

# CLIENT ALERT

## The EU's New Iran Sanctions Regulation

October 28, 2010

On October 27, 2010, the EU's Official Journal published a new Regulation imposing restrictive measures/sanctions on Iran which came into force on that day. [Council Regulation \(EU\) No. 961/2010 of 25 October 2010](#) (the "Regulation") will replace the previous Iran Regulation (Council Regulation (EC) No. 423/2007, as amended).

The Regulation implements the measures stipulated in [Council Decision 2010/413/CFSP of 26 July 2010](#), UN Security Council Resolution 1929 (2010), as well as in [Council Declaration of 17 June 2010](#).

It is the most comprehensive sanction regime in the history of the European Union with far-reaching consequences across many industries and sectors. The new Regulation generally prohibits sale of controlled dual use items and technology (regardless of origin) to Iranian persons, broadly defined to include companies outside of Iran but owned or controlled by a resident of Iran or entity having its registered office in Iran.

Among the key points of the Regulation are:

**Extension of product and technology coverage.** The Regulation further extends the sanctions to dual-use and military goods as well as related technology. The Regulation would prohibit the transfer to Iranian persons or for use in Iran products or technology covered by virtually any category included on the list of dual use goods annexed to the [EU's Dual Use Regulation No. 428/2009](#) – the primary exception being information technology products and technology in certain specified sections of Category 5. Equipment which may be used for internal repression is also newly covered.

**Oil and gas.** The Regulation will dramatically affect the oil and gas industry and their suppliers. The Regulation prohibits the sale, supply, transfer or export of key equipment or technology listed in Annex VI to the Regulation to any Iranian person or for use in Iran. Annex VI lists equipment and technology for the exploration and production of crude oil and natural gas; for refining; and for the liquefaction of natural gas. Iranian person is broadly defined in the Regulation. Again, the prohibition extends to any legal person, entity or body outside Iran, which is controlled by a legal or natural person inside Iran.

**Investments.** The Regulation prohibits investing in or acquiring any Iranian enterprise engaged in the manufacture of restricted goods or technology or engaged in the restricted oil and natural gas sectors. Along the same line, the grant of any financial loan, the creation of a joint venture as well as any participation in activities aiming at, or having the effect of, circumventing the aforementioned restrictions on investment, is illegal.

**Financial services and banking.** The Regulation will hamper the transfer of funds from and to Iran. The electronic transfer of funds between persons in Iran and persons subject to EU jurisdiction of a value between €10,000 and €40,000 will need to be notified to EU Member State authorities. Any transfers in excess of €40,000 are subject to authorization. Such authorization shall only be granted where the authorities are satisfied that the transfer will not contribute to Iran's oil and natural gas sectors or Iran's weapons of mass destruction (WMD) activities. Notifications and requests for authorizations for a transfer of fund to an

Iranian person shall be addressed by or made on behalf of the payment service provider or bank. In addition, the Regulation reiterates the measures set out in the Council Decision regarding relations between EU and Iranian financial institutions in respect of branches, subsidiaries and correspondent relationships.

**Bonds and insurance business.** The Regulation limits Iran's access to insurance and bond markets. It is prohibited to sell or purchase directly or indirectly public or public-guaranteed bonds issued after 26 July 2010 to or from any Iranian governmental entity, Iranian credit or financial institution, or any entity related to such institutions. With some exceptions, the new regulation prohibits providing insurance or reinsurance to Iran, or Iranian persons other than a natural persons (unless that natural person is acting for Iran or other covered entity). Pre-existing policies may be fulfilled but may not be extended or renewed.

**Transport sector.** Restrictions on transports are imposed to prevent the transfer of goods and technology covered by the Regulation. All goods brought into or leaving the customs territory of the EU from or to Iran shall be made subject to pre-arrival or pre-departure information to be submitted to the competent customs authorities of the respective Member State. Also restricted are engineering and maintaining services to cargo aircraft, or bunkering or providing ship supply services or any other servicing to vessels owned or controlled by Iranian persons.

**Extension to services.** The Regulation extends its restrictions on goods and technology to related services. It is prohibited to provide, directly or indirectly, technical assistance, financial assistance or brokering services related to such goods and technology to any Iranian person or for use in Iran.

Possible carve-outs exist with respect to a significant number of the restrictions imposed. Carve-outs may either depend on the time the underlying agreement was concluded (e.g., before the entry into force of the Regulation, or before 26 July 2010, the day when Council Decision 2010/413/CFSP was issued) or on the subject-matter or nature of the transaction. As a consequence, companies doing business with entities in Iran (or with companies outside Iran which are possibly controlled by Iranian companies) should review the Regulation for possible restrictions and exemptions.

For more information, please contact the professionals listed below, or your regular Crowell & Moring contact.

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