

2007 No. 1374

CRIMINAL LAW

**The Iran (European Community Financial Sanctions)
Regulations 2007**

<i>Made</i> - - - -	<i>1st May 2007</i>
<i>Laid before Parliament</i>	<i>2nd May 2007</i>
<i>Coming into force</i> - -	<i>3rd May 2007</i>

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SCHEDULE — Evidence and Information

The Treasury make the following Regulations in exercise of the powers conferred by section 2(2) of the European Communities Act 1972(a).

The Treasury are designated(b) for the purposes of that section in relation to (i) measures relating to the movement of capital and to payments between Member States and between Member States and countries which are not Member States, and (ii) measures relating to the interruption or reduction, in part or completely, of economic relations with one or more countries which are not Member States.

These Regulations make provision for a purpose mentioned in that section and it appears to the Treasury that it is expedient for the reference to the Community instrument mentioned in regulation 2 to be construed as a reference to that instrument as amended from time to time(c).

PART 1

Preliminary and general

Citation, commencement, extent and application

1.—(1) These Regulations may be cited as the Iran (European Community Financial Sanctions) Regulations 2007 and come into force on 3rd May 2007.

(2) These Regulations extend to the United Kingdom.

(3) An offence may be committed under regulation 6, 7, 9 or 10 by any person in the United Kingdom or by any person elsewhere who is—

- (a) a British citizen, a British overseas territories citizen, a British Overseas citizen, a British subject, a British National (Overseas) or a British protected person; or
- (b) a body incorporated or constituted under the law of any part of the United Kingdom.

Interpretation

2.—(1) In these Regulations—

“the 2000 Act” means the Financial Services and Markets Act 2000(d);

“body corporate” includes a Scottish partnership;

“designated person” has the meaning given by regulation 3;

(a) 1972 c.68.

(b) S.I. 1994/757.

(c) See paragraph 1A of Schedule 2 to the European Communities Act 1972, as inserted by section 28 of the Legislative and Regulatory Reform Act 2006 (c.51).

(d) 2000 c.8.

“document” includes information recorded in any form and, in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form;

“EC Regulation” means Council Regulation (EC) No 423/2007 of 19th April 2007(a), as amended from time to time;

“economic resources” means assets of every kind, whether tangible or intangible, movable or immovable, which are not funds but can be used to obtain funds, goods or services;

“funds” means financial assets and benefits of every kind, including (but not limited to)—

- (a) cash, cheques, claims on money, drafts, money orders and other payment instruments;
- (b) deposits with relevant institutions or other persons, balances on accounts, debts and debt obligations;
- (c) publicly and privately traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts;
- (d) interest, dividends or other income on or value accruing from or generated by assets;
- (e) credit, rights of set-off, guarantees, performance bonds or other financial commitments;
- (f) letters of credit, bills of lading, bills of sale;
- (g) documents providing evidence of an interest in funds or financial resources;
- (h) any other instrument of export financing;

“officer”, in relation to a body corporate, means—

- (a) in relation to a Scottish partnership, a partner, and
- (b) in relation to any other body corporate, a director, manager, secretary or other similar officer of the body corporate or any person who has purported to act in any such capacity;

“relevant institution” means—

- (a) a person who has permission under Part 4 of the 2000 Act; and
- (b) an EEA firm of the kind mentioned in paragraph 5(b) of Schedule 3 to the 2000 Act(b) which has permission under paragraph 15 of that Schedule(c) as a result of qualifying for authorisation under paragraph 12 of that Schedule to accept deposits.

(2) The definition of “relevant institution” in paragraph (1) must be read with—

- (a) section 22 of the 2000 Act;
- (b) any relevant order under that section; and
- (c) Schedule 2 to that Act.

