

## EU Council Broadens Sanctions against Iran

On January 23, 2012, the EU Council of Ministers (the “Council”) adopted a Decision (the “Decision”)<sup>1</sup> significantly strengthening existing EU sanctions regarding the Iranian oil, gas and financial sectors originally adopted on July 26, 2010 and subsequently updated, most recently on December 1, 2011.<sup>2</sup>

The new sanctions primarily target the following sectors:

*1. Financial sector - Central Bank of Iran/Bank Tejarat:* The Iranian Central Bank and Bank Tejarat have been added to the list of entities involved in Iran’s nuclear and ballistic missiles activities. As a consequence, all EU funds and economic resources belonging to or controlled by the Central Bank of Iran and Bank Tejarat have been frozen.

The Council Regulation implementing the Decision<sup>3</sup> provides that transfers of funds or economic resources by or through the Central Bank of Iran can be exempted from the asset freeze on either of the following grounds: (i) that they were made after the designation of the Central Bank of Iran as an entity involved in Iran’s proliferation-sensitive activities, or (ii) that they relate to a payment by a person or entity not subjected to a restrictive measure. To benefit from these exemptions, however, transactions must be approved by the competent authority of the relevant Member State on a case-by-case basis. The competent authorities can also grant exemptions for transfers of funds by or through the Central Bank of Iran to provide financial institutions located within the Member States with liquidity for trade financing.

The Council Regulation also created an exemption for certain transactions involving Bank Tejarat, but this exemption only applies for two months and only benefits transactions that are both (i) connected to a specific trade contract, and (ii) cleared by the competent authority of the relevant Member State upon determination that

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<sup>1</sup> Council Decision 2012/35/CFSP of 23 January 2012 amending Decision 2010/413/CFSP concerning restrictive measures against Iran, OJ 2012 L 19/22, <http://tinyurl.com/2012-35-cfsp>. The new amendments follow the Conclusions of the European Council of December 9, 2011, <http://tinyurl.com/councilconcl>.

<sup>2</sup> See CSGH Alert Memorandum “EU Council Tightens Iran Sanctions”, August 5, 2010, <http://tinyurl.com/alertmemo08-2010> and CSGH Alert Memorandum “EU Council Adopts Iran Sanctions Implementing Regulation”, November 5, 2010, <http://tinyurl.com/alertmemo11-2010>.

<sup>3</sup> Council Regulation (EU) No 56/2012 of January 23, 2012 amending Regulation (EU) No 961/2010 on restrictive measures against Iran, OJ 2012 L 19/10, <http://tinyurl.com/reg56-2012>.

the payment will not directly or indirectly be received by a person subjected to a restrictive measure.

These measures build on earlier decisions requiring credit and financial institutions to exercise enhanced monitoring of all activities of with Iranian banks, in particular the Central Bank of Iran, and restricting financial transfers from and to Iran. In addition, the UK previously took unilateral measures prohibiting a broad range of UK financial institutions from entering into or continuing to participate in any transaction or business relationship with the Central Bank of Iran and all other banks incorporated in Iran.<sup>4</sup>

2. *Iranian oil and other petrochemical exports:* The Decision prohibits the import, purchase or transport of Iranian crude oil and other petrochemical products, as well as related (re-)insurance, financing and financial assistance. In addition, the sale, supply or transfer of key equipment and technology for the petrochemical industry in Iran is prohibited. The Council Decision clarifies that crude oil and petroleum contracts concluded before January 23, 2012 that are scheduled to be executed prior to July 1, 2012, are not affected. A similar exception is provided for contracts concerning other petrochemical products, provided they were concluded before January 23, 2012 and will be executed prior to May 1, 2012. These prohibitions build on measures in place since July 26, 2010, prohibiting new investment, technical assistance and transfers of technology, key equipment and services related to the oil and gas industry.

The Decision is binding on Member States and indicates that new measures are effective as from January 23, 2012. To become enforceable against natural and legal persons, however, the Decision must be supplemented by implementing measures. While implementing measures were taken the same day to expand the list of persons subjected to restrictive measures<sup>5</sup> and to clarify the Decision's application to the Central Bank of Iran and Bank Tejarat,<sup>6</sup> additional implementing measures are still being expected with regard to the new sanctions targeting Iran's oil and petrochemical industry.

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For additional information, please feel free to contact any of your regular contacts at the firm if you have any questions.

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<sup>4</sup> The Financial Restrictions (Iran) Order 2011 (SI 2011 No. 2775), November 21, 2011, <http://tinyurl.com/ukrestriction>.

<sup>5</sup> Council Implementing Regulation (EU) No 54/2012 of January 23, 2012 implementing Regulation (EU) No 961/2010 on restrictive measures against Iran, OJ 2012 L 19/1, <http://tinyurl.com/reg54-2012>.

<sup>6</sup> Council Regulation (EU) No 56/2012 of January 23, 2012 amending Regulation (EU) No 961/2010 on restrictive measures against Iran, OJ 2012 L 19/10, <http://tinyurl.com/reg56-2012>.

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