

EXPLANATORY MEMORANDUM TO
THE IRAN (FINANCIAL SANCTIONS) ORDER 2007

2007 No. 281

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

2. Description

2.1 The Iran (Financial Sanctions) Order 2007 (SI 2007/281) (the "Order") gives effect to resolution 1737(2006) adopted by the Security Council of the United Nations on 23rd December 2006.

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

3.1 None.

4. Legislative Background

4.1 On 23rd December 2006, the United Nations Security Council adopted resolution 1737(2006) which requires Member States to impose financial restrictions on persons designated by the Committee established under resolution 1737 (2006) as being involved, directly or indirectly, in supporting the Iran's nuclear programme. The Order, which is made in exercise of the powers conferred by section 1 of the United Nations Act 1946, implements this resolution in the UK.

5. Extent

5.1 This instrument applies to the United Kingdom and elsewhere to British citizens and others with a UK connection.

6. European Convention on Human Rights

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

7. Policy background

7.1 The United Nations Security Council adopted resolution 1737(2006) on 23rd December 2006 in response Iran's uranium enrichment activities. Due to the threat to international peace and security that the proliferation of nuclear, chemical and biological weapons constitutes, resolution 1737(2006) requires Member States to take restrictive measures against

persons designated by a committee established under the resolution. The restrictive measures include an asset freeze.

7.2 This Order fulfils the UK's obligation to give effect to resolution 1737(2006) by providing for the funds and economic resources of persons designated by the UN Committee or Security Council to be frozen and prohibiting making funds or economic resources available to such persons.

8. Impact

8.1 A Regulatory Impact Assessment is attached.

8.2 The impact on the public sector is negligible.

9. Contact

Louise Marshall at Her Majesty's Treasury, Tel: 0207 270 4377 or e-mail: Louise.Marshall@hm-treasury.x.gsi.gov.uk can answer queries regarding the instrument.

Regulatory Impact Assessment

The Iran (Financial Sanctions) Order 2007

2007 No. 281

1. Title of proposal

The Iran (Financial Sanctions) Order 2007

2. Purpose and intended effect

The Iran (Financial Sanctions) Order 2007 (SI 2007/281) (the “Order”) gives effect to one resolution adopted by the Security Council of the United Nations: resolution 1737(2006) which was adopted on 23rd December 2006.

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 give effect to the UN Resolutions and to provide the mechanisms for enforcing them.

5. Costs and benefits

Sectors and groups affected:

Financial institutions

Benefits:

Financial sanctions against persons involved with Iran’s nuclear programme are intended to exert pressure on those persons to halt proliferation and supports international efforts to ensure peace and security through non-proliferation. The UN Security Council requires Member States to impose the financial sanctions contained in the UN resolution. Consistent with those requirements under international law, the Iran (Financial Sanctions) Order 2007 ensures that these financial sanctions are fully enforceable in the UK.

Costs:

As set out in “Delivering Better Regulation: HM Treasury’s simplification plan”, published in December 2006, there are some administrative costs for financial institutions in implementing financial sanctions. However, these costs are minimal.

The administrative costs for implementing financial sanctions against those suspected by the UN of involvement with Al-Qaida and the Taliban is estimated at around £60,000. The administrative costs are much lower for country sanctions regimes, like the one adopted in UN Security Council Resolution 1737 against Iran. For example, the administrative costs associated with the financial sanctions regime against Sudan are estimated at around £2,000. Nonetheless, the Government is mindful of these administration 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 (Financial Sanctions) Order 2007 is required to give effect to financial sanctions against persons designated at an international level. Doing nothing would not be consistent with our international 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.

Louise Marshall, Financial Sanctions Unit, HM Treasury, 1 Horse Guards Road,
London SW1A 2HQ

Telephone: 020 7270 4377

Email: Louise.Marshall@hm-treasury.x.gsi.gov.uk