

To: Our Clients and Friends

July 30, 2010

EU Imposes Tough Sanctions on Iran Over Its Nuclear Program

On July 26, 2010, the Council of the European Union issued a Decision mandating new unilateral sanctions on Iran that go beyond the UN-mandated Iranian sanctions aimed at discouraging Iran's continued efforts to enrich uranium. The Decision, which does not itself currently impose direct obligations on persons or entities in the EU, is expected to be implemented by a Regulation to be published later that will be directly applicable in the EU member states. The sanctions, which include a general ban on most trade with Iran and target its energy, financial, and transportation sectors, are widely thought to be the most restrictive and far-reaching sanctions imposed by the EU against any country. As the EU is Iran's top trading partner, these sanctions are expected to have a greater impact than those imposed by the United States on July 1.

The following are some of the key restrictions of these new EU sanctions:

- Ban on direct or indirect exports to Iran of (1) arms and related material; (2) items, materials, equipment, goods and technology that could contribute to nuclear activities; and (3) most dual-use goods and technology, regardless of origin. The ban on exports of certain dual-use goods and technology includes a prohibition on transferring and transiting such goods and on providing technical assistance, training, investment, funding, or brokering services related to such items or transactions.
- Prohibition on "the sale, supply or transfer to Iran of key equipment and technology as well as related technical or financial assistance, which could be used in key sectors in the oil and natural gas industries," including any new investment in these sectors in Iran. Such key sectors including refining, natural gas, exploration, and production.
- Requirement that European branches and subsidiaries of Iranian banks notify national authorities of all money transfers greater than 10,000 Euros and obtain prior authorization to process money transfers greater than 40,000 Euros. This same requirement is imposed on all European banks—including foreign branches of European banks—for money transfers to or from Iran. The sanctions also prohibit Iranian banks from establishing new branches or joint ventures in Europe.
- Prohibition on Member States from entering into new medium- and long-term commitments for public and private provided financial support for trade with Iran, except "trade for food, agricultural, medical or other humanitarian purposes."
- Requirement that Member States inspect all cargo to and from Iran if they suspect that the cargo contains illegal material.

In a related Regulation that has already come into force, the assets of additional designated individuals and companies are required to be frozen and no funds or economic resources may be provided to these persons.

For European companies, including European affiliates of US companies, the new EU sanctions necessitate a review of existing and contemplated business relationships involving Iran or Iranian persons or entities, particularly with respect to the goods, sectors and persons involved, and the ability to transfer funds or receive payments.

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