An overview of O.F.A.C. Regulations involving Sanctions against Iran

Iranian Transactions Regulations - 31 C.F.R. Part 560

As a result of Iran's support for international terrorism and its aggressive actions against non-belligerent shipping in the Persian Gulf, President Reagan, on October 29, 1987, issued Executive Order 12957 imposing a new import embargo on Iranian-origin goods and services. Section 508 of the International Security and Development Cooperation Act of 1985 ("ISDCA") was utilized as the statutory authority for the embargo which gave rise to the Iranian Transactions Regulations, Title 31 Part 560 of the U.S. Code of Federal Regulations (the "ITR").

Effective March 16, 1995, as a result of Iran's sponsorship of international terrorism and Iran's active pursuit of weapons of mass destruction, President Clinton issued Executive Order 12957 prohibiting U.S. involvement with petroleums development in Iran. On May 26, 1995, he signed Executive Order 12995, pursuant to the International Emergency Economic Powers Act ("IEEPA") as well as the ISDCA, substantially tightening sanctions against Iran.

On August 19, 1997, the President signed Executive Order 13059 clarifying Executive Orders 12957 and 12995 and confirming that virtually all trade and investment activities with Iran by U.S. persons, wherever located, are prohibited.

On March 17, 2000, the Secretary of State announced that sanctions against Iran would be eased to allow U.S. persons to purchase and import carpets and food products such as dried fruit, nuts, and candy from Iran. This change was implemented through amendments to the ITR at the end of April 2000.

Corporate criminal penalties for violations of the Iranian Transactions Regulations can range up to $500,000, with individual penalties of up to $250,000 and up to 10 years in jail. Civil penalties of up to $10,000 may also be imposed administratively.

This fact sheet provides general information about the sanctions program administered under the Iranian Transactions Regulations, and incorporates sanctions imposed by Executive Orders 12957, 12995, and 13059. The sanctions are administered by the U.S. Department of Commerce's Office of Foreign Assets Control ("OFAC").

- **EXPORTS TO IRAN** - In general, unless licensed by OFAC, goods, technology (including technical data or other information subject to Export Administration Regulations), or services may not be exported, reexported, sold or supplied, directly or indirectly, from the United States or by a U.S. person, wherever located, to Iran or the Government of Iran. The ban on providing services includes any brokering function from the United States or U.S. persons, wherever located. For example, a U.S. person, wherever located, or any person acting within the United States, may not broker or otherwise transactions that benefit Iran or the Government of Iran, including sales of foreign goods or arranging for third-country financing or guarantees.

In general, a person may not export from the United States any goods, technology or services, if that person knows or has reason to know such items are intended specifically for supply, transshipment or reexportation to Iran. Further, such exportation is prohibited if the exporter knows or has reason to know the U.S. Items are intended specifically for use in the production of, for commingling with, or for incorporation into goods, technology or services to be directly or indirectly supplied, transferred or reexported exclusively or predominately to the Government of Iran. A narrow exception is created for the exportation from the United States or by U.S. persons whenever located of low-level goods or technology to third countries for incorporation or throughput, transformation or in foreign-made products, provided the U.S. content is insubstantial, as defined in the regulations, and certain other conditions are met.

Donations of articles intended to relieve human suffering (such as food, clothing, and medicine), valued at $100 or less, licensed exports of agricultural commodities, medicine, and medical devices, and trade in "informational materials" are permitted. "Informational materials" are defined to include publications, films, posters, educational materials, dramatic and musical compositions, computer software, CD-ROMs, and news wire feeds, although certain Commerce Department restrictions still apply to some of those materials. To be considered informational materials, articles must be classified under chapter 96 (subject headings 9701, 9702, or 9703) of the Harmonized Tariff Schedule of the United States.

Exports to Iran associated with NGO humanitarian missions in Iraq that have been authorized by OFAC are limited to those items intended for temporary use, as personal baggage, by representatives of the authorized NGO, provided that such items are either consumed or returned from Iran at the end of each visit, and further provided that any such personal items are not controlled under the Department of Commerce's Export Administration Regulations for exportation or re-exportation to Iran on the United States Munitions List. Non-governmental organizations must take reasonable measures to prevent any items authorized for exportation, re-exportation, or personal use from being obtained or acquired by the Government of Iran.

