



## Financial Sanctions Supplement

24 June 2008

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### Supplement to Notice on Iran of 24 June 2008

#### Bank Melli Iran, its branches and subsidiaries including Melli Bank plc

This Supplement should be read in conjunction with the Notice issued today by HM Treasury in respect of the financial measures taken against Iran.

This supplement deals specifically with the asset freeze imposed by the European Union in respect of Bank Melli Iran, its branches and subsidiaries, including Melli Bank plc.

1. With the publication of Council Decision 2008/475/EC implementing Article 7(2) of Council Regulation (EC) No 423/2007 on 24 June 2008, the Council of the European Union has amended Annex V to Regulation 423/2007.
2. Article 7(2) of Regulation 423/2007 provides for the Council to identify persons, not designated by the United Nations Security Council or by the Sanctions Committee established pursuant to paragraph 18 of UNSCR 1737(2006), as subject to the financial sanctions imposed by Regulation 423/2007. Such persons are listed in Annex V to Regulation 423/2007.
3. As a result of Council Decision 2008/475/EC, Annex V includes Bank Melli Iran, its branches and subsidiaries, including its UK subsidiary, Melli Bank plc. The financial sanctions apply to Melli Bank plc's Hong Kong branch. Both Bank Melli Iran and Melli Bank plc are, therefore, 'designated persons'.
4. Regulation 423/2007 is given further effect to in the UK by the Iran (European Communities Financial Sanctions) Regulations 2007 ("the UK Iran Regulations"). Under regulation 6 of the UK Iran Regulations it is a criminal offence for any person (including the designated person) to deal with funds and economic resources owned, held or controlled by a designated person. Under regulation 7 it is a criminal offence to make funds or economic resources available, directly or indirectly, to or for the benefit of a designated person.
5. All financial institutions and other bodies and persons in the UK are required to check whether they maintain any accounts or otherwise hold any funds for Bank Melli Iran or Melli Bank plc and, if so, they should report to the Treasury details of all funds or economic resources that they have frozen in accordance with Article 7 of Regulation 423/2007. They must also provide the Treasury with all relevant information necessary to facilitate compliance with Regulation 423/2007.

## **EXEMPTIONS TO THE ASSET FREEZE**

### **Payments from a person to Melli Bank plc under contracts concluded before 24 June 2008**

6. The asset freeze in the Regulation 423/2007 does not apply to payments due under a contract, agreement or obligation which was concluded or arose before the date of designation if payment is made into a frozen account. The exception that already appears in regulation 8 of the UK Iran Regulations allows payments for any contracts, agreements or obligations that were concluded or arose prior to 23 December 2006. Annex II to the main Notice published today provides a licence from HM Treasury to extend the date of those contracts, agreements or obligations to which the exception applies to those concluded or which arose before 24 June 2008 where a person has been added to Annex V of Regulation 423/2007 by virtue of Council Decision 2008/475/EC.

Payment must be made into a frozen account with a relevant institution which is held or controlled by a designated person. A relevant institution is defined in regulation 2 of the UK Iran Regulations.

If your payment fits into this category you do not need to apply to the Treasury for a licence.

### **Financial institutions crediting frozen accounts**

7. Article 11 of Regulation 423/2007 states that the prohibition on making funds or economic resources available directly or indirectly to or for the benefit of designated persons:
- shall not prevent financial or credit institutions in the Community from crediting frozen accounts where they receive funds transferred by third parties to the account of a designated person provided that any such additions to those accounts are also frozen.
  - does not apply to interest or other earnings on frozen accounts provided that such interest or other earnings are also frozen.

## **LICENCES – MELLI BANK PLC**

8. HM Treasury is able to grant licences to exempt payments from the asset freeze, allowing payments to and from Melli Bank plc in certain circumstances, as follows:

### **Payments due from Melli Bank plc under contracts concluded before 24 June 2008**

9. Payments from Melli Bank plc under a contract, agreement or obligation concluded before 24 June 2008 (a prior contract) may be made if licensed by HM Treasury. HM Treasury may grant a licence as set out in Article 9 of Regulation 423/2007 once they have determined that:
- (i) the funds or economic resources shall be used for a payment by a designated person;
  - (ii) the contract, agreement or obligation will not contribute to the manufacture, sale, purchase, transfer export, import, transport or use of goods and technology listed in Annexes I and II of Regulation 423/2007 (proliferation-sensitive nuclear activities); and

- (iii) the payment is not made available, directly or indirectly, to or for the benefit of a designated person.

