The Realities of Working in Iran



- Iran for UK investors
- Key Challenges
- Other Considerations
- How can businesses respond?
- Looking Ahead



Iran for UK Investors

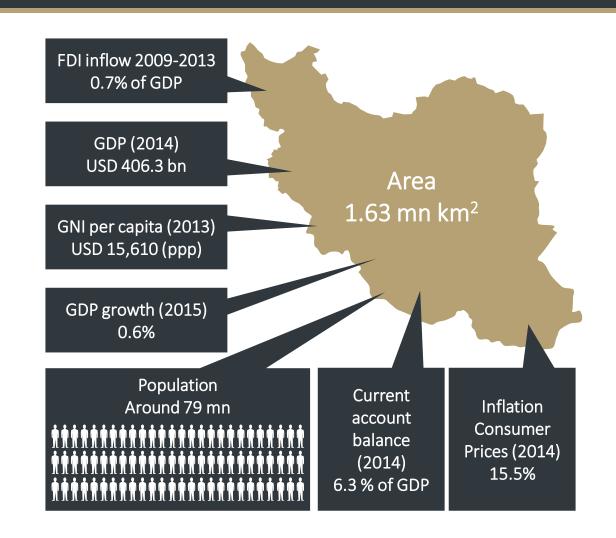


Iran for UK Investors

- Openness to West
- High risk, high reward environment
- UK support on the ground growing

What do Iranian businesses want?

- Knowledge transfer
- Interest in high value goods, services
- Long-term commitment



Key Challenges – Sanctions



- No US dollar transactions
- Non-US institutions that engage with SDN entities, individuals risk sanctions
 - Including Islamic Revolutionary Guard Corps (IRGC)
- SEC reporting requirements

Sanctions to remain in place under the Iran deal:

- Sanctions on missile technologies and conventional weapons
- Terror list sanctions that identify Iran as a state sponsor of terror
- Targeted sanctions on anyone connected with Iran's support of Terror
- Authority to target Iran's development of ballistic missiles
- Authority to target Iran's human rights abuses and censorship
- Authority to sanction Iran's destabilising regional activities including in Syria and Yemen

Source: White House

Sanctions – Key Issues



- Persistent uncertainty
 - Aggressive enforcement
 - Account closures
- Snap-back provisions
 - 10-15 years
 - Contractual obligations
- Domestic banking sector challenges
 - Transparency, FATF

Standard Chartered ... "will not accept any new clients who reside in Iran, or which are an entity owned or controlled by a person there, nor will we undertake any new transactions involving Iran or any party in Iran".

Societe Generale...given "remaining uncertainties" it had no plans to resume commercial activities with Iran, adding: "Differences between European and U.S. systems generate significant operating risks for financial establishments".

Due Diligence

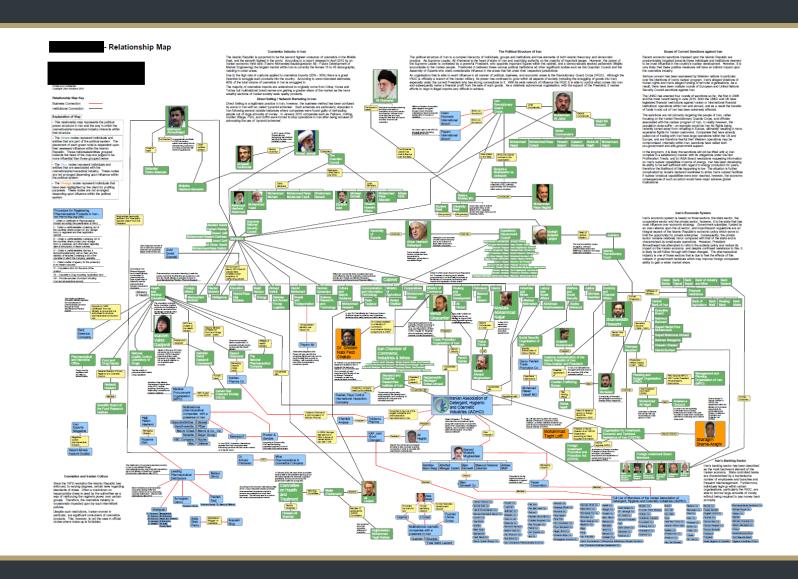


- Critical but complicated
- Opaque ownership, extensive state role in the economy
- Risks extend to private companies
- Inadequate local transparency requirements



Due Diligence



