

ECONOMIC SANCTIONS UPDATE

Additional U.S. Economic Sanctions: Iran and Syria

May 2, 2012

On May 1, 2012, President Obama signed an Executive Order (“E.O.”), “Prohibiting Certain Transactions with and Suspending Entry into the United States of Foreign Sanctions Evaders with Respect to Iran and Syria.” The E.O. provides the U.S. Treasury Department (OFAC) with a new authority to further tighten the existing U.S. sanctions on Iran and Syria.

This E.O. targets (imposes sanctions on) foreign individuals and entities that have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions against Iran or Syria, or that have facilitated deceptive transactions for persons subject to U.S. sanctions concerning Syria or Iran. With this new authority, Treasury now has the capability to publicly target and identify foreign individuals and entities that have engaged in these evasive and deceptive activities, *i.e.*, making such foreign individuals and entities themselves U.S. sanctions targets as if they were themselves Iranian or Syrian entities.

Consequences of Being Targeted: Transactions by U.S. persons or within the United States involving persons sanctioned under the E.O. are prohibited, **effectively cutting the listed/targeted persons off from the U.S. marketplace and financial system.** If an individual or entity is made subject to sanctions under the E.O., U.S. persons generally may no longer provide to or procure from such individual or entity any goods, services, or technology.

According to the U.S. Treasury, by cutting off access to the U.S. marketplace and financial system to such sanctions evaders, the E.O. provides the U.S. Treasury with a powerful tool to prevent and deter such behavior and to hold such persons accountable and to convince them to change their behavior. Publicly identifying (blacklisting) such persons will also allow U.S. persons to avoid unwittingly engaging in transactions with identified foreign persons that may expose U.S. persons to the risk of sanctions violations.

Additionally, the E.O. provides that any person determined to have evaded U.S. sanctions against Iran or Syria shall be barred from entering the United States.

The prohibitions of U.S. economic sanctions against Iran and Syria are contained in numerous Executive Orders dating back to 1995. The law that the E.O. refers to (and to violations thereof) is complex and it is not possible to feasibly illustrate each and every prohibition and how the laws may apply in a specific case and what may constitute a violation of such laws. Therefore, the best way for foreign persons to ensure that they are not subjected to the devastating consequences of sanctions under the E.O. is for such persons to approach matters on a case-by-case basis and obtain competent legal advice before proceeding with any transaction or activity involving Iran or Syria. Such advice should also be obtained with respect to past or continuing activity that may constitute an activity triggering sanctions under the E.O.

Foreign persons are also advised that appearing on a U.S. blacklist or list of sanctions targets can have negative implications for the activities of such persons outside or beyond the United States, as most international banks, no matter where located, as a practical or risk management matter refuse or decline to handle transactions for such persons.

For more information or questions regarding the subjects covered in this *Economic Sanctions Update*, please contact:

Hal Eren	Washington, DC	 + 1 202 429 9883	hal.eren@erenlaw.com
Steven Pinter	Washington, DC	 + 1 202 429 1881	steven.pinter@erenlaw.com

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