

Sanctions Implications for Imports of Iranian Metals

The Iranian regime has accelerated its nefarious activities including engaging in and supporting terrorism, fueling foreign conflicts, and developing its ballistic missile capabilities. We are looking to enlist your government and private sector's collaboration to deprive the Iranian regime of the funds it uses to destabilize the Middle East.

U.S. sanctions apply to Iran's top three exports—petroleum/petroleum products, petrochemicals, and now metals.

On May 8, 2019, President Trump signed Executive Order (E.O.) 13871 authorizing the imposition of broad-ranging sanctions on certain activities related to the iron, steel, aluminum, and copper sectors of Iran in order to restrict lucrative revenue and resource streams for the Iranian regime.

Under E.O. 13871, the United States can impose blocking sanctions on any person determined by the Secretary of the Treasury, in consultation with the Secretary of State:

- 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;
- to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of any person whose property and interests in property are blocked pursuant to section 1 of the E.O.; or
- to be owned or controlled by, or to have acted or purported to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to section 1 of the E.O.

(U) E.O. 13871 further authorizes correspondent and payable-through account sanctions on foreign financial institutions (FFIs) 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 whose property and interests in property are blocked pursuant to the order.

The Department of Treasury will provide detailed guidance on the definitions of specific metal materials that are sanctionable before August 6, 2019.

Persons engaged in transactions before May 8, 2019 that could be sanctioned under the E.O. will have until August 6, 2019 to wind-down those transactions without exposure to sanctions under E.O. 13871.

Entering into new business after May 8, 2019 that would be sanctionable under the E.O. will not be considered wind-down activity and could be sanctioned even during the wind-down period.

It is critical that entities participating in business transactions in the metals industry be on guard against exploitation by the Iranian regime. This form of exploitation often occurs through designated persons that

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facilitate illicit activities and provide malign actors access to the international financial system. Private sector entities should conduct appropriate Know-Your-Customer (KYC) due diligence before engaging in any transactions with Iran:

Payment mechanisms that mask the transfer of payments raise suspicion of potentially sanctionable behavior, and entities participating in business transactions in the metals industry should conduct appropriate due diligence to determine the origin of any shipments of iron, steel, aluminum, copper or products of those items;

The top three steel producers in Iran are subsidiaries of Iranian Mines & Mining Industries Development & Renovation (IMIDRO), which is listed on the SDN List and subject to U.S. secondary sanctions. Entities materially supporting IMIDRO, or knowingly provided significant support to IMIDRO, may expose themselves to potential sanctions risks.

Despite difficulties that may exist in finding substitutions for sanctioned metals from Iran, both in terms of quality and price, entering into business transactions for the import of sanctioned iron, steel, aluminum, or copper from Iran after August 6, 2019 (and any new business related to sanctioned iron, steel, aluminum, or copper from Iran after May 8, 2019) may expose private sector entities to sanctions risks, unless covered by an exception or waiver.

The United States will aggressively enforce its sanctions authorities. Entities that engage in sanctionable activity involving Iran risk severe consequences. These consequences could include losing access to the U.S. financial system and the ability to do business with the United States or U.S. companies.

Limiting Iran's metals exports will deny Tehran the foreign currency it needs to continue to support terrorism, ballistic missile development, and other destabilizing activities that threaten the United States, our allies, and partners.

Billions of Iranian rials that could have been spent on healthcare, education, poverty eradication, or disaster relief in Iran have instead been squandered, stolen through corruption, or spent to support terrorism and destabilizing activities. Any attempts made by the Iranian regime to mischaracterize our sanctions are a hollow effort to distract from decades of corruption and mismanagement.

As Secretary Pompeo has said, "any nation or entity interacting with Iran should do its diligence and err on the side of caution."

The United States continues to work with nations around the world to address the Iranian regime's corrupt and malign activities, including aggressive ballistic missile development and proliferation; financial and other material support for terrorism, violent extremism, and regional proxies; consistent threatening of freedom of navigation, especially in the strategically vital Persian Gulf; cyber-attacks against the U.S. and America's allies and partners in the Gulf; persistent human rights violations and abuses; and arbitrary detention of foreigners, including U.S. citizens, on specious charges and without due process.

The United States will continue to apply maximum pressure on the Iranian regime until its leaders decide to change their destructive behavior, respect the rights of its people, and return to the negotiating table.

We greatly value your ongoing cooperation on these issues.