



CLIENT ALERT:

P5+1/IRAN AGREE ON A FRAMEWORK FOR A NUCLEAR DEAL, BUT WITH NO IMMEDIATE LIFTING OF SANCTIONS

April 7, 2015

After eight days of intense negotiations in Lausanne, Switzerland the P5+1 countries and Iran announced on April 2, 2015 that a framework agreement had been reached on parameters for a Joint Comprehensive Plan of Action ("JCPOA") with respect to Iran's nuclear program, to be fully negotiated by June 30, 2015. The framework agreed did not include any immediate relief from any of the sanctions imposed against Iran by the U.N., the U.S. or the EU.

The negotiations did not produce a written agreement, but only a seven paragraph statement issued jointly by the Iranian Foreign Minister and the EU's foreign policy chief. However, both the U.S. and Iran issued separate and more detailed accounts of what was agreed, which accounts were to some extent consistent and to some extent contradictory. There is agreement that Iran will commit to reducing its centrifuges by two-thirds and to re-purposing its nuclear facilities so that they can no longer enrich uranium. Iran will also submit to inspections by the International Atomic Energy Agency ("IAEA").

However, the principal area of contradiction between the U.S. and Iranian statements related to the pace at which sanctions will be relieved, with the Iranians insisting that sanctions will be removed immediately upon execution of a final, detailed agreement, while the U.S. indicated that sanctions would be removed gradually. Reinforcing the U.S. statement, on April 2nd the State Department also issued a Media Note stating:

The U.S. and EU nuclear-related sanctions will be suspended after the International Atomic Energy Agency has verified that Iran has taken all of its key nuclear-related steps. If at any time Iran fails to fulfill its obligations, these sanctions will snap back into place.

The Media Note also included the cautionary warning, "...nothing is agreed until everything is agreed."

Impact on International Trade

While the framework agreement establishes a possible pathway toward the eventual removal of nuclear-related sanctions against Iran, at this time no sanctions have been removed or eased and the *status quo* is unchanged. That the current sanctions regime remains in place was reinforced by a notice posted on the website of the U.S. Department of Treasury's Office of Foreign Asset Control on April 3, 2015:

- *The parameters announced on April 2, 2015 for a Joint Comprehensive Plan of Action (JCPOA) by the P5+1 and Iran do not immediately relieve, suspend or terminate any sanctions on Iran.*

The only sanctions relief in force is the relief provided pursuant to the Joint Plan of Action (JPOA) reached on November 24, 2013 and extended through June 30, 2015.

- *The parameters announced on April 2, 2015 provide a path for sanctions on Iran to be suspended and eventually terminated in exchange for IAEA verified implementation by Iran of its key nuclear commitments.*
- *As of today and until a JCPOA is concluded, other than the sanctions relief provided under the JPOA, all U.S. sanctions remain in place and will continue to be vigorously enforced.*
- *The sanctions relief provided for under the JPOA reached on November 24, 2013 remains in effect, as described in published Guidance and Frequently Asked Questions.*

Therefore, any company engaged in international trade should continue to fully implement its own internal compliance protocols and should exercise due diligence with regard to any transactions relating to Iran. The likelihood that sanctions will be immediately lifted upon execution of a final agreement on/about June 30, 2015 is remote and it appears far more probable that there will be measured relief from sanctions over a period of time as the IAEA verifies that Iran has met its commitments with respect to its nuclear program.

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