# New Iran Sanctions Legislation Passed by Congress

On June 24, 2010, the House and Senate passed the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, H.R. 2194, 111th Cong. (2010) ("the Act").[1] The President is expected to sign the bill into law. The Act strengthens previous U.S. Iran sanctions and reinforces and imposes restrictions beyond the recent United Nations sanctions.[2] Described below are certain key provisions which will impact foreign companies, financial institutions, insurance companies, government contractors, state and local governments and investors.

1. The Act expands the scope of U.S. sanctions by requiring that the President impose sanctions on foreign companies that sell goods, services, and know-how to Iran that assist it in developing its energy sector, namely its ability to produce or refine or import petroleum resources. The Act specifically defines such "services" to include "underwriting or entering into a contract to provide insurance or reinsurance" for the sale, lease or provision of such goods or technology.[3] The President must investigate and make a determination of whether sanctionable activity has occurred, and, if so, impose three of nine possible sanctions on a person who has acted in violation of this provision, unless he determines that a waiver of such sanctions is in the "national interest".

2. The Act bars U.S. banks from engaging in financial transactions with foreign banks doing business with Iran's Islamic Revolutionary Guard Corps or facilitating Iran's illicit nuclear program or its support for terrorism, and directs the Secretary of the Treasury within 90 days of enactment of the Act to promulgate regulations to implement this prohibition.

3. The Act establishes new, additional sanctions (including a prohibition on access to the U.S. banking system and on property transactions in the U.S.) that the President may impose on an entity violating the existing Iran Sanctions Act of 1996 or the Act.

4. The Act prohibits executive agencies from entering into U.S. government procurement contracts with any person that exports sensitive technology to Iran designed to restrict the free flow of information or to limit free speech.[4]

5. The Act requires that an entity bidding on U.S. government procurement contracts provide a certification to the U.S. government that neither it nor any person owned or controlled by it is engaged in conduct for which sanctions may be imposed under the Act.[5]

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1 See http://thomas.gov/home/gpoxmlc111/h2194_enr.xml.

2 On June 9, 2010, the United Nations Security Council approved Resolution 1929, which, *inter alia*, prohibits states from selling heavy weapons to Iran, prohibits states from transferring items related to nuclear and missile proliferation to Iran, and calls upon states to prevent the provision of any financial services that could contribute to Iran's proliferation.

3 An exception described as a "safe harbor" in the Conference Report, Rep. No. 111-512, at 55 (2010), permits the President not to impose such sanctions as to a person providing underwriting services or insurance or reinsurance if the President determines that the person has "exercised due diligence in establishing and enforcing official policies, procedures, and controls to ensure" that no violative insurance is provided.

4 This prohibition will be implemented pursuant to executive regulations, and will be effective 90 days after enactment of the Act.

5 The President may waive such requirement if he certifies to specified congressional committees that it is in the

6. The Act provides a legal framework for U.S. States, local governments and certain other investors to divest portfolios of foreign companies involved in Iran's energy sector.

7. The Act substantially increases criminal penalties for sanctions violations by U.S. entities.

8. The Act strengthens the U.S. trade embargo by codifying long-standing executive orders and limiting goods exempted from the embargo.

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If you have any questions about the Act or any of the issues addressed in this memorandum or if you would like a copy of any of the materials mentioned, please do not hesitate to contact Kathy Silberthau Strom at (202) 862-8944 or stromk@cgrdc.com; David Kelley at (212) 701-3050 or dkelley@cahill.com; Jon Mark at (212) 701-3100 or jmark@cahill.com; or John Schuster at (212) 701-3323 or jschuster@cahill.com.

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"national interest" to do so.