Payments are therefore subject to a vetting procedure before a licence can be granted.

The main categories of payments that fall within the prior contracts exemption are set out below.

**Payments due to depositors with Melli Bank plc**

10. HM Treasury is notifying the European Commission that it intends to issue Melli Bank plc with a licence to make payments to depositors subject to the provisions of paragraph 9 above. HM Treasury will be liaising with Melli Bank plc as to the procedure to be put in place for those depositors who may wish to make withdrawals from their accounts. A further notice will be issued in the next few days.

**Payments due from Melli Bank plc under letters of credit or other trade finance transaction**

11. HM Treasury is notifying the European Commission that it intends to allow payments under prior contracts, including letters of credit, where HM Treasury is satisfied that the conditions in Article 9 of Regulation 423/2007 set out above are met.

- Applications for payment from persons holding a letter of credit with Melli Bank plc, including the Hong Kong branch, should be made to HM Treasury using the licence application form in Annex I to this Supplement.

12. HM Treasury intend to prioritise letters of credit under which payment has become, or is shortly to become, due. Once an application form and supporting documents have been reviewed, further information may be required on a case-by-case basis from the relevant parties.

13. It is not an offence to present Melli Bank plc with a letter of credit, bill of lading, bill of sale, document providing evidence of an interest in funds or financial resources or any other instrument of export financing relating to a contract entered into before 24 June 2008. It is the payment out under the letter of credit that requires the licence.

**Payments due from Melli Bank plc to staff and suppliers**

14. HM Treasury is notifying the European Commission that it intends to issue a licence to Melli Bank plc to make payments required in the normal course of business to its staff and suppliers.

**LICENCES – BANK MELLI IRAN**

15. HM Treasury is able to grant licences to exempt payments from the asset freeze, allowing payments to and from Bank Melli Iran in certain circumstances, as follows:

**Payments due from Bank Melli Iran under letters of credit**

16. Applications for payment from persons holding a letter of credit issued by Bank Melli Iran before 24 June 2008 should be made to HM Treasury using the licence application form in Annex I to this

Supplement. This is to ensure that no breach of the UK Iran Regulations occurs by virtue of an unlicensed dealing with a designated person.

**Payments due from branches of Bank Melli Iran in the European Economic Area**

17. There are circumstances where UK companies and individuals receive a licence from another European Economic Area (“EEA”) competent authority to deal with funds or economic resources of Bank Melli Iran or Melli Bank plc but where that dealing would, unless a UK licence were granted, still be a breach of the UK Iran Regulations. For example, where a French branch of a UK bank makes a payment in France to Bank Melli Iran or Melli Bank plc under a licence from the French EEA competent authority.

Annex II to this Supplement provides a licence from HM Treasury that disapplies the prohibitions in regulations 6(1) and 7(1) of the UK Iran Regulations where these dealings have been duly authorised by the competent authority in the EEA state concerned. This licence does not apply to branches of Bank Melli Iran located outside the EEA.

**APPLICATIONS AND TIMING**

18. All licence applications by suppliers and those with letters of credit should be made to the Asset Freezing Unit using the application form in Annex I to this Supplement.

- By post:       Asset Freezing Unit  
                  HM Treasury  
                  1 Horse Guards Road  
                  London SW1A 2HQ
- By email:     [assetfreezingunit@hm-treasury.gov.uk](mailto:assetfreezingunit@hm-treasury.gov.uk)
- By fax:        020 7451 7677

Relevant documentation such as copies of letters of credit or invoices should be attached.

The licence application form for completion by suppliers and those with letters of credit is provided in Annex I to this Supplement and also on the Financial Sanctions pages of the Treasury website at:

[http://www.hm-treasury.gov.uk/d/pro-forma\\_licence\\_applicationform.doc](http://www.hm-treasury.gov.uk/d/pro-forma_licence_applicationform.doc)

19. Queries about licences should be directed to the Asset Freezing Unit using the contact details above or by phone to 020 7270 5454.
20. HM Treasury is unable to provide an exact time frame for dealing with applications for licences. HM Treasury is conscious of the financial implications of delay for businesses and will endeavour to process applications as quickly as possible.