PART 2

Designated persons and directions

Designated persons

3.—(1) For the purposes of these Regulations—

- (a) any person listed in Annex V of the EC Regulation(d); and
- (b) any person identified in a direction,

(a) OJ No L 103, 20.4.07, p.1 as amended by Commission Regulation (EC) No 441/2007 of 20th April 2007 (OJ L 104, 21.4.07, p.28) and Council Decision 2007/242/EC of 23rd April 2007 (OJ L 106, 24.4.07, p.51).

(b) As amended by S.I. 2006/3221.

(c) As amended by S.I.2003/2066.

(d) Council Decision 2007/242/EC of 23rd April 2007 (OJ L 106, 24.4.07, p.51) establishes the list in Annex V of the EC Regulation.

is a designated person.

(2) In this Part “direction” (other than in regulation 4(2)(b)) means a direction given by the Treasury under regulation 4(1).

Treasury’s power to designate persons

4.—(1) Where any condition in paragraph (2) is satisfied, the Treasury may give a direction that a person identified in the direction is designated for the purposes of these Regulations.

(2) The conditions are that the Treasury have reasonable grounds for suspecting that the person is or may be—

- (a) a person listed in Annex V of the EC Regulation;
- (b) a person acting on behalf of or at the direction of a designated person; or
- (c) a person owned or controlled by a designated person.

(3) The Treasury may vary or revoke a direction at any time.

Directions: further provisions

5.—(1) Where the Treasury give a direction they must—

- (a) take such steps as they consider appropriate to publicise the direction;
- (b) give written notice to the person identified in the direction; and
- (c) if they vary or revoke the direction, take steps to publicise the variation or revocation and to bring it to the attention of the person identified in the direction.

(2) The High Court or, in Scotland, the Court of Session may set aside a direction on the application of—

- (a) the person identified in the direction, or
- (b) any other person affected by the direction.

(3) A person who makes an application under paragraph (2) must give a copy of the application and any witness statement or affidavit in support to the Treasury not later than seven days before the date fixed for the hearing of the application.

PART 3

Prohibitions and licences

Freezing funds and economic resources of designated persons

6.—(1) A person (including the designated person) must not deal with funds or economic resources owned, held or controlled by a designated person unless he does so under the authority of a licence granted under regulation 10.

(2) A person who contravenes the prohibition in paragraph (1) is guilty of an offence.

(3) In proceedings for an offence under this regulation, it is a defence for a person to show that he did not know and had no reasonable cause to suspect that he was dealing with funds or economic resources owned, held or controlled by a designated person.

(4) In this regulation, “deal with” means—

- (a) in respect of funds—
 - (i) use, alter, move, allow access to or transfer;
 - (ii) deal with in any other way that would result in any change in volume, amount, location, ownership, possession, character or destination; or
 - (iii) make any other change that would enable use, including portfolio management; and

- (b) in respect of economic resources, use to obtain funds, goods or services in any way, including (but not limited to) by selling, hiring or mortgaging the resources.

Making funds or economic resources available to designated persons etc.

7.—(1) A person must not make funds or economic resources available, directly or indirectly, to or for the benefit of a designated person unless he does so under the authority of a licence granted under regulation 10.

(2) A person who contravenes the prohibition in paragraph (1) is guilty of an offence.

(3) In proceedings for an offence under this regulation, it is a defence for a person to show that he did not know and had no reasonable cause to suspect that he was making funds or economic resources available, directly or indirectly, to or for the benefit of a designated person.

Exceptions

8.—(1) A person is not guilty of an offence under regulation 6 or 7 if he credits a frozen account with—

- (a) interest or other earnings due on the account; or
- (b) payments due under contracts, agreements or obligations that were concluded or arose prior to 23rd December 2006.

(2) Regulation 7 does not prevent a relevant institution from crediting a frozen account where it receives funds transferred to a frozen account by a third party.

(3) For the avoidance of doubt, regulation 6 applies to any funds credited to a frozen account in accordance with this regulation.

(4) In this regulation “frozen account” means an account with a relevant institution which is held or controlled by a designated person.

Circumventing prohibitions etc.

