

Financial Institution Compliance Update

April 5, 2016

This communication is designed to provide you with quick snapshots and timely perspectives on recent regulatory developments.

Easing of Iranian Sanctions: What This Means for Financial Institutions

Background

Media outlets have broadly announced the lifting of sanctions against Iran beginning January 16, 2016 (Implementation Day). Prior to Implementation Day the impact on financial institutions of sanctions against Iran was quite clear; except for limited exceptions for agricultural commodities, medicine and medical supplies, all trade and financial transactions with Iran were blocked. In the post Implementation Day environment, impact on some financial institutions has become more complex and has increased the need for informed due diligence. It is important to understand that while sanctions have been eased, in many cases sanctions have not been removed.

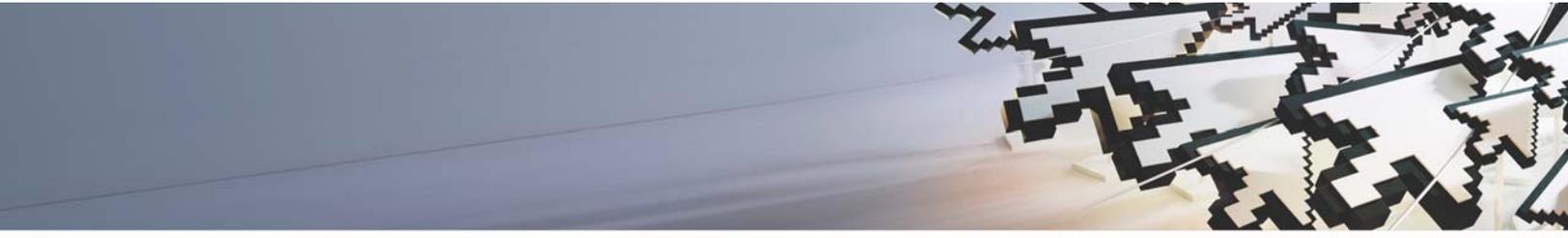
1. **U.S. Persons/Entities – easing of sanctions impact.** U.S. Persons, including U.S. companies continue to be broadly prohibited from engaging in transactions or dealings with Iran or its government and Iranian financial institutions. U.S. Persons cannot directly or indirectly provide U.S. bank notes to the government of Iran. U.S. dollar-denominated transactions involving Iran may not be cleared through U.S. financial institutions. Credit card payments cannot be processed by U.S. Persons or through a U.S. financial institution.

In practice, many financial institutions operating internationally are either U.S. Persons due to their business organization or, if they are not U.S. Persons, should treat themselves as U.S. Persons to ensure the institution does not inadvertently breach U.S. sanctions.

Over 400 Persons and entities have been removed from the OFAC List of Specially Designated Nationals and Blocked Persons (SDN List), Foreign Sanctions Evaders List (FSE List), and Non-SDN Iran Sanctions Act List (NS-ISA List). However, U.S. Persons cannot engage with removed Persons or entities that meet the definition of the Government of Iran or an Iranian financial institution. This information is noted in the Resource Center section on OFAC's [website](#).

Companies required to file quarterly or annual reports with the US Securities and Exchange Commission will continue to be required to disclose activities involving Iran in their reports under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012.

2. **Non-U.S. Persons/Entities – easing of sanctions impact.** Non-U.S. Persons/Entities have had secondary sanctions relaxed post Implementation Day and may now engage in the following activities:
 - Financial and banking transactions with specified Iranian banks and financial institutions, including the Central Bank of Iran
 - Transactions in Iranian Rial
 - Provision of U.S. banknotes to the Government of Iran; disposition of proceeds from the purchase of Iranian oil products; purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt, including governmental bonds
 - Provision of financial messaging services to the Central Bank of Iran and specified Iranian financial institutions; underwriting services, insurance or re-insurance



- Trade in gold and other precious metals
 - Investment, including participation in joint ventures, goods, services, information, technology and technical expertise and support for Iran's oil, gas and petrochemical sectors
3. **Amendments to OFAC General License** – The Amendments authorize U.S. Persons to engage in approved transactions with Iran. These transactions relate to foodstuffs meant for human consumption, and carpets and textile floorings. Entities may use business support systems such as: automated and globally integrated computer, accounting, email, telecommunications or other business support system, platform, database, application, or server necessary to store, collect, transmit, generate, or otherwise process documents or information related to transactions by foreign entities they own or control.
 4. **Snap Back of Sanctions** - The Joint Comprehensive Plan of Action (JCPOA) requires a “snap back” of sanctions so participants may re-instate sanctions targeting Iran individually or in conjunction with other JCPOA participants in the event there is “significant non-performance” by Iran of its commitments under the deal. Contracts signed during any relief period (i.e. a period between applicable sanctions being lifted and then being re-instated) are protected for that period. Representations and warranties addressing sanctions risk in current loan documentation and vendor agreements may not adequately cover “snap back” risk and therefore should be re-evaluated. Recent guidance from OFAC suggests agreements with Iranians should include termination provisions to account for the possibility of re-instatement of US or European Union sanctions if Iran fails to comply with the terms of the JCPOA. Documentation should include termination and mandatory re-payment clauses including the responsibility for the cost of termination.

Recommendations

- Review existing risk assessments, policies, procedures, and processes to ensure compliance with updated sanctions; identify gaps; and implement remediation plan to minimize identified risks. For example, review your customer base of non-US persons to identify a population that has a potential to initiate transactions/activities (i.e. letters of credit, wire transfers).
- Review the current monitoring program to determine the ability to detect whether or not your customers can pass transactions through your institution that are sanctioned.
- Re-evaluate vendor agreements, loan documents, etc. for a snap-back clause. Work with Legal to include the termination and mandatory repayment clause where deemed necessary.

How Experis can help

The Experis Financial Crimes Mitigation Practice team offers industry experience in all aspects of Anti-Money Laundering including OFAC compliance. Our team of professionals can assist your organization with review and conducting risk assessments, reviewing the monitoring process, updating monitoring program filters, and re-evaluating and validating agreements and documents for appropriate snap-back clause. Additionally, we can assist with updating policies and procedures to ensure compliance with Iranian sanctions including evaluation and inclusion of termination and mandatory repayment clause.

If you would like to discuss your specific challenges and how Experis can help, contact Experis' AML National Practice Leader, Don Langenauer at donald.langenauer@experis.com or visit [Experis Finance](#).