

Iran deal uncertainty threatens sanctions relief

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On June 17, the Trump administration formalized a memorandum of understanding (MOU) with Iran to end hostilities, open the Strait of Hormuz, and commit within 60 days to a final deal on broad sanctions relief and Iran's nuclear program. The MOU also commits the US to immediate sanctions relief, and as a first, quite significant step, the US Treasury Department authorized purchases of Iranian oil without risk of sanctions, including the unprecedented move of allowing Iran to use the US financial system until August 21, 2026. [Read our publication on OFAC General License X for additional information.](#)

Whether the rest of the provisions in the MOU will come to fruition, not to mention a final deal, is an open question – although traffic through the strait has picked up in recent days, the first weeks following the signing were rocky with Iran and the US trading fire, and significant issues must still be negotiated to reach a final deal. Stakeholders should expect the political situation to remain fluid and for changes to the sanctions to come in fits and starts.

This alert outlines the key provisions of the deal, the challenges to implementation, and three scenarios projecting how the future of the MOU could unfold and their impacts on business.

What is in the deal?

The administration has not officially released the text to the public, but major news outlets have published the language, and the key provisions include the following:

- Permanent cessation of all military operations, including in Lebanon
- Immediate 60-day “only” Iranian opening of Strait of Hormuz to commercial traffic, without charge, and engagement with Oman to define the future administration of the strait
- Immediate 60-day US sanctions waivers on Iran's export of petroleum and products, and all associated services, such as banking, insurance and transportation
- US unfreezing of Iranian funds held abroad – “upon implementation” of the agreement– which Iran may use to pay any party it chooses
- Iran's commitment to not procure or develop nuclear weapons, and to dispose of its stockpiled enriched nuclear material pursuant to a “mutually agreed mechanism”
- US commitment under the final deal to terminate all sanctions against Iran, including UN sanctions, and to develop with Gulf partners a US\$300 billion reconstruction plan for Iran

What are the challenges to implementation?

A number of things could prevent the parties from securing these terms. For example, further negotiations could be derailed by MOU violations, or the 60-day sanctions relief for Iranian oil sales could fail to materialize in a meaningful way, blocked by existing EU, UK and Swiss sanctions – which are not eased by US licenses – as well as Financial Crimes Enforcement Network (FinCEN) restrictions on US banks maintaining correspondent accounts on behalf of Iranian banks. Even if the parties weather the rocky start, and negotiations proceed to a final deal, Congress could still limit the administration's ability to deliver on the additional promised relief through mandatory sanctions.

And if none of that happens, the parties reach a final deal, and the US lifts sanctions and regulatory restrictions and allows for normalized economic relations with Iran, the private sector around the world could still decide to pass, and could do so at any step along the way. Businesses could easily remain cautious given the whiplash of previous Iran policy reversals (like the first Trump administration's reimposition of sanctions following President Obama's sanctions easing under the Joint Comprehensive Plan of Action (JCPOA)); existing partner and UN sanctions regimes; global banks' reluctance to process transactions with Iran; and legacy implications of risks associated with banking in Iran, including broad economic entanglements with designated groups like the Iranian Revolutionary Guard Corps (IRGC), Hezbollah and Hamas.

How could this all unfold and what does it mean for businesses?

To consider the implications of the MOU and a final deal for businesses, we consider three scenarios of how the initial agreement and final deal could unfold.

Scenario 1: The MOU generally holds and the parties agree to a final deal based on its provisions

Iran agrees to permanent and verifiable denuclearization, and, in response, receives broad US and international sanctions relief. Assuming many private sector actors around the world, including US companies, judge that the agreement will be durable, they begin to explore opportunities in Iran, which has vast development needs. Iran can export oil without sanctions impediments, get paid in the currency of its choice, including US dollars, and rebuild its foreign reserves, some of which it spends on economic development and bilateral trade. These funds are held in Iranian banks, not in external accounts. Iran also reestablishes banking connections with other countries (likely limited at first), which further enable foreign investment to flow to Iran.

Wild cards

- **Financing terrorism** – The MOU establishes that Iran can use its unfrozen funds “for any final beneficiary” it chooses, implying that Iran can continue financing its proxies – Hamas, Hezbollah, the Houthis. However, broad-based sanctions relief may not extend to these parties, ensuring continued risk of sanctions exposure through Iran. If history is a guide, Iran will continue to financially prop up its proxies. This will be enough to discourage many private sector actors from engaging with Iran, likely including major global banks, without which Iran’s international business will continue to be limited. It may also result in a further push for Iran to access banking channels through front companies in key banking jurisdictions, like the UAE and Hong Kong.
- **View from the region** – The MOU makes no provisions for Iran’s missile program and envisions Iran defining the administration of the Strait of Hormuz, which pose potentially significant security and commercial threats to Iran’s Arab neighbors. The Gulf States likely will be very uneasy with these arrangements going forward, but will not overtly oppose or undermine them, choosing a flawed deal over a return to war.

Scenario 2: The parties engage in negotiations, which are prolonged to come to a final deal

Using the existing 60-day sanctions waivers, Iran exports oil to markets including China, India and Turkey and receives payment, at least in part, in US dollars. With negotiations ongoing, the Trump administration extends the waivers beyond August 21. This coincides with the end of the 60 days of “no charges” for passage through the strait, and Iran resumes tolls, pursuant to the MOU provision that Iran “defines the administration” of the strait. Iran rebuilds its reserves from these income streams. However, the broad US and international sanctions architecture remains in place, and this prevents additional economic engagement with Iran beyond oil purchases.

