

Iran Sanctions: Wait and see, but do wait!

Ibtissem Lassoued - Partner, Head of Advisory - Financial Crime / Family Business
i.lassoued@tamimi.com - Dubai International Financial Centre

June - July 2015

However, understanding the various unilateral and multilateral sanctions against Iran is not simple. These are complex and ever-changing regulations from different international sources; any number of which can apply to a company or individual depending on many factors such as nationality, place of business and ownership structure.

The world recently watched eagerly every time the P5+1 and Iran sat down for a round of negotiations, hoping they would strike an accord.

A 'historic' understanding

On 2 April 2015, the P5+1, the European Union and Iran reached a 'historic' understanding, as they concluded upon a preliminary framework for a nuclear deal. However, the positivity came with mixed feelings. Soon afterwards, the respective governments published their views of the agreement. The media was quick to highlight why it was uncertain and unclear that a deal would go through.

Following these negotiations in Lausanne, the P5+1, European Union and Iran agreed on a preliminary framework for an agreement, which once / if it comes into effect, will relieve Iran of some of the toughest sanctions imposed upon a nation, in exchange for significantly curbing its nuclear activities.

What does the deal have to offer?

- After the meeting in Lausanne, the White House released the "Parameters for a Joint Comprehensive Plan of Action" (JCPOA) regarding Iran's nuclear programme.
- US and EU nuclear related sanctions will be lifted in phases, upon verification that Iran is indeed fulfilling the terms of the agreement. To this end, Iran will be subject to strict oversight by the UN nuclear watchdog (IAEA).
- All UN Security Council resolutions on the Iran nuclear issue will be suspended as Iran acts upon its commitments to address key nuclear issues.
- The existing UN Security Council sanctions on transfers of sensitive technologies and activities will still be in force. Therefore, a new UN Security Council resolution will be drawn up that will re-establish these sanctions and endorse the JCPOA.
- The new resolution will also create a procurement channel, to ensure transparency in Iran's nuclear supply chain.
- A dispute resolution channel will be established where the JCPOA members can voice their concerns and grievances. In case the issue of non compliance raised by a JCPOA member cannot be resolved through this mechanism, all previous UN sanctions will be re-imposed.
- Regardless of the success of this agreement, the sanctions imposed on Iran by the US due to its support of terrorism, human rights abuses and ballistic missiles will continue to be in force.

Are you free to do business with and within Iran?

It is crucial to note the following:

- This agreement is only a preliminary understanding. There is no deal yet between the P5+1 powers and Iran.
- Several technical details remain to be finalised.
- No definitive time frames have been announced on how and when the sanctions would be lifted.
- The sanctions to be suspended are all nuclear related sanctions. Any sanctions in place overlapping nuclear proliferation and Iran's support of terrorism will still be in force.

This means that the sanctions remain as they are

Owing to the chain of events that have occurred in the past few weeks, it is unclear as to whether the P5+1 and Iran will be able to reach a conclusive deal. The 30th June 2015 deadline has been extended - as previous deadlines have been - to the 10th of July 2015, with a view to progress and finalize the negotiations.

Hence, you must continue to be vigilant to sanctions violations, and it would be advisable for all businesses to strengthen their compliance systems and structures.

Enforcement actions that we have witnessed reiterate the need to have strong compliance programmes in place, despite the news that is floating around regarding hungry investors, individuals and conglomerates alike, eyeing Iran as an investment opportunity and acting too soon.

The next few weeks will be critical as the P5+1 continue talks and work on drafting the deal. Until then, we wait and watch for matters to unfold.

For any queries in relation to economic sanctions, please contact Ibtissem Lassoued, Partner in our Regional Financial Crime Practice (email: i.lassoued@tamimi.com)