With certain exceptions, foreign persons who are not U.S. persons are prohibited from reexporting to Iran sensitive U.S.-origin goods, technology or services to Iran or the Government of Iran. Foreign persons involved in such reexport may be placed on the U.S. Commerce Department's "Export Denial Order" list.

U.S. persons may not approve, finance, facilitate or guarantee any transaction by a foreign person where that transaction by a foreign person would be prohibited if performed by a U.S. person or from the United States.

- **DEALING IN IRANIAN-ORIGIN GOODS OR SERVICES** - Except as authorized by amendments to the ITR relating to lead stocks and calibers, which were issued at the end of April 2000, U.S. persons, including foreign branches of U.S. depository
institutions and trading companies, are prohibited from engaging in any transactions, including purchases, sales, transportation, swap, financing, or brokering transactions related to goods or services of Iranian origin or goods or services owned or controlled by the Government of Iran. Services provided in the United States by an Iranian national are not considered services of Iranian origin.

These prohibitions apply to transactions by United States persons in locations outside the United States with respect to goods or services which the United States person knows, or has reason to know, are of Iranian origin or are owned or controlled by the Government of Iran. U.S. persons may not import such goods or services into or export them from foreign locations. A U.S. person may, however, engage in transactions in third countries necessary to sell, dispose of, store, or maintain goods located in a third country where they are legally acquired by U.S. persons prior to May 7, 1995 on the condition that the transactions do not result in an importation into the United States of goods of Iranian origin.

FINANCIAL DEALINGS WITH IRAN - New investments by U.S. persons, including commitments of funds or other assets, loans or any other extensions of credit, in Iran or in property (including entities) owned or controlled by the Government of Iran are prohibited. For your information, Appendix A contains a list of banks owned or controlled by the Government of Iran. While U.S. persons may continue to charge fees and accrued interest on existing Iranian loans, a specific license must be obtained to reextend or otherwise extend the maturities of existing loans.

Payments for licensed sales of agricultural commodities, medicine and medical devices must reference an appropriate OFAC license and may not involve a debit or credit in a bank of a person in Iran or the Government of Iran maintained on the books of a U.S. depository institution. Payments for and financing of such licensed sales may be accompanied by cash in advance, sales on open account (provided the account receivable is not transferred by the person extending the credit, or by third country financial institutions that are neither U.S. persons nor government of Iran entities. Any other arrangements must be specifically authorized by OFAC. U.S. depository institutions may advise and confirm letters of credit issued by third country banks covering licensed sales of agricultural commodities, medicine and medical devices.

Any funds transferred to Iran in connection with OFAC-authorized NG0 activities in Iraq may be used only for the purchase of services and goods necessary and essential to the transportation or protection of the equipment or personnel of the NG0 activities in Iraq, not of the type controlled under the Department of Commerce's Export Administration Regulations for exportation or re-exportation to Iran or controlled on the United States Munitions List. Such funds transfers must reference their license or registration number.

FINANCING PURCHASES FROM IRAN OR ITS GOVERNMENT - Payments for authorized imports of foodstuffs and carpets must reference the relevant section of the ITR. While U.S. depository institutions may deal with Iranian banks on a documentary collection basis, exports of foodstuffs or carpets, neither payments under collections, nor any other payments, may involve a debit or credit to the account of a person in Iran or the Government of Iran on the books of a U.S. depository institution. U.S. depository institutions may issue letters of credit for purchases provided that the letters of credit are not advised, negotiated, paid, or confirmed by a bank that is included within the definition of the term Government of Iran. A bank that is included within the definition of the term Government of Iran may forward letter of credit documents strictly on a documentary collection basis, either directly to a U.S. depository institution or to a third country bank that is not included within the definition of the term Government of Iran, but cannot send them on an "approved" basis since it cannot be perty to a letter of credit.

FINANCING IRANIAN-ORIGIN FOODSTUFFS AND CARPET IMPORTS FROM IRAN OR ITS GOVERNMENT - U.S. depository institutions are authorized to issue, advise, negotiate, pay, or confirm letters of credit to pay for transactions in relation to foodstuffs and carpets as referenced in amendments to the ITR issued at the end of April 2000, other than purchases from Iran or its Government, provided that such letters of credit are not issued, advised, negotiated, paid, or confirmed by a bank that is included within the definition of the term Government of Iran.

