

**EXPLANATORY MEMORANDUM TO  
THE IRAN (EUROPEAN COMMUNITY FINANCIAL SANCTIONS)  
REGULATIONS 2007**

**2007 No. 1374**

1. This explanatory memorandum has been prepared by Her Majesty's Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Description**

- 2.1 The Iran (European Community Financial Sanctions) Regulations 2007 (SI 2007/1374) (the "Iran Regulations") provide for breaches of prohibitions which relate to certain financial sanctions in Council Regulation (EC) No 423/2007 of 19th April 2007 ("the EC Regulation") and certain other acts and omissions, to be criminal offences.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

- 3.1 It is necessary for the Iran Regulations to come into force as soon as possible in order to provide for criminal offences to give effect to certain financial sanctions required by the EC Regulation. The Treasury consider it necessary to avoid any delay in providing for criminal offences, in order to help prevent the possibility of asset flight. The Treasury have made the Regulations expeditiously. The EC Regulation was made on the 19<sup>th</sup> April 2007, coming into force on 20<sup>th</sup> April 2007 and on 24<sup>th</sup> April 2007, Council Decision 2007/242/EC was published. This provides the first list of persons in respect of whom the financial sanctions are to apply. For these reasons the Regulations come into force on the day after they are laid and accordingly it is necessary to contravene the convention known as the "21 day rule".

4. **Legislative Background**

- 4.1 On 23<sup>rd</sup> December 2006, the United Nations Security Council adopted resolution 1737(2006) ("the Security Council resolution") which requires Member States to impose financial restrictions on persons designated in accordance with the Security Council resolution as being involved, directly or indirectly, in supporting the Iran's nuclear or ballistic missile programmes.

- 4.2 On 7<sup>th</sup> February 2007 (at the Privy Council's first meeting in 2007) the Iran (Financial Sanctions) Order 2007 was made to give effect in the UK to the United Nations financial sanctions.

4.3 The EC Regulation establishes European Community financial sanctions, which provides for a separate list of persons to be subject to these financial sanctions, and applies the United Nations financial sanctions throughout the EC. Accordingly, the EC Regulation requires that all funds and economic resources of persons listed in annexes IV and V of the EC Regulation (representing the UN and EC list respectively) shall be frozen, and that no funds or economic resources shall be made available to or for the benefit of any such listed person.

## **5. Extent**

5.1 This instrument applies to the United Kingdom and, in other countries, to British citizens and others with a UK connection.

## **6. European Convention on Human Rights**

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 The Council of the European Union adopted the EC Regulation to apply the requirements of the United Nations Security Council resolution and of Common Position 2007/140/CFSP in response to Iran's uranium enrichment activities. Due to the threat to international peace and security that the proliferation of nuclear, chemical and biological weapons constitutes, the EC Regulation provides for certain financial sanctions against persons designated either in accordance with the Security Council resolution or in accordance with Article 5(1)(b) of the Common Position.

7.2 These Regulations provide for prohibitions, criminal sanctions and enforcement mechanisms in relation to the European Community financial sanctions set out in the EC Regulation.

## **8. Impact**

8.1 A Regulatory Impact Assessment is attached.

8.2 The impact on the public sector is negligible.

## **9. Contact**

Helena Wood at Her Majesty's Treasury, Tel: 0207 270 5209 or e-mail: [Helena.Wood@hm-treasury.x.gsi.gov.uk](mailto:Helena.Wood@hm-treasury.x.gsi.gov.uk) can answer queries regarding the instrument.

## Regulatory Impact Assessment

### THE IRAN (EUROPEAN COMMUNITY FINANCIAL SANCTIONS) REGULATIONS 2007

2007 No. 1374

#### **1. Title of proposal**

The Iran (European Community Financial Sanctions) Regulations 2007

#### **2. Purpose and intended effect**

The Iran (European Community Financial Sanctions) Regulations 2007 (SI 2007/1374) (the “Iran Regulations”) provide that breaches of certain prohibitions, which enforce certain financial sanctions in Council Regulation (EC) N0 423/2007 (“the EC Regulation”), and certain other acts and omissions are criminal offences.

#### **3. Consultation**

No consultation was carried out on this RIA. In the current circumstances, where there may be an operational requirement for such provisions, there was considered to be a sufficiently urgent requirement to dispense with consultation.

#### **4. Options**

The UK is required to lay down rules on penalties applicable to infringements of the EC Regulation and to take all measures necessary to ensure that they are implemented.

#### **5. Costs and benefits**

##### **Sectors and groups affected:**

Financial institutions.

##### **Benefits:**

The financial sanctions against persons involved with Iran’s nuclear programme are intended to exert pressure on those persons with the aim of halting proliferation. This supports international efforts to ensure peace and security through non-proliferation. The UK is obliged to provide for the enforcement of the financial sanctions. Consistent with those requirements under European law, the Iran (European Community Financial Sanctions) Regulations 2007 ensure that the financial sanctions are fully enforceable in the UK.

##### **Costs:**

There are some compliance costs for financial institutions in implementing financial sanctions. The Government is mindful of these compliance costs and seeks to ensure

that international sanctions regimes are well targeted and are based on good identifying information to help financial institutions administer them.

#### **6. Small Firms Impact Test**

Not applicable – no particular impact on small firms.

#### **7. Competition assessment**

Not applicable – no particular competition impact.

#### **8. Enforcement, sanctions and monitoring**

The provisions are set out in the Order.

#### **9. Implementation and delivery plan**

Not applicable – no further implementation is required.

#### **10. Post-implementation review**

Not applicable – as no further implementation is required.

#### **11. Summary and recommendation**

The Iran (European Community Financial Sanctions) Regulations 2007 are necessary to give effect to financial sanctions against persons designated at the European level. Doing nothing would not be consistent with our legal obligations and is therefore not an option in this case.

#### **Declaration and publication**

*I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.*

**Signed**

**Date**

**Minister's name, title, department**

**Contact point for enquiries and comments: name, address, telephone number and email address.**

Helena Wood, Financial Sanctions Unit, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ

Telephone: 020 7270 5209

Email: Helena.Wood@hm-treasury.x.gsi.gov.uk