

# Fried Frank International Trade and Investment *Alert*<sup>TM</sup>

## U.S. Imposes Sanctions on Iran's Metals Sector

On May 8, 2019, President Trump issued an [Executive Order](#) (EO) imposing sanctions on Iran's iron, steel, aluminum, and copper sectors. The EO authorizes blocking sanctions on Iranian and third-country persons operating in, providing support for, or engaging in significant transactions with these sectors. This order comes on the anniversary of President Trump's decision to [withdraw the United States](#) from the Iran nuclear deal. The EO aims to prevent Iran from funding weapons of mass destruction, terrorist groups, and military expansion by targeting its largest source of non-oil-related export revenue. While these new sanctions will not significantly affect U.S. persons (who are already prohibited from dealing with Iran), they will further pressure foreign companies that continue to deal with Iran and Iranian-origin goods.

The EO imposes sanctions on the iron, steel, aluminum, and copper sectors of Iran. Specifically, it authorizes blocking sanctions on any person operating, engaging in significant transactions, or providing material support to any person in those sectors. It also authorizes correspondent and payable-through account sanctions on foreign financial institutions that knowingly conduct or facilitate transactions related to those sectors, or related to any person blocked pursuant to the EO. The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued [FAQs](#) about the EO.

In a [statement](#) regarding the new sanctions, President Trump said "today's action targets Iran's revenue from the export of industrial metals—10 percent of its export economy—and puts other nations on notice that allowing Iranian steel and other metals into your ports will no longer be tolerated." He also said Iran can expect to face further sanctions unless it "fundamentally alters its conduct." Secretary of State Mike Pompeo echoed President Trump's statement, noting that the new sanctions target Iran's largest non-oil related export revenue source and reduce Iran's ability "to fund terror and instability in the Middle East."

The sanctions are effective immediately. There is, however, a 90-day period during which companies may wind down their existing business with the newly sanctioned sectors of the Iranian economy. No new business with these sectors is authorized. The EO states that engaging in a "significant" transaction with those sectors will be sanctioned activity. In determining whether a transaction is "significant," OFAC will consider [factors](#) including the size, nature, and impact of the transactions, entities involved, and methods used to conduct the transactions. These sanctions build on an already complex web of sanctions targeting other sectors of the Iranian economy, including the energy, shipping, shipbuilding, port, raw materials, metals, and automotive sectors. The United States had already imposed [sanctions](#) on certain metals in Iranian industry, including gold and precious metals, and raw and semi-finished aluminum and steel. The new EO expands the sectors in the Iranian metals industry that are subject to sanctions.

All U.S. companies that conduct business internationally, particularly any companies that do business with Iran, should thoroughly review their business activity and ensure compliance with these new sanctions. Companies should also update their compliance policies and procedures to reflect the latest changes. If you have any questions regarding the Iran sanctions program or how it may affect your business, please reach out to the contacts listed below.

\* \* \*

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This alert is not intended to provide legal advice, and no legal or business decision should be based on its content. If you have any questions about the contents of this alert, please call your regular Fried Frank contact or the attorneys listed below:

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