

Energy, Trade & Commodities Alert

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Iran Sanctions Update

Introduction

- Recent weeks have seen the United Nations, the US and the EU all tightening sanctions against Iran with the aim of impeding the country's nuclear programme.
- As many of the new sanctions are directed particularly at Iran's trade, transport links and banks, it is important that all those involved in international trade should be aware of them. This client alert summarises the latest developments in sanctions against Iran pursuant to the latest UN Security Council Resolution 1929 (2010) as well as under the sanctions regimes in force in the UK, US, EU and Switzerland.

UN Security Council Resolution No. 1929 (2010)

1. On 9 June 2010 the UN Security Council voted to impose what is now its fourth round of sanctions against Iran since 2006. Citing the proliferation risks posed by Iran's nuclear programme and Iran's continued failure to cooperate with the International Atomic Energy Agency, the Council voted by a majority to pass Resolution 1929 (2010).
2. In summary, the new Resolution:
 - (a) builds on previous sanctions by deciding that Iran shall not acquire an interest in any commercial activity in another UN state involving uranium mining, production or use of nuclear materials and technology;
 - (b) requires all states to prevent the supply, sale or transfer to Iran of certain military equipment, technology and systems; and
 - (c) contains provisions to help block Iran's use of the international financial system, particularly its banks when they may be used to fund proliferation and nuclear activities.
3. Of most direct relevance and interest to those involved in international trade is that the Resolution targets a number of specific individuals and entities which are either: (a) involved in nuclear or ballistic missile activities (Annex I); owned, controlled or acting on behalf of the Islamic Revolutionary Guard Corp (Annex II); or owned, controlled or acting on behalf of the Islamic Republic of Iran Shipping Lines (Annex III). The text of the new Resolution and the entities/ individuals in question can be found at: www.un.org/sc/committees/1737/resolutions.shtml.

UK sanctions

4. On 10 June 2010 HM Treasury issued a notification that, with immediate effect, the individuals and entities targeted by the new UN Resolution will now constitute "designated persons" within the UK financial sanctions regime against Iran.
5. Under the UK's Iran (Financial Sanctions) Order 2007 it is a criminal offence under UK law for any person to deal with funds and economic resources owned, held or controlled, directly or indirectly, by such designated persons. It is also a criminal offence for any person to make funds or economic resources available, directly or indirectly, to or for the benefit of a designated person.
6. HM Treasury publishes on its website a searchable list of all entities/ individuals that are targeted by financial sanctions of the United Nations, the European Union and the UK: www.hm-treasury.gov.uk/financialsanctions.

US sanctions: Amendments by OFAC to the Iranian Transactions Regulations/ SDN List

7. The US has also tightened sanctions against Iran in recent days.
8. On 14 June 2010 the US Office of Foreign Assets Control (OFAC) issued amendments to the existing Iranian Transactions Regulations. In general terms, the Regulations prohibit US persons (i.e. US companies, their affiliates and US nationals) wherever located from

engaging in or facilitating any unlicensed transaction involving Iranian products, exports to Iran or the government of Iran. The amendments to the Regulations identify 22 petroleum, petrochemical and insurance companies that are now deemed to be the government of Iran under the Regulations.

9. OFAC has also recently added a number of Iranian-linked entities to its list of Specifically Designated Nationals ("SDN List"). Many of the new additions to the SDN List are directed at targeting vessels within the fleet of the Islamic Republic of Iran Shipping Line (IRISL). Over 70 alleged IRISL vessels and a number of shipowners and managers have been added to the list. Recent press reports have alleged that IRISL has been changing the names of vessels and moving them into the ownership and management of front companies to evade US sanctions.
10. The current SDN list can be found/ searched at: <http://www.ustreas.gov/offices/enforcement/ofac/sdn/>.
11. Please see our previous Client Alert No. 10-048 dated March 2010 for an overview of the existing US sanctions programme against Iran as well as details of additional legislation currently being considered by the US Congress that would significantly increase the scope and application of the US sanctions against Iran.

EU sanctions

12. At a summit of EU leaders in Brussels on 17 June 2010 it was announced that the EU would be implementing the new UN Resolution at the next meeting of EU foreign ministers in July together with additional, tougher measures over and above the UN Resolution. Details of these additional measures are awaited. However, it is known that the measures will target Iranian trade and particularly banks, shipping and insurance. According to the EU 's statement the measures will focus on:

"dual use goods and further restrictions on trade insurance; the financial sector, including freeze of additional Iranian banks and restrictions on banking and insurance; the Iranian transport sector, in particular the Islamic Republic of Iran Shipping Line (IRISL) and its subsidiaries and air cargo; key sectors of the gas and oil industry with prohibition of new investment, technical assistance and transfers of technologies, equipment and services related to these areas, in particular related to refining, liquefaction and LNG technology; and new visa bans and asset freezes especially on the Islamic Revolutionary Guard Corps (IRGC)".

13. The new EU sanctions will now be finalised between EU Member States over the coming weeks and can be expected to come into force in July by way of an EU Regulation, which would then become law immediately in all 27 EU member states, including the UK.

Swiss sanctions

14. To date, Switzerland has yet to issue any announcement regarding the implementation of the new UN Resolution into Swiss law. In the normal course, however, the Swiss Federal Council would be expected to pass a ruling implementing the Resolution into Swiss law within a timetable of weeks/ months.

Conclusion

15. Clearly, the trend internationally is for ever-tougher sanction against Iran and for sanctions that are specifically directed at Iranian trade, transport, finance and insurance. If you require specific advice regarding sanctions affecting Iran in the above or any other jurisdictions, please do not hesitate to contact us.

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