

NOTICE IN RELATION TO THE IRAN (FINANCIAL SANCTIONS) ORDER 2007

On 24 March 2007, the United Nations Security Council adopted Resolution 1747 in relation to Iran. The Bank of England, as the Treasury's agent on financial sanctions, published a news release on the same day giving notice of the financial sanctions adopted under Resolution 1747 and their application in the UK.

A number of individuals and entities were designated under Resolution 1747, including Bank Sepah International Plc, a UK-based bank.

This notice provides further information about giving effect to Resolution 1747 in the UK and is of particular relevance for those who have business with Bank Sepah International Plc.

Financial sanctions in relation to Iran, including any new designations by the Security Council, are given effect by the Iran (Financial Sanctions) Order 2007 (Iran Order). The financial restrictions in the Iran Order have applied to Bank Sepah International Plc from 24 March.

Subject to certain exceptions and any licence granted by the Treasury, all funds and economic resources owned, held or controlled by a designated person (such as Bank Sepah International Plc) are frozen and it is prohibited to make funds or economic resources available, directly or indirectly, to or for the benefit of the designated person. This notice gives further detail about how these provisions apply in relation to payments to and payments from designated persons.

Payments due to designated persons under prior contracts

This notice is a licence from the Treasury to allow any person to make payments due under any contract, agreement or obligation with a person designated by virtue of Resolution 1747 provided that:

- the contract, agreement or obligation was concluded or arose before 24 March 2007 and
- payment is made into a frozen account.

A “frozen account” means an account held or controlled by a designated person.

This extends the exception which already appears in the Iran Order which allows such payments for any contracts etc. that were concluded or arose before 23 December 2006, the date of the previous Security Council Resolution 1737(2006).

The date of 23 December 2006 continues to apply in relation to persons designated by virtue of Resolution 1737(2006).

Payments due from designated persons under prior contracts

Payments from a designated person under a prior contract may only be made if licensed by HM Treasury. HM Treasury may grant a licence in any of the circumstances set out in paragraphs 13 to 15 of Resolution 1737, but before doing so must comply with any requirements for notification to or approval set out in those paragraphs.

Paragraph 15 is of particular relevance in relation to payments from designated persons. It specifies:

“the measures in paragraph 12 [i.e. the financial sanctions] shall not prevent a designated person or entity from making payment

due under a contract entered into prior to the listing of such a person or entity, provided that the relevant States have determined that:

a) the contract is not related to any of the prohibited items, materials, equipment, goods, technologies, assistance, training, financial assistance, investment, brokering or services referred to in paragraphs 3, 4 and 6 [of the resolution]; and

b) the payment is not directly or indirectly received by a person or entity designated pursuant to paragraph 12 [of the resolution].

and after notification by the relevant States to the Committee of the intention to make or receive such payments or to authorize, where appropriate, the unfreezing of funds, other financial assets or economic resources for this purpose, ten working days prior to such authorization.”

Paragraphs 13 (a) and (b) may also be relevant as these allow for basic expenses, legal expenses account maintenance expenses and extraordinary expenses to be licensed, subject to approval by the relevant Committee of the Security Council by an approval process in relation to extraordinary expenses and a negative decision process in relation to other expenses.

Bank Sepah International Plc

HM Treasury has been considering licensing arrangements in relation to payments due from Bank Sepah International Plc, subject to the UN notification and approval requirements and appropriate safeguards.

The UK has notified the sanctions committee of an intention to licence payments due from Bank Sepah International Plc under prior contracts. It is unclear at this stage exactly when UN notification will be complete, as this will depend on discussions in the sanctions committee about what level of notification is appropriate. However, UN notification will not be completed before 18 April.

In the meantime, HM Treasury is working to ensure that arrangements are put in place for payments to be made with independent supervision and controls. This is intended to provide appropriate safeguards to ensure that only permitted payments are made.

HM Treasury intends for these arrangements to be put in place swiftly so that the most urgent payments can be made as soon as the UN notification period has expired.

People holding deposits with, or due payments from, Bank Sepah International Plc under prior contracts should contact Bank Sepah International Plc, rather than HM Treasury or the Bank of England. Subject to safeguards, it is envisaged that the licence granted by HM Treasury to Bank Sepah International Plc will permit it to make legitimate payments as they fall due under the terms of their existing contracts, as long as they are permitted under Resolution 1737.

HM Treasury will make further announcements regarding the licensing regime in due course.