Wild cards

- **US congressional action** – Members of Congress have expressed frustration at not being privy to the details of the Iran negotiations – with many fearing a step back from sanctions and Iran’s reintegration into the global economy would risk destabilizing Lebanon, Gaza, Israel and other high-risk jurisdictions through proxy organizations. In response, Congress may update Treasury’s counterterrorism authorities to make sanctions on the IRGC, Hezbollah, Hamas and other groups historically associated with Iran obligatory rather than discretionary, particularly around midterms as members seek to reinforce their reputations for being tough on terrorism or consistently protective of American peers like Israel. If the Office of Foreign Assets Control continues to add Iranian targets to its Special Designated Nationals (SDN) list, members may perceive this as an intermediate pressure point that gives the Trump administration flexibility to negotiate a resolution with Iranian authorities, while reinforcing rules that hold banks to the same financial integrity standards as Iran reintegrates into the global economy.
- **Administration reversal on the oil waivers** – Reacting to either failure to make consistent progress in negotiations or to the tolls, the Trump administration could decide to terminate the oil waivers at any time.
- **View from the region** – Out of necessity, the Gulf States likely fall in line. They will seek more consultation with the Trump administration than they have had to this point, but none will risk antagonizing Iran over procedural matters that are mostly outside of their control.

Scenario 3: The MOU falls apart before any meaningful progress is made on a final deal

Continued Iranian disruption to commercial shipping in the Gulf, more conflict between Israel and Lebanon, or limited Iranian diplomatic flexibility stymie meaningful negotiation toward a final deal. The US abandons the terms of the MOU, terminates the oil waivers, reverses any steps to unfreeze Iran’s funds held abroad, and drastically increases economic pressure on Iran and any Iranian facilitators, with or without resumed military action. The increase in economic pressure could be significant and come without warning, including sanctions or regulatory actions – such as FinCEN’s Section 311 actions – against non-US financial institutions, corporates, the shipping or insurance industries, ports, or any party facilitating the export or purchase of Iranian oil. This pressure could lead Iran to close the strait once again and would signal increased sanctions risk for any parties transacting with a nexus to Iran.

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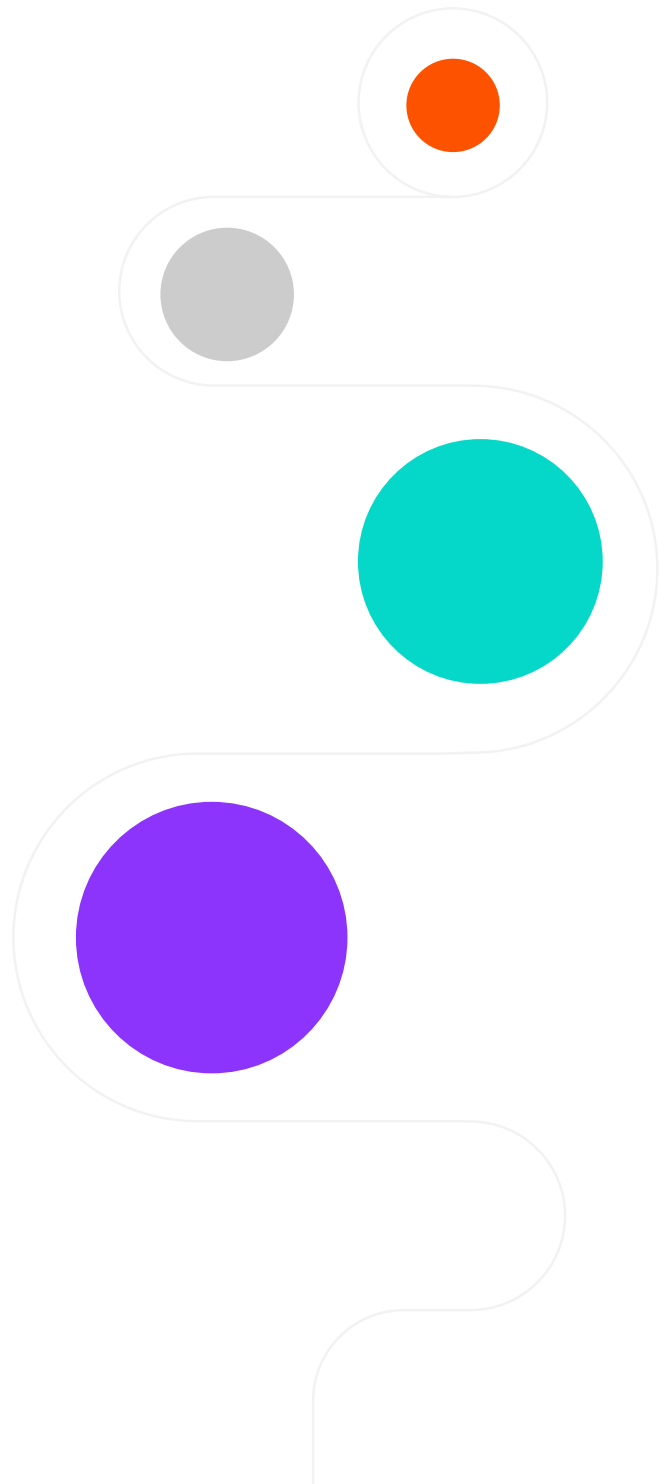
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