PRE-ZERO CONTRACTS - Letters of credit and other financing arrangements with respect to transactions in force as of May 6, 1995, may be performed pursuant to the terms provided that the underlying transactions were completed prior to June 6, 1995 (February 2, 1996 for "agricultural commodities"), or as otherwise approved by OFAC. Standby letters of credit serving as performance guarantees for services to be rendered after June 6, 1995, cannot be renewed and payment may not be made after that date without authorization by OFAC.

OTHER BANKING SERVICES - U.S. depository institutions, including foreign branches, are prohibited from serving accounts of the Government of Iran, including banks owned or controlled by the Government of Iran (as in Appendix A) or persons in Iran. However, they are authorized to pay interest, deduct reasonable and customary service charges, process transfers related to exempt transactions, such as the exportation of information or informational material, a travel-related remittance, or a payment for the shipment of a donation of articles to relieve human suffering or, at the request of an account holder, effect a lump sum closure of an account by payment to its owner. They may not otherwise directly credit or debit Iranian accounts.

U.S. depository institutions may handle "U-TERM" transactions—cover payments involving Iran that are by order of a third country bank for payment to another third country bank—provided they do not directly credit or debit an Iranian account. They are also permitted to handle non-commercial family remittances involving Iran and non-commercial remittances involving humanitarian relief (such as for the victims of the earthquake in Khorasan), provided the transfers are routed to or from non-U.S. non-Iranian offshore banks.

U.S. depository institutions servicing or receiving payment orders involving Iran on behalf of customers must determine prior to processing such payments that they do not involve transactions prohibited by the Iranian Transactions Regulations.

TRAVEL - All transactions ordinary incident to travel to or from Iran, including the importation of accompanied baggage for strictly personal use, payment of maintenance and living expenses and acquisitions of goods or services for personal use are permitted.

NG0 ACTIVITIES IN IRAN - Non-governmental organizations licensed or otherwise authorized by OFAC to conduct certain humanitarian activities in and around Iraq are authorized to conduct activities in Iran directly incidental and essential to their authorized humanitarian activities in and around Iraq, but only to the extent necessary to support such authorized activities in Iraq. This does not authorize the actual presence or physical operation of humanitarian organizations in Iran.

OVERFLIGHTS AND PAYMENTS - Payments to Iran for services rendered by the Government of Iran in connection with the overflight of Iran or emergency landing in Iran of aircraft owned by United States persons or registered in the U.S. are authorized.

PERSONAL COMMUNICATIONS, INFORMATION AND INFORMATIONAL MATERIALS - The receipt or transmission of postal, telegraphic, telephonic or other personal communications, which does not involve the transfer of anything of value, between the United States and Iran is authorized. The exportation from the United States to Iran of information and informational materials, whether commercial or otherwise, regardless of format or medium of transmission, and any transaction incident to such exportation is authorized.

TRANSACTIONS INVOLVING U.S. AFFILIATES - No U.S. person may approve or facilitate the entry into or performance of transactions or contracts with Iran by a foreign subsidiary of a U.S. firm that the U.S. person is precluded from performing directly. Similarly, no U.S. person may facilitate such transactions by unaffiliated foreign persons.

IRANIAN PETROLEUM INDUSTRY - U.S. persons may not trade in Iranian oil or petroleum products refined in Iran, nor may they finance such trading. Similarly, U.S. persons may not perform, including financing services, or supply goods or technology, that would benefit the Iranian oil industry.

APPENDIX A - BANKS OWNED OR CONTROLLED BY THE GOVERNMENT OF IRAN

AGRICULTURAL COOPERATIVE BANK OF IRAN (a/k/a BANK TAKHOMESH-KHORASAN (IRAN), No. 126 Parchin Lureh Street, 33-11-3291-025, Tehran, Iran)

AGRICULTURAL DEVELOPMENT BANK OF IRAN (a/k/a BANK JOSAY-HIVAR-IRAN), Tehran Expressway, Tehran, Iran

AGRICULTURAL DEVELOPMENT BANK OF IRAN (a/k/a NATIONAL AGRICULTURAL DEVELOPMENT BANK OF IRAN), Tehran Expressway, Tehran, Iran

