

# United States Imposes Extensive New Sanctions Against Russia, Iran, and North Korea

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Today, President Trump signed a new law imposing sweeping additional sanctions against Russia, Iran, and North Korea. The law, the Countering America's Adversaries Through Sanctions Act, passed the U.S. House of Representatives and the U.S. Senate by nearly unanimous margins. President Trump had expressed reluctance to sign the bill, but ultimately acceded.

The new law makes permanent the existing sanctions against Russia, and imposes several significant new ones. The change with the most immediate impact is the reduction of the term of financing allowed under Directive 1 to Russian financial institutions from 30 days to 14 days, and from 90 days to 60 days for financing for energy companies under Directive 2. This means that banks and other U.S. companies will need to readjust their internal procedures to reflect these shorter limits. Further, Congress expanded Directive 4—which covers the provision of goods, technology, and services in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in Russia—to include projects where a designated entity has a controlling interest or a substantial non-controlling ownership interest (*i.e.*, an interest of not less than 33 percent). The new law also gives the Secretary of the Treasury the authority to apply sectoral sanctions to state-owned companies in the railways, mining, and metals sectors. The actual effect of this authority, however, may be limited, as most large companies in the Russian mining and metals sectors in particular are privately owned.

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## Practice Areas

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International Trade

The law requires the imposition of sanctions against persons or entities for engaging in a variety of activities, including undermining the cybersecurity of the United States, engaging in corruption or human rights abuses in Russia, participating in transactions involving the Russian intelligence or defense sectors, or investing in privatized assets in Russia under certain circumstances. The law also authorizes, but does not require, the imposition of sanctions on persons assisting in the development of pipelines for the export of Russian products. This could affect European companies involved in various projects to build natural gas pipelines between Russia and Western Europe. Finally, the law provides that these sanctions may only be removed with Congressional approval, imposing a significant new limit on the President's power.

The new sanctions against Iran and North Korea are more limited, but still significant. The law either requires or allows the President to impose sanctions on persons assisting in the development of Iran's ballistic missile program, engaging in human rights violations in Iran, or circumventing the arms embargo against Iran. With respect to North Korea, the President is required to impose sanctions on persons providing certain metals; rocket, jet, or aviation fuel; banking correspondent accounts; and certain vessel supplies and insurance. He may impose sanctions for a host of other activities involving North Korea, including acquiring coal, iron, iron ore, or textiles; facilitating significant transfers of cash, precious metals, or gemstones; providing significant amounts of crude oil or other petroleum products; or conducting significant transactions with the transportation, energy, or financial industries in North Korea. These measures are most likely to affect Chinese companies doing business in North Korea, and could cut them off from access to U.S. dollars or to the U.S. financial system in general. Finally, the law prohibits U.S. financial institutions from maintaining correspondent accounts for foreign financial institutions if the account is being used to provide significant financial services indirectly to certain designated persons engaging in illicit activities in or with North Korea.

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The new law is extremely detailed, and these are only the main highlights. It also requires the submission of several reports to Congress, which could lead to further action by Congress. Even in its current form, however, the new sanctions law has already caused a stir, with Russia retaliating by calling for staff cuts at the U.S. Embassy in Moscow and from U.S. diplomatic missions in Russia.

For further information about the impact of the new sanctions legislation, please contact one of the authors.