9. A person is guilty of an offence if he participates, knowingly and intentionally, in activities the object or effect of which is, directly or indirectly, to—

- (a) circumvent a prohibition in regulation 6(1) or 7(1), or
- (b) enable or facilitate the commission of an offence under regulation 6 or 7.

Licences

10.—(1) The Treasury may grant a licence to exempt acts specified in the licence from the prohibition in regulation 6(1) or 7(1).

(2) A licence may be—

- (a) general or granted to a category of persons or to a particular person;
- (b) subject to conditions;
- (c) of indefinite duration or subject to an expiry date.

(3) The Treasury may vary or revoke a licence at any time.

(4) The Treasury, where they grant, vary or revoke a licence, must—

- (a) in the case of a licence granted to a particular person, give written notice of the licence, variation or revocation to that person, and
- (b) in the case of a general licence or a licence granted to a category of persons, take such steps as the Treasury consider appropriate to publicise the licence, variation or revocation.

(5) Any person who, for the purpose of obtaining a licence, knowingly or recklessly makes any statement or furnishes any document or information which is false in a material particular is guilty of an offence.

(6) Any person who has done any act under the authority of a licence and who fails to comply with any conditions attaching to that licence is guilty of an offence.

PART 4

Miscellaneous

Evidence and information

11. The Schedule (which contains further provisions about evidence and information) has effect.

Penalties

12.—(1) A person guilty of an offence under regulation 6, 7, 9 or 10 or paragraph 4(b) or (d) of the Schedule is liable—

- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine or to both;
- (b) on summary conviction—
 - (i) in England and Wales, to imprisonment for a term not exceeding 12 months or to a fine not exceeding the statutory maximum or to both;
 - (ii) in Scotland or Northern Ireland, to imprisonment for a term not exceeding three months or to a fine not exceeding the statutory maximum or to both.

(2) A person guilty of an offence under paragraph 2(4) or 4(a) or (c) of the Schedule is liable on summary conviction—

- (a) in England and Wales, to imprisonment for a period not exceeding 51 weeks or to a fine not exceeding level 5 on the standard scale or to both;
- (b) in Scotland or Northern Ireland, to imprisonment for a term not exceeding three months or to a fine not exceeding level 5 on the standard scale or to both.

(3) If an offence under these Regulations committed by a body corporate is shown—

- (a) to have been committed with the consent or connivance of an officer of the body corporate, or
- (b) to be attributable to any neglect on his part,

the officer as well as the body corporate is guilty of the offence and is liable to be proceeded against and punished accordingly.

Proceedings

13.—(1) Proceedings against any person for an offence may be taken before the appropriate court in the United Kingdom having jurisdiction in the place where that person is for the time being.

(2) In England and Wales, summary proceedings for an offence may be tried by a magistrates' court if any information is laid—

- (a) before the end of 12 months from the date on which evidence sufficient in the opinion of the prosecutor to justify the proceedings came to his knowledge, but
- (b) not later than three years from the commission of the offence.

(3) In Scotland—

- (a) summary proceedings for an offence may be commenced—

- (i) before the end of 12 months from the date on which evidence sufficient in the Lord Advocate’s opinion to justify the proceedings came to his knowledge, but
 - (ii) not later than three years from the commission of the offence; and
- (b) section 136(3) of the Criminal Procedure (Scotland) Act 1995^(a) (time limit for certain offences) applies for the purpose of this paragraph as it applies for the purpose of that section.
- (4) In Northern Ireland, summary proceedings for an offence may be instituted—
- (a) before the end of 12 months from the date on which evidence sufficient in the opinion of the prosecutor to justify the proceedings came to his knowledge, but
 - (b) not later than three years from the commission of the offence.
- (5) For the purposes of this regulation—
- (a) a certificate signed by or on behalf of the prosecutor or the Lord Advocate as to the date on which such evidence as is referred to in paragraphs (2) to (4) came to his knowledge is conclusive evidence of that fact, and
 - (b) a certificate purporting to be so signed is presumed to be so signed unless the contrary is proved.
- (6) In Scotland, where a constable reasonably believes that a person has committed or is committing an offence, he may arrest that person without a warrant.
- (7) In Northern Ireland, regulation 26 of the Police and Criminal Evidence (Northern Ireland) Order 1989^(b) (arrest without warrant for arrestable offences) applies to an offence which is not an arrestable offence by virtue of the term of imprisonment for which a person may be sentenced in respect of it, as if it were mentioned in paragraph (2) of that regulation.
- (8) No proceedings for an offence, other than for a summary offence, may be instituted in England, Wales or Northern Ireland except with the consent of the Treasury or the Attorney General or, as the case may be, the Attorney General for Northern Ireland.
- (9) Whether or not such consent has been given, paragraph (8) does not prevent—
- (a) the arrest of any person in respect of an offence, or
 - (b) the remand in custody or on bail of any person charged with an offence.
- (10) In this regulation, “offence” means an offence under these Regulations.

