have 30 days to vote on a resolution to continue the sanctions lifting. If such resolution is not adopted in the 30-day period, the provisions of the old UN Security Council resolutions sanctioning Iran would be re-imposed—the “snap-back” provision.

Implementation and Timing

The U.S. Congress has 60 days to review the agreement; Congress can vote to accept or reject the JCPOA or take no action. President Barack Obama has vowed to veto any bill passed by Congress rejecting the JCPOA. Congress would need a two-thirds majority in each house to override a presidential veto. Consideration of the JCPOA by Congress and the legislative process could take up to 82 days to complete.

The Iranian Majlis (Parliament) also must consider the JCPOA, with no set deadlines.

The JCPOA itself establishes an Implementation Plan with defined trigger dates, as follows.

Adoption Day is the date 90 days after the endorsement of the JCPOA by the UN Security Council—or such earlier date as may be determined by mutual consent of the JCPOA participants—at which time the JCPOA and the commitments in the JCPOA come into effect.

Implementation Day is the date on which, the European Union and the United States terminate relevant sanctions, simultaneous to the IAEA report verifying implementation by Iran of the nuclear-related measures.

Transition Day is the date eight years after Adoption Day, or the date on which the director general of the IAEA submits a report stating that the IAEA concludes all nuclear material in Iran remains in peaceful activities—whichever date comes first.

Termination Day is the date 10 years after Adoption Day on which the UN Security Council resolution endorsing this JCPOA terminates according to its terms.

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