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Treasury Allows Companies to Wind Down Iran Business

By Samuel Rubenfeld

Amid the quiet week between Christmas and New Year's Day, the U.S. Treasury Department significantly altered how it plans to implement looming Iran sanctions, allowing companies an easier way to find the exit door.

A law signed by President Barack Obama in August targets parent companies of foreign subsidiaries doing business in Iran after Oct. 9, with sanctions. The law, implemented on that date via executive order, closed a long-standing loophole in existing U.S. sanctions on Iran.

To get out from under the bull's-eye, however, a company can completely divest its Iran business by Feb 6, 2013. But left unclear was what would happen to companies with foreign subsidiaries taking on the process of winding down their Iran operations in that timeframe.

The process could be cumbersome, and it includes doing things like returning down payments, fulfilling final orders or negotiating end terms, lawyers said.

Under a final rule filed in Wednesday's Federal Register, much of the uncertainty was clarified by the U.S. Treasury Department.
Treasury's Office of Foreign Assets Control said in the notice that it authorizes, from Oct. 9 through March 8, 2013, all transactions necessary to wind down Iran business by foreign subsidiaries, provided it doesn't involve an American or occur in the U.S.

"We issued the general license to help U.S. companies comply with the new provision," said John Sullivan, a Treasury spokesman, in an email.

The wind-down period will relieve a tough burden for some companies, lawyers said.

Jahna Hartwig, a partner with Williams Mullen, said the announcement is "excellent news" that "will ensure compliance with the law in a more reasonable, effective manner."

Moreover, one lawyer said, it relieves a burden on OFAC.

"A lot of foreign [subsidiaries] had open transactions that were in process when the executive order was issued and required authorization from OFAC to complete them," said Richard Matheny, a partner at Goodwin Procter LLP who was advising clients on whether to apply for a license for getting out of Iran.

"This general license, with the stroke of a pen, has the effect of granting a whole bunch of license applications pending at OFAC," he said.
But the time it took for OFAC to establish the wind-down period may create some problems, both lawyers said.

Hartwig wondered whether the announcement came too late. And Matheny said he didn't know "what was magic" about the March 8 deadline date. The delay caused companies to spend time and money analyzing and preparing license applications to OFAC, and many of them are moot, he said.

"It's a good development, but it would have been better if they thought this through initially and it was included in the executive order," Matheny said.