Notices

14.—(1) This regulation has effect in relation to any notice to be given to a person by the Treasury under regulation 5(1)(b) or 10(4)(a).

(2) Any such notice may be given—

- (a) by posting it to his last known address; or
- (b) where the person is a body corporate, by posting it to the registered or principal office of the body corporate.

(3) Where the Treasury do not have an address for the person, they must make arrangements for the notice to be given to him at the first available opportunity.

Functions of the Treasury

15.—(1) The Treasury may, to such extent and subject to such restrictions and conditions as they may think proper, delegate or authorise the delegation of any of their functions under these Regulations (except regulation 4) to any person or description of persons.

(2) References in these Regulations to the Treasury are to be construed accordingly.

^(a) 1995 c.46.

^(b) S.I. 1989/1341 (N.I. 12), to which there are amendments not relevant to these Regulations.

The Crown

16.—(1) These Regulations bind the Crown, subject to the following provisions of this regulation.

(2) No contravention by the Crown of a provision of these Regulations makes the Crown criminally liable; but the High Court or in Scotland the Court of Session may, on the application of a person appearing to the Court to have an interest, declare unlawful any act or omission of the Crown which constitutes such a contravention.

(3) Nothing in this regulation affects Her Majesty in her private capacity; and this is to be construed as if section 38(3) of the Crown Proceedings Act 1947^(a) (meaning of Her Majesty in her private capacity) were contained in these Regulations.

Transitional provisions

17. In relation to an offence under these Regulations committed before the commencement of section 283 of and paragraph 3 of Schedule 27 to the Criminal Justice Act 2003^(b) (enabling powers: alteration of maximum penalties), the reference in regulation 12(1)(b)(i) to 12 months and the reference in regulation 12(2)(a) to 51 weeks shall have effect as if each were a reference to three months.

Amendments to the Iran (Financial Sanctions) Order 2007

18.—(1) The Iran (Financial Sanctions) Order 2007^(c) is amended in accordance with paragraphs (2) to (7).

(2) In the definition of “funds” in paragraph (1) of article 2, in sub-paragraph (c) for “derivative products” substitute “derivatives contracts”.

(3) In paragraphs (1) and (3) of article 6, omit “, directly or indirectly,”.

(4) After paragraph (1) of article 8, insert—

“(1A) Article 7 does not prevent a relevant institution from crediting a frozen account where it receives funds transferred to a frozen account by a third party.”.

(5) In paragraph (3) of article 8, after “an account” insert “with a relevant institution which is”.

(6) For paragraph 2(3) of the Schedule, substitute—

“(3) A relevant institution must inform the Treasury without delay if it credits a frozen account in accordance with article 8(1A).

(3A) A relevant institution which fails to comply with a requirement in sub-paragraph (1), (2) or (3) is guilty of an offence.”.

(7) In paragraph 3(1)(c) of the Schedule, omit “, directly or indirectly,”.

