EXPLANATORY MEMORANDUM TO

THE IRAN (SANCTIONS) (AMENDMENT) REGULATIONS 2026

2026 No. 983

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Foreign, Commonwealth and Development Office (FCDO) and is laid before Parliament by Command of His Majesty.

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

2. Declaration

2.1 Stephen Doughty MP, Minister of State for the Middle East, North Africa, Afghanistan and Pakistan, confirms that this Explanatory Memorandum meets the required standard.

2.2 Nicholas Monkhouse, Deputy Director for Sanctions at the FCDO, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 The Sanctions Directorate at the Foreign, Commonwealth and Development Office, can be contacted by email at the following address with any queries regarding the instrument: fcdo.correspondence@fcdo.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019 (S.I. 2019/461) ("the 2019 Regulations") and the Iran (Sanctions) Regulations 2023 (S.I. 2023/1314) ("the 2023 Regulations").

4.2 This instrument amends the 2019 Regulations to introduce prohibitions on the access of financial services by Iran; expand trade measures to cover additional categories of goods, technology, and services; prohibit certain Iranian aircraft used exclusively for the provision of air cargo services from landing in the UK; impose new shipping sanctions; and add specification of ship powers. This instrument amends the 2023 Regulations to expand existing powers relating to the specification of ships.

Where does the legislation extend to, and apply?

4.3 The territorial extent of this instrument is the United Kingdom ("UK").

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the same as the territorial application of the instruments that it amends. That is, it applies to the whole of the UK.

4.5 This instrument also applies to the conduct by UK persons where that conduct is wholly or partly outside the UK, and to conduct undertaken by any person in the

territorial sea adjacent to the UK. "UK person" is defined in section 21(2) of the Sanctions and Anti-Money Laundering Act 2018 ("Sanctions Act").

5. Policy Context

What is being done and why?

5.1 In 2015 the E3 (the UK, France and Germany), the US, Russia, China and Iran – with the EU as coordinator – reached a deal to limit the Iranian nuclear programme in exchange for sanctions relief: the Joint Comprehensive Plan of Action (JCPoA). The JCPoA was endorsed by UN Security Council Resolution 2231 (2015). Due to Iran's persistent and significant non-compliance, the UK, France, and Germany triggered the snapback mechanism on 28 August 2025, leading to the reimposition of UN sanctions on 28 September 2025. On 1 October 2025, the Iran (Sanctions) (Nuclear) (EU Exit) (Amendment) Regulations 2025 (S.I. 2025/1052) came into force, re-applying under UK law the UN sanctions that had come back into force.

5.2 As a result of the JCPoA, in January 2016, the EU (of which the UK was a member) terminated a number of sanctions measures which had been imposed under EU law in addition to the UN measures in response to Iranian nuclear activity. The EU re-imposed those terminated sanctions on 29 September 2025.

5.3 On 30 September 2025, the Government announced plans for legislation to introduce further sectoral sanctions on Iran, repeating this commitment in statements to Parliament on 13 October 2025 and 13 January 2026. This instrument imposes further sectoral measures on Iran which broadly mirror the sectoral measures that were re-imposed by the EU in addition to UN snapback. We are also strengthening powers to specify ships. The amendments in this instrument are being imposed to increase the pressure on Iran to abandon its nuclear weapons programme, to deter hostile activity and to respect human rights.

What was the previous policy, how is this different?

5.4 This instrument will further restrict Iran's access to funds, goods, services and technology that could support its nuclear activity. It will do this by imposing further sectoral measures relating to finance, banking, insurance, oil, gas, petrochemicals, aircraft and shipping, metals, gold, and software in the 2019 Regulations. Several of the measures update their EU equivalents to reflect changes in industry since 2016 (e.g. software and finance), or where we have identified that prohibitions could be strengthened. This instrument will also strengthen existing ship specification powers in the 2023 Regulations in order to deter hostile activity and encourage respect for human rights by the Government of Iran.

Financial measures

5.5 This instrument amends the 2019 Regulations to reduce the Government of Iran's ability to access the UK financial system to raise funds in support of its nuclear programme. It prohibits granting loans or credit, acquiring or extending participations or ownership interests, or establishing joint ventures with persons connected with Iran operating in sensitive sectors such as strategic goods and technology, oil and gas, petrochemicals, and uranium mining, enrichment or reprocessing.

5.6 This instrument also amends the 2019 Regulations to prohibit UK financial institutions from opening accounts or establishing new correspondent banking relationships or joint ventures with Iranian credit or financial institutions, opening representative offices or establishing branches or subsidiaries in Iran, and prevents

Iranian financial institutions from establishing a presence in the UK. It prohibits the provision of insurance and re-insurance services to persons connected with Iran. It also prohibits the sale or purchase of Iranian bonds or bonds guaranteed by the Government of Iran, to the Government of Iran, any public authority of Iran or Iranian financial institutions, or persons acting on their behalf, including related brokering, advertising or other services.

Trade measures

5.7 This instrument expands trade measures in the 2019 Regulations to cover additional categories of goods, services, sectoral software and technology, including those critical to key sectors of Iran's economy supporting its nuclear activity. This includes oil and petroleum products, natural gas, petrochemicals, gold, precious metals and diamonds. Restrictions on sectoral software prohibit certain export activities in connection with business enterprise and industrial design software, and cover not only physical transfers, but also intangible supply (for example, through downloads, cloud access, or software provided as a service).

5.8 This instrument also contains measures prohibiting UK persons globally from providing ancillary services related to trade in such goods and technology. This includes restrictions on providing financial services and funds, brokering services, and technical assistance in relation to the specified import and export activity and other activities related to those goods.

Ships and Aircraft

5.9 This instrument expands the powers to specify ships in the 2023 Regulations and adds equivalent powers to the 2019 Regulations. This allows the Secretary of State to specify ships suspected of involvement in relevant activity including carrying restricted goods, dual-use goods, oil, gas and nuclear related goods.

5.10 This instrument also introduces new trade sanctions in both the 2019 and 2023 Regulations that can be applied to a specified ship. A UK person will be prohibited from providing a range of services in relation to a specified ship, including: brokering services, chartering services, crew services, financial services or funds, operating services, services relating to the acquisition, sale, transfer, or supply of a specified ship, and technical assistance. UK persons will also be prohibited from procuring services from specified ships, including those involving the use of a specified ship.

5.11 The instrument introduces a prohibition in both the 2019 and 2023 Regulations on persons from operating or chartering a specified ship. The instrument also expands the 2019 Regulations (in a new Part 5B) to include prohibitions on the movement of ships, as well as a prohibition on port entry and powers to issue movement or detention directions, or to refuse or terminate the registration of a ship. These prohibitions apply to specified ships and ships owned, controlled, chartered or operated by designated persons.

5.12 In addition, the instrument introduces (in a new Part 5A in the 2019 Regulations) a new transport sanction prohibiting the landing at UK airports of certain Iranian aircraft used exclusively for the provision of air cargo services.

6. Legislative and Legal Context

How has the law changed?

6.1 The Sanctions Act establishes a legal framework which enables His Majesty's Government to impose sanctions for a number of purposes, including that it is in the

interests of international peace and security and that it furthers a foreign policy objective of the government of the UK.

6.2 Legislative changes are needed to build on and strengthen the UK Iran sanctions regimes. This instrument makes amendments to the existing legal framework contained in the 2019 and 2023 Regulations, relying on the discretionary purposes set out in section 1(1) and 1(2) of that Act.

Why was this approach taken to change the law?

6.3 Amending the 2019 and 2023 Regulations under the legal framework provided by the Sanctions Act is considered to be the most effective and appropriate way to change the law and is in line with the approach which has been taken for equivalent sanctions amendments.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation has been carried out on this instrument. The Explanatory Memoranda to the 2019 and 2023 Regulations explains that consultation has been carried out in relation to the Sanctions Act.

7.2 There is neither a requirement in the Sanctions Act for public consultation on instruments made under the Act, nor is there any other legal obligation to consult in respect of this instrument. His Majesty's Government will continue to engage with stakeholders on the implementation of UK sanctions.

8. Applicable Guidance

8.1 In accordance with section 43 of the Sanctions Act, guidance has been published in relation to the prohibitions and requirements under the 2019 and 2023 Regulations. This guidance will be updated to reflect the amendments to those Regulations made by this instrument.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because no, or no significant, impact on the private, voluntary or public sector is foreseen. UK businesses must already comply with sanctions against individuals and entities appearing on a regularly updated GOV.UK list. The process for notifying businesses remains unchanged, so we do not expect significant changes to the IT systems or administrative systems.

9.2 The FCDO has undertaken a De Minimis Assessment to estimate costs to UK businesses resulting from this Amendment. The Equivalent Annual Net Direct Cost to Business associated with the measures imposed by this instrument is £0.1 million, significantly below the De Minimis threshold of £10 million per annum. Therefore, a full Regulatory Impact Assessment has not been conducted.

Impact on businesses, charities and voluntary bodies

9.3 There is no significant, impact on businesses, charities or voluntary bodies because this is an update to existing legislation.

9.4 The legislation does not, or not significantly, impact small or micro businesses. Since small firms are impacted disproportionately by regulatory burdens there will likely be some impact on small or micro businesses driven by the cost of familiarisation and aligning with the new regulations. However, due to the very low level of UK-Iran trade, these costs to small or micro businesses are expected to be negligible and have not been monetised.

9.5 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 If His Majesty's Government determined that it was no longer appropriate to maintain a sanctions regime or specific sanctions measures, that regime would be removed or amended accordingly. In the case of the 2019 and 2023 Regulations, that would include the measures introduced by this instrument. As such, the Minister does not consider that a review clause in this instrument is appropriate.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The Regulations, which are subject to the negative parliamentary procedure, are laid before Parliament on 08 September 2026 under section 55(6) of the Sanctions Act and come into force 21 days after laying.

Matters of special interest to the Joint Committee on Statutory Instruments (JCSI)

11.2 The Regulations amend the 2019 Regulations which contain 'UN regulations' (within the meaning of section 55(7) of the Sanctions Act) and the 2023 regulations which contain 'non-UN regulations' (within the meaning of section 5(7)). The means the Regulations are subject to the negative Parliamentary procedure (in accordance with section 55(6)).

12. European Convention on Human Rights

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

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").