

THE PERSIAN CONVERSION: NEW RULES FOR DOING BUSINESS IN IRAN

Posted on February 9, 2016

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Introduction

On Friday, February 5, 2016, the Government of Canada made significant amendments to the *Special Economic Measures (Iran) Regulations*^[1] and the *Regulations Implementing the United Nations Resolutions on Iran*^[2] (collectively, the "Amendments") removing numerous barriers to trade and investment with Iran. These changes were made in response to Iran's fulfilment of its pledge to roll back its nuclear program under the Joint Comprehensive Plan of Action (JCPOA), enacted by the United Nations Security Council in July 2015.^[3] Sanctions that restrict Iran's access to "sensitive" goods, namely those that may contribute to nuclear proliferation and the development of ballistic missiles, remain in force.

Background

Canada first enacted sanctions against Iran in February 2007 under the *United Nations Act* to implement the sanctions imposed by the Security Council after Iran failed to meet the requirements of the International Atomic Energy Agency (IAEA) regarding its nuclear program. In July 2010, Canada enacted additional sanctions against Iran under the *Special Economic Measures Act* (SEMA). These sanctions grew increasingly restrictive, culminating in a blanket prohibition on all exports to and from Iran, and on financial transactions (subject to certain exceptions).

On July 14, 2015, the P5+1 (the five permanent members of the Security Council – China, France, Russia, United Kingdom, United States – plus Germany) and the European Union concluded the JCPOA with Iran.^[4] Under the JCPOA, Iran agreed to roll back its nuclear program and subject it to substantial and continuous international inspection. On January 16, 2016, referred to as "Implementation Day," the IAEA confirmed that Iran had fulfilled its commitments under the JCPOA. The UN, the US and the EU responded by immediately lifting significant sanctions against Iran. Meanwhile, Canada's sanctions against Iran remained unchanged, leading to complaints from the Canadian business community that Canadian companies were being left behind while other countries' industries gained access to the Iranian market.^[5]

Lifting of Sanctions

On February 5, 2016, Canada joined other nations in lifting many of the sanctions against Iran, including:

- Broad prohibition on imports to and exports from Iran (prohibitions remain relating to sensitive goods);
- Prohibitions on the transfer, provision, or communication of certain oil & gas and arms-related technical data to Iran (prohibitions remain relating to sensitive technical data);
- Prohibition on making investments in entities in Iran;
- Prohibition on providing or acquiring financial services for or from any person in Iran; and
- Prohibitions related to the provision of services to certain Iranian vessels.^[6]

The Amendments also modified the list of individuals and entities considered "designated persons" under the SEMA sanctions. This list represents the individuals and entities of most concern to Canada relating to the risk of nuclear proliferation and to Iran's ballistic missile activities and with whom any transactions would continue to be prohibited.^[7]

Companies wishing to do business in Iran should contact their legal advisors to ensure that sanctions no longer apply to their operations and to determine whether export permits might still be required.

Conclusion

Canada's blanket prohibitions against trade and investment with Iran have been substantially lifted, with only focussed restrictions remaining, largely in respect of goods, services, and technologies considered "sensitive" from a security perspective. By opening access to a market of 80 million people, the Amendments will come as a welcome change for many industries in Canada.

by Geoffrey Kubrick, Jonathan O'Hara and Alexandra Smith

[1] [Special Economic Measures \(Iran\) Regulations](#), SOR/2010-165.[ps2id id='1' target='']

[2] [Regulations Implementing the United Nations Resolutions on Iran](#), SOR/2007-44.[ps2id id='2' target='']

[3] Global Affairs Canada, "[Canadian Sanctions Related to Iran](#)".[ps2id id='3' target='']

[4] United Nations Security Council, "[Resolution 2231 \(2015\)](#)", United Nations.[ps2id id='4' target='']

[5] Michelle Zilio, "[Canadian exporters buoyed by reduction of sanctions against Iran](#)", The Globe and Mail (5 February 2016).[ps2id id='5' target='']

[6] Global Affairs Canada, "[Canadian Sanctions Related to Iran](#)".[ps2id id='6' target='']

[7] [Special Economic Measures \(Iran\) Regulations](#), SOR/2010-165, Schedule 1.[ps2id id='7' target='']

A Cautionary Note



The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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