AGRICULTURAL DEVELOPMENT BANK OF IRAN (a/k/a THE CENTRAL BANK OF IRAN), Tehran Avenue, P.O. Box 11368-5661, Tehran, Iran

BANK INDUSTRIES (a/k/a INDUSTRIAL BANK), Ferdowsi St., Tehran, Iran

BANK MELLAT, P.O. Box 1139958584, Tehran, Iran, and all offices worldwide, including, but not limited to:

- BANK MELLAT (Branch), 3rd Floor, Jol-e Shahr Mall, 1st Street, Tehran, Iran
- BANK MELLAT (Branch), 3rd Floor, Jol-e Shahr Mall, 1st Street, Tehran, Iran
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BANK MELLAT (Branch), 3rd Floor, Jol-e Shahr Mall, 1st Street, Tehran, Iran, and all offices worldwide, including, but not limited to:

- BANK MELLAT (Branch), 4th Floor, Jol-e Shahr Mall, 1st Street, Tehran, Iran
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LICENSE APPLICATION GUIDELINES FOR EXPORTS TO IRAN, LIBYA AND SUDAN OF AGRICULTURAL COMMODITIES, MEDICINE, AND MEDICAL DEVICES

AgMed Program

The following information is intended to serve as guidance to persons applying for licenses authorizing AgMed exports to Iran, Libya, and Sudan pursuant to, respectively, the Iranian Transactions Executive Order, 31 C.F.R. Part 590, the Libyan Sanctions Regulations, 31 C.F.R. Part 535, and the Sudanese Sanctions Regulations, 31 C.F.R. Part 536. Applicants are encouraged to consult the regulations for a complete statement of the rules applicable to AgMed exports.

Applicants not containing all of the required information will be considered incomplete and returned without action and without prejudice. A new application will be accepted upon submission of a complete application.

To apply for a license to export agricultural commodities, medicine, or medical devices to Iran, Libya, or Sudan under the AgMed Program, applicants must submit a license request, in writing, to the Office of Foreign Assets Control (OFAC). The following items must be included in a clear and legible form:

- Identification of the country and program for which the applicant is requesting a license. The top of the first page of the application and on the front of the envelope shall indicate the country and program (Example: Iran – AgMed Program).
- Name and address of the applicant, and if the applicant is a corporation, the business name, the state of incorporation, and principal place of business.
- Applicant’s mailing and street addresses.
- A description of the product(s) to be exported, including the name of the product(s), a short description of the product(s), the quantity of the product(s), the country of origin of the product(s), the intended end use of the product(s), and the country of ultimate destination of the product(s).
- Contact information for the applicant, including the name of the contact person, telephone number, and fax number, and if available, email address at which the applicant can be reached.

The application must be submitted to OFAC. A copy of the license application must be included in the license application. The application must be signed by the applicant.

The application should be mailed to the address below:

Attn: Licensing Division
Office of Foreign Assets Control
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

In order to expedite the process, applicants should also send a complete copy of their application to the following email address:

agmed@ustreas.gov

License applications will be processed in accordance with the regulations. Applicants should consult the regulations for a complete statement of the rules applicable to AgMed exports.

This document is explanatory only and does not have the force of law. The Executive Orders and implementing regulations dealing with Iran contain the legally binding provisions governing the sanctions. This document does not supplement or modify those Executive Orders or regulations.

The Treasury Department’s Office of Foreign Assets Control also administers sanctions programs involving Libya, Iraq, the Western Balkans, North Korea, Cuba, the National Union for the Total Independence of Angola (UNITA), Syria, Sudan, Burma (Myanmar), certain targets in Serbia and Montenegro, the Taliban, Sierra Leone, Liberia, Zimbabwe, highly enriched uranium transactions, designated Terrorists and International Narcotic Traffickers, Foreign Terrorist Organizations, and designated foreign persons who have engaged in activities related to the proliferation of weapons of mass destruction. For additional information about these programs or about the Iranian sanctions program, please contact the

OFFICE OF FOREIGN ASSETS CONTROL
U.S. Department of the Treasury
Washington, D.C. 20220
202-622-2520
http://www.treas.gov/ofac

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