EXPLANATORY MEMORANDUM TO

THE IRAN (EUROPEAN UNION FINANCIAL SANCTIONS) (AMENDMENT) REGULATIONS 2013

2013 No. 163

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

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

2. Purpose of the instrument

2.1 These Regulations amend the Iran (European Union Financial Sanctions) Regulations 2012 (S.I. 2012/925) ("the 2012 Regulations"), which put in place penalties for breach of EU financial sanctions in relation to Iran. The Regulations implement Council Regulation (EU) No 1263/2012 of 21 December 2012 ("the amending Council Regulation") (OJ L 356, 22.12.2012, p34), amending Regulation (EU) No 267/2012 on restrictive measures against Iran. The amending Council Regulation introduces a prohibition on transfers of funds between EU and Iranian credit institutions and amends the provisions on transfers of funds to or from Iranian persons entities and bodies.

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

3.1 These Regulations have been laid before Parliament less than 21 days before they come into force. The amending Council Regulation came into force on 23 December 2012, the day after its publication in the Official Journal. Penalties for breach of the financial sanctions measures contained in Regulation (EU) No 267/2012 are contained in the 2012 Regulations. As the amending Council Regulation introduces a new prohibition and amends existing measures, it is important that those changes are reflected in the 2012 Regulations.

3.2 The Treasury has issued guidance on the requirements of the 2012 Regulations, and the amending Council Regulation. The Treasury also provides a dedicated email address and telephone number to deal with queries from the financial sector and other affected persons.

4. Legislative Context

4.1 These Regulations amend the Iran (European Union Financial Sanctions) Regulations 2012. They reflect amendments made by the amending Council Regulation to Regulation (EU) No 267/2012 on restrictive measures against Iran.

4.2 The Foreign and Commonwealth Office submitted an Explanatory Memorandum on the amending Council Regulation for Parliamentary Scrutiny on 9 January 2013. The House of Commons European Scrutiny Committee cleared the document as "politically important" on 16 January 2013. The House of Lords Select Committee on the European Union cleared the document on 16 January 2013.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom and, outside the United Kingdom, to UK nationals and bodies incorporated in the UK.

6. European Convention on Human Rights

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

7. Policy background

- What is being done and why

7.1 These Regulations amend the Iran (European Union Financial Sanctions) Regulations 2012, which provide for penalties for breach of the asset freezing measures contained in Regulation (EU) No 267/2012, imposed in response to ongoing concerns over Iran's nuclear programme. The Council Regulation has direct effect, and requires Member States to put in place effective, proportionate and dissuasive penalties for infringements of the Council Regulation.

7.2 On 15 October 2012 the Council of the European Union adopted Council Decision 2012/635/CFSP which sets out further restrictive measures in relation to Iran, including a prohibition on transfers of funds between EU and Iranian credit and financial institutions. The amending Council Regulation implements that prohibition by amending Regulation (EU) No 267/2012.

7.3 These Regulations amend the 2012 Regulations to reflect the changes to Regulation (EU) No 267/2012. The amendments to the 2012 Regulations:

- set out the prohibition on transfers of funds between UK and Iranian credit and financial institutions;
- provide that breach of that prohibition is an offence;
- reflect amendments to the existing EU measures concerning transfers of funds to or from Iranian persons, entities or bodies.

- Consolidation

7.4 There are no plans to consolidate the relevant legislation.

8. Consultation outcome

8.1 No consultation has been carried out in relation to these Regulations.

9. Guidance

9.1 Guidance on the asset freezing and financial sanctions measures in relation to Iran is available on the Treasury's website. The Treasury's Asset Freezing Unit operates a free subscription email service alerting subscribers on changes to the asset freezing regime, and on other financial sanctions measures. A dedicated telephone line and email address are available for the financial sector and any other persons to submit queries on the asset freezing regime. A notice explaining the amending Council Regulation is available on the Treasury website and was emailed to subscribers.

10. Impact

10.1 The impact on business, charities or voluntary bodies is negligible, because these Regulations do not themselves impose requirements, but only put in place penalties in relation to activities which are prohibited by the directly effective Council Regulation.

10.2 The impact on the public sector is also negligible.

10.3 An Impact Assessment has not been prepared for this instrument, because any impact results from the amending Council Regulation rather than these Regulations which only provide for enforcement powers.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 To minimise the impact of the requirements on firms employing up to 20 people, the Treasury work with the financial sector on the requirements for complying with the asset freezing and financial sanctions measures set out in the Council Regulation. The Treasury have provided detailed guidance to assist business in complying with these measures.

12. Monitoring & review

12.1 The EU monitors and reviews its financial sanctions measures. The Treasury will review the penalties for breach of the restrictions imposed by Regulation (EU) No 267/2012 if it is amended or repealed.

13. Contact

The Asset Freezing Unit at the Treasury Tel: 020 7270 5454 or email: AFU@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.