

To: Our Clients and Friends

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[U.S. House and Senate Agree on Iran Sanctions Bill](#)

U.S. House and Senate conferees announced yesterday that they had reached agreement on the Iran sanctions legislation passed earlier this year by each chamber. The conferees also released the text of the newly agreed bill, now titled the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010. The new Act, if signed into law, would amend the Iran Sanctions Act of 1996, 50 U.S.C. § 1701 note.

The Act's most significant feature is its extraterritorial scope—it imposes sanctions on foreign persons and companies outside the United States that engage in transactions in Iran that violate the Act. Such transactions include:

- Investing in Iran's petroleum sector, providing refining technology to Iran, or exporting refined petroleum (including gasoline and fuel oil) to Iran;
- Financing the Iranian Revolutionary Guard Corps; or
- Providing equipment or services for Iran's energy sector.

Because U.S. persons are already prohibited from performing these activities by current sanctions, the focus of this legislation is clearly on persons and companies outside the United States.

Threshold amounts of investments and exports are specified in the new Act before sanctions are imposed. For example, for exports of refining products or refined petroleum, the threshold is a value of \$1 million for one export or more than \$5 million for all exports in a 12-month period. The thresholds for investment in Iran's petroleum sector would be halved from the current limit of \$10 million per transaction and \$40 million over a 12-month period to \$5 million and \$20 million, respectively. If those thresholds are exceeded, then mandatory sanctions would have to be imposed.

The number of mandatory sanctions that must be imposed would be increased from two to three and the list from which those three mandatory sanctions must be chosen would be increased from six to nine. The three new mandatory sanctions are:

- Denial of access to U.S. foreign exchange markets,
- Denial of access to U.S. financial institutions, and
- Imposition of an order prohibiting the import or export of *any items* from or to the United States by the sanctioned party.

Under the 1996 Act, the equivalent sanctions only included a possible ban on exports from the United States of military, dual-use and nuclear items.

The new Act would forbid all imports from Iran except for informational materials (books, DVDs, etc.) and "accompanied baggage for personal use." Gifts under \$100, carpets, and foodstuffs, all

permitted by current regulations, would no longer be able to be imported into the United States if this Act becomes law.

Less change would be effected by the new Act if signed into law with respect to exports to Iran. Exports of agricultural products, medicine and medical, as permitted under the Trade Sanctions Reform and Export Enhancement Act of 2000, would continue to be permitted, as would exports of informational materials, humanitarian assistance and parts and technologies necessary to assure the safety of civilian aviation. The law does codify, at least with respect to Iran, recent exceptions that the Treasury Department's Office of Foreign Assets Control ("OFAC") made to the export ban for goods and services incident to the exchange of personal communications over the Internet or for access to the Internet.

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