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# Final Rule on New Iranian Sanctions Published

**December 28, 2012**

On December 26, 2012 the Department of the Treasury's Office of Foreign Assets Control ("OFAC") published a final rule amending the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (the "ITSR"), to implement section 218 of the Iran Threat Reduction and Syria Human Rights Act of 2012 ("TRA") and sections of Executive Order 13622 of July 30, 2012, and Executive Order 13628 of October 9, 2012. It may be found at 77 Fed. Reg. 75845 (December 26, 2012).

The ITSR final amendments prohibit entities owned or controlled by a United States person and established or maintained outside the United States ("foreign subsidiaries") from knowingly engaging in any transaction, directly or indirectly, with the Government of Iran or any person subject to the jurisdiction of the Government of Iran that would be prohibited pursuant to this part if engaged in by a United States person or in the United States.

Under the final rule, an entity is ''owned or controlled'' by a United States person if the United States person: (i) holds a 50 percent or greater equity interest by vote or value in the entity; (ii) holds a majority of seats on the board of directors of the entity; or (iii) otherwise controls the actions, policies, or personnel decisions of the entity. The term "knowingly" means that the person engages in the transaction with actual knowledge or reason to know. And a person is ''subject to the jurisdiction of the Government of Iran'' if it is organized under the laws of Iran or any jurisdiction within Iran, ordinarily resident in Iran, or owned or controlled by any of the foregoing.

Civil penalties may be imposed on a United States person if its foreign subsidiary violates the new prohibition, unless the United States person divests or terminates its business with the subsidiary by February 6, 2013, such that the U.S. person no longer owns or controls the subsidiary, as defined in the regulations.

In addition, the final rule adds two general licenses to the ITSR and amends several existing licenses to address activities by foreign subsidiaries. These latter changes permit foreign subsidiaries to engage in conduct that comes under the two general licenses or existing licenses issued to a U.S. person which owns the foreign subsidiary.

Finally, the amendments expand the categories of persons whose property and interests in property are blocked to include any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to have materially assisted or provided other support for certain Government of Iran-related entities or certain activities by the Government of Iran.