

14 July 2015: Iran, Sanctions and Joint Comprehensive Plan of Action (“JCPOA”).

Iran Sanctions Relief

The Islamic Republic of Iran and the G5+1 group of countries - the United States, Britain, France, Russia and China plus Germany - together with the EU foreign policy chief finally reached an agreement to end sanctions against Iran on Tuesday July 14, 2015 after 22 months of intensive talks.

When will Sanctions Relief happen?

Before the US and EU implement meaningful economic and sectoral sanctions relief (together with removing the asset freeze) which will have the effect of significantly opening the Iranian market, the IAEA will have to confirm that Iran has fulfilled certain technical steps and reported them to the UN Security Council.

The 3 step procedure is as follows:

Step 1

Finalisation Day

Promptly after the conclusion of the negotiations of the JCPOA, a proposed UN Security Council Resolution will be submitted to the UN Security Council for adoption without delay. The EU will promptly endorse the UN Security Council resolution through Council Conclusions. This resolution will terminate the main UN Security Council resolutions in place concerning Iran. This should happen in the coming days or weeks.

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Step 2

Adoption Day

Adoption Day will occur 90 days after the UN Security Council Resolution implemented at Step 1 above “*or at an earlier date by mutual consent*”. On Adoption Day the EU and U.S. will adopt appropriate measures terminating (or waiving) almost all of the Iranian related sanctions but these will only come into effect upon the Implementation Day at Step 3. Adoption Day will likely occur within the next 2 -3 months.

Step 3

Implementation Day

This will occur upon the IAEA-verified implementation by Iran of at least 11 of the nuclear-related measures set out in the JCPOA and, simultaneously, the EU and U.S. implementing the appropriate measures terminating (or waiving) almost all of the Iranian related sanctions.

We consider that Implementation Day will not occur for many months at the earliest and may take much longer.

What does it mean for business?

We have already seen clients ramp up their marketing efforts in Iran over the last 12 months. However, legitimate business continues to remain challenging and complex. On the one hand, there will be a

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wholesale easing of US and EU sanctions on Implementation Day - which may still be some way off and depends on successful implementation by Iran of its commitments.

The banking sanctions and prohibitions on the oil & gas and petrochemical and steel sectors may well be removed although this may be some months away at the very best of estimates.

However, the big question is whether the Western banking system will now allow its customers to have dealings with Iran. If they do not, then international business will be able to legitimately conduct trade but will have its hands tied behind its backs in the sense their banks will refuse to allow them to receive payment – even though it is legitimate to do so. We expect customers to be lobbying their banks over the coming weeks and months.

Further, we anticipate that the billions of dollars of previously blocked funds which will now be released may in part be earmarked to pay listed Western suppliers. This will provide the West transparency over the use of unblocked funds. Therefore, expect international business to jockey for pole position in an effort to become an exclusive supplier.

A “sanctions snap-back” forms part of the deal. If the West feels Iran has not lived up to its side of the bargain then sanctions may snap back within 65 days. Some international businesses continue to tread carefully and are reticent to rush back into the Iranian market, fearful that sanctions may snap back, preventing performance of contracts agreed but not yet fulfilled.

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Iran

Some reports have suggested Iran’s annual economic growth could increase by three per cent in the year following a nuclear deal, with estimates pegging it at seven or eight per cent at 18 months post-deal — the same rate of growth as some of Asia’s “tiger economies.”

Little thought has been given as to how sanctions relief will impact Iran politically and internally. For example, how will Iran and its economy cope with a sudden deluge of unblocked funds and opportunities?

How will the powerful middlemen who made fortunes brokering black market deals during the sanctions regime react to their loss of power and fortunes?

What does the JCPOA actually say?

The JCPOA runs to some 159 pages. In summary:

-Iran’s nuclear program that was introduced as a threat to global security will now be recognized as a field for international cooperation with other countries.

-Iran will be recognized by the UN as a country with nuclear technology and be entitled to rights of peaceful nuclear program including enrichment and full fuel cycle.

-All UN economic and financial sanctions against Iran will be removed through a new Security Council resolution.

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-All nuclear facilities in Iran will retain their activities. Contrary to the initial demands of the other side, none of the nuclear sites will be shut down

-Iran will continue nuclear enrichment. Iran's nuclear infrastructure will be preserved. No centrifuge will be destroyed and research and development on all advanced centrifuges including IR-4, IR-5, IR-6 and IR-8 will continue.

-Arak heavy water reactor will remain. Any demands to return the facility to a light water reactor have been dismissed. The facility will be modernized and enjoy new additions through cooperating with owners of most advanced and secure world technologies.

-Iran will enter global markets as a producer of nuclear products especially in the case of 'enriched uranium' and 'heavy water'. All sanctions and limitations against imports and exports of nuclear material will be annulled.

-All economic and financial sanctions in the fields of banking, oil, gas, petrochemicals, insurance, and transportation as imposed by the EU and the US under the pretext of Iran's nuclear program will be immediately lifted upon the implementation of the agreement.

-Ban on Iran's missile activities including ballistic missiles will be limited to missiles designed for nuclear weapons.

-Iran's arms embargo will be lifted, replaced with some restrictions to be removed in 5 years.

-Ban on purchasing sensitive dual-use items will be lifted and Iran's needs will be met more easily through Iran and 5+1 joint commission.

-Ban on Iranian students studying in the fields related to nuclear energy will be fully lifted.

-For the very first time, the ban on the purchase of passenger aircrafts will be lifted and Iran will be provided with the opportunity to reconstruct the country's air fleet and improve its flight security.

-Billions of Iran's blocked revenues in foreign banks will be unfrozen.

-A total of 800 individuals and legal entities, including the Central Bank of Iran (CBI), the Islamic Republic of Iran Shipping Lines and the National Iranian Oil Company (NIOC), will be released from any sanctions.

-Iran's access to trade, technology, financial and energy will be facilitated.

-Ban or limitations on Iran's economic cooperation in all fields including investment in oil, gas and petrochemical industries will be removed.

-Iran will be offered international cooperation for building nuclear power plants and research reactors.

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