Alan Campbell

Dave Watts

Two of the Lords Commissioners of Her Majesty’s Treasury

1st May 2007

(a) 1947 c.44.
(b) 2003 c.44.
(c) S.I. 2007/281.

Evidence and Information

1. The Treasury must take such steps as they consider appropriate to cooperate with any domestic or international investigation relating to the funds, economic resources or financial transactions of—

- (a) any designated person;
- (b) any person acting on behalf or at the direction of a designated person; and
- (c) any person owned or controlled by a designated person.

2.—(1) A relevant institution must as soon as practicable inform the Treasury if it knows or suspects that a relevant person—

- (a) is a designated person;
- (b) is acting on behalf or at the direction of a designated person;
- (c) is owned or controlled by a designated person; or
- (d) has committed an offence under regulation 6, 7, 9 or 10.

(2) A relevant institution, where it informs the Treasury under sub-paragraph (1), must state—

- (a) the information or other matter on which the knowledge or suspicion is based;
- (b) any information it holds about the relevant person by which the person can be identified; and
- (c) the nature and amount or quantity of any funds or economic resources held by the relevant institution for the relevant person since these Regulations came into force.

(3) A relevant institution must inform the Treasury without delay if it credits a frozen account in accordance with regulation 8(2).

(4) A relevant institution which fails to comply with a requirement in sub-paragraph (1), (2) or (3) is guilty of an offence.

(5) In this paragraph, “relevant person” means—

- (a) a customer of the institution;
- (b) a person who has been a customer of the institution at any time on or after 20th April 2007 (a); or
- (c) a person with whom the institution has had dealings in the course of its business since that date.

3.—(1) The Treasury may request any person in or resident in the United Kingdom to give to them any information or to produce to them any document in his possession or control which they may require for the purpose of—

- (a) ensuring compliance with or detecting evasion of these Regulations;
- (b) obtaining evidence of the commission of an offence under these Regulations;
- (c) establishing the nature and amount or quantity of any funds or economic resources owned, held or controlled by a designated person; or
- (d) establishing the nature of any financial transactions entered into by, on behalf of or at the direction of a designated person.

(2) This includes power to—

- (a) take copies of or extracts from any document so produced;

(a) This is the date on which the EC Regulation came into force.

- (b) request any person producing a document to give an explanation of it; and
- (c) where that person is a body corporate, request any person who is a present or past officer of, or employee of, the body corporate to give such an explanation.

(3) Any person to whom a request is made must comply with it within such time and in such manner as may be specified in the request.

(4) Nothing in this paragraph shall be taken to require any person who has acted as counsel or solicitor for any person to give or produce any privileged information or document in his possession in that capacity.

4. A person is guilty of an offence if he—

- (a) without reasonable excuse refuses or fails within the time and in the manner specified (or, if no time has been specified, within a reasonable time) to comply with any request made under paragraph 3;
- (b) knowingly or recklessly gives any information or produces any document which is false in a material particular in response to such a request;
- (c) otherwise wilfully obstructs the Treasury in the exercise of their powers under this Schedule; or
- (d) with intent to evade the provisions of this Schedule, destroys, mutilates, defaces, conceals or removes any document.

5. Where a person is convicted of an offence under paragraph 4(a), the court may make an order requiring him, within such period as may be specified in the order, to give the requested information or to produce the requested document.

6.—(1) The Treasury may only disclose any information given or document produced under this Schedule (including any copy or extract made of any such document)—

- (a) to a police officer;
- (b) to any person holding or acting in any office under or in the service of—
 - (i) the Crown in respect of the Government of the United Kingdom;
 - (ii) the Government of the Isle of Man;
 - (iii) the States of Guernsey or Alderney or the Chief Pleas of Sark;
 - (iv) the State of Jersey;
 - (v) any British overseas territory;
- (c) to the Financial Services Authority;
- (d) for the purpose of giving assistance or cooperation, pursuant to the EC Regulation, to—
 - (i) any organ of the United Nations;
 - (ii) any person in the service of the United Nations, the Council of the European Union, the European Commission or the government of any country;
- (e) with a view to instituting, or otherwise for the purposes of, any proceedings—
 - (i) in the United Kingdom, for an offence under these Regulations; or
 - (ii) in any of the Channel Islands, the Isle of Man or any British overseas territory, for an offence under a similar provision in any such jurisdiction; or
- (f) with the consent of a person who, in his own right, is entitled to the information or to the possession of the document, to any third party.

(2) In this paragraph, “in his own right” means not merely in the capacity as a servant or agent of another person.

7. An action done under this Schedule is not to be treated as a breach of any restriction imposed by statute or otherwise.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, made under section 2(2) of the European Communities Act 1972, enforce provisions of Council Regulation (EC) No 423/2007 of 19th April 2007 (OJ No L 103, 20.4.07 p.1) (“the EC Regulation”) which relate to financial sanctions against persons listed by the Council who are engaged in, directly associated with or providing support for Iran’s proliferation-sensitive nuclear activities or the development of nuclear weapons delivery systems. The measures include the freezing of funds, financial assets and economic resources of such persons and ensuring that any funds, financial assets and economic resources are not made available to them or for their benefit.

The persons against whom these financial sanctions are to apply are listed in Annex V of the EC Regulation, as updated from time to time in accordance with Council Common Position 2007/140/CFSP of 27th February 2007 (OJ No L 61, 28.2.07, p.49). The content of the list in Annex V is established by Council Decision 2007/242/EC of 23rd April 2007 (OJ L 106, 24.4.07, p.51). The EC Regulation also imposes financial sanctions in relation to persons listed in accordance with United Nations Security Council Resolution 1737(2006) dated 23rd December 2006. In the UK, the United Nations financial sanctions are given effect by the Iran (Financial Sanctions) Order 2007 (S.I. 2007/281).

Regulation 3 of these Regulations provides that the persons listed in Annex V of the EC Regulation, as amended from time to time, or designated in accordance with regulation 4 are designated persons for the purposes of the Regulations.

Regulation 4 provides that the Treasury can give directions to designate persons for the purposes of the Regulations if a specified condition is fulfilled in respect of the person. The conditions are that the Treasury have reasonable grounds to suspect that the person is or may be a person listed in Annex V of the EC Regulation; a person acting on behalf of or at the direction of a designated person or a person owned or controlled by a designated person.

Regulation 5 makes further provision about the Treasury’s directions, including a requirement for the Treasury to take the steps which they consider appropriate to publicise the direction. This regulation also includes provision about appeals.

Regulation 6 prohibits any dealing with funds, financial assets and economic resources of designated persons. The regulation makes it a criminal offence to contravene this prohibition.

Regulation 7 prohibits making funds, financial assets or economic resources available to designated persons. The regulation makes it a criminal offence to contravene this prohibition.

Regulation 9 makes it a criminal offence to circumvent the prohibitions or to facilitate the commission of an offence relating to a prohibition.

Regulation 10 provides a licensing procedure to enable, for humanitarian and other purposes, certain acts to be exempted from the prohibitions in regulations 6 and 7.

Regulation 15 gives the Treasury power to delegate their functions under the Regulations (except regulation 4).

Regulation 16 confirms that the provisions of these Regulations apply to the Crown but, in the event of a contravention, the Crown is not criminally liable.

Regulation 18 makes minor amendments to the Iran (Financial Sanctions) Order 2007 (S.I. 2007/281), consequential upon the manner in which the EC Regulation is enforced under these Regulations.

The Schedule makes provision about information and evidence.

A partial regulatory impact assessment of the effect that this instrument will have on the costs of business may be obtained from the Asset Freezing Unit of the Financial Crime Team, HM

Treasury, 1 Horse Guards Road, London SW1A 2HQ and is also available on HM Treasury's website (www.hm-treasury.gov.uk). A copy of the regulatory impact assessment has been placed in the libraries of both Houses of Parliament.

£3.00

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E0714 5/2007 170714T 19585