BRYAN CAVE

Memorandum

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To: Clients and Friends

From: Stanley J. Marcuss
George F. Murphy

Re: New Regulations Imposing Economic Sanctions Against Iran

The Administration has just issued new regulations to reflect the additional sanctions against Iran issued by executive order in February of this year. They revise the existing Iranian Transactions Regulations by replacing them with a new set of regulations entitled the Iranian Transactions and Sanctions Regulations.

The new regulations, in general, reflect what was in the old regulations but add provisions freezing the assets of the government of Iran or Iranian financial institutions if those assets are in the United States or in the possession or control of U.S. persons. They also remove some of the exceptions contained in the old regulations, such as the exception for certain exports from the United States to third countries for substantial transformation into a third-country product if the foreign-made product had U.S. content amounting to less than 10% by value.

The new regulations inexplicably do not reflect the most recent October 9th executive order applying U.S. sanctions against Iran to foreign subsidiaries of U.S companies. They continue to treat foreign subsidiaries of U.S. companies differently from their U.S. parent and thus create a legal issue as to whether the new regulations trump the October executive order or vice versa where there is a conflict. Stunningly, the new regulations cite the October executive order as one of the authorities pursuant to which they were issued.

Let us know if you would like further information.