**INFORMATION**

21. It is an offence under the UK Iran Regulations knowingly or recklessly to make any statement or furnish any document or information that is false in any material particular, for the purpose of obtaining a licence.

22. A licence issued by HM Treasury has effect in relation to UK law, as set out in the UK Iran Regulations. If the anticipated payment is originating from or passing through another jurisdiction, applicants should also contact the competent authorities of those jurisdictions in order to seek any other exemptions that might be required.

## **MISCELLANEOUS**

23. Details of Council Decision 2008/475/EC, Council Regulation (EC) No 423/2007 and previous related releases, together with a consolidated list of individuals and entities subject to these and other UK financial sanctions regimes are available from the Financial Sanctions pages of the Treasury website at [http://www.hm-treasury.gov.uk/financial\\_sanctions.htm](http://www.hm-treasury.gov.uk/financial_sanctions.htm) .

24. All media enquiries should be directed to the Treasury's Press Office on 020 7270 4558.

ENDS

**ANNEX I**



# HM TREASURY

Asset Freezing Unit  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ  
Telephone: 020 7270 5454  
Fax: 020 7451 7677

Email: [assetfreezingunit@hm-treasury.gov.uk](mailto:assetfreezingunit@hm-treasury.gov.uk)

Website: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

## LICENCE APPLICATION

### Payments due under prior contracts with Melli Bank plc or Bank Melli Iran (Suppliers and Letters of Credit only)

Please complete Section 1 below and Sections 2 or 3 as applicable.

The completed application form should be submitted to the Asset Freezing Unit at the above address either by email, fax or post. Please also provide any additional information in support of your application, such as copies of letters of credit, invoices etc.

#### **Section 1 – Details of Applicant**

<b>Date of application</b>	
<b>Prior contract with</b> (Delete as appropriate)	Melli Bank plc Bank Melli Iran
<b>Name of applicant</b> (Individual / Company Name)	
<b>Nature of business</b>	
<b>Address</b>	
<b>Contact Name</b>	
<b>Telephone number</b>	
<b>Email address</b>	

#### **Section 2 – Supplier Licence**

To be completed by applicants who supply services to Melli Bank plc or Bank Melli Iran.

<b>Reason for application</b>	
<b>Nature of service provided</b>	
<b>Amount due</b>	
<b>Date due</b>	
<b>Invoice number(s)</b> (Please provide copies of invoices)	



### **Section 3 – Letter of Credit Licence**

To be completed by applicants with letters of credit with Melli Bank plc or Bank Melli Iran.

<b>Reason for application</b>							
<b>Issuing Bank</b>							
<b>Advising Bank</b>							
<b>Confirming Bank</b>							
<b>Letter of credit number(s)</b> (Please provide copies of letters of credit)							
<b>Amount of letter of credit</b>							
<b>Date of contract</b>							
<b>Date of letter of credit expiry</b>							
<b>Did you apply for an export licence for the goods referred to in the letter of credit?</b>				<b>Yes</b>		<b>No</b>	
				Please mark the appropriate box			
<b>Export licence number</b>							
<b>Export licence issued by</b>	<b>UK</b>		<b>Other EU country</b>		<b>Outside EU</b>		
	Please mark the appropriate box						
<b>Exporter of goods</b>							
<b>Importer of goods</b>							
<b>Goods covered by letter of credit</b>							
<b>Place of origin</b>							
<b>Value of goods</b>							





# HM TREASURY

## **BANK MELLI IRAN AND MELLI BANK PLC**

### **GENERAL LICENCE TO RECOGNISE EEA EXEMPTIONS**

1. This licence is granted under regulation 10 of the Iran (European Communities Financial Sanctions) Regulations 2007 (“the Regulations”).
2. This licence applies where a competent authority of a State within the European Economic Area grants an exemption in accordance with Council Regulation (EC) No 423/2007.
3. In such circumstances, the prohibitions in regulations 6(1) and 7(1) of the Regulations are disapplied to the extent required to give effect to the competent authority’s exemption.

Asset Freezing Unit  
HM Treasury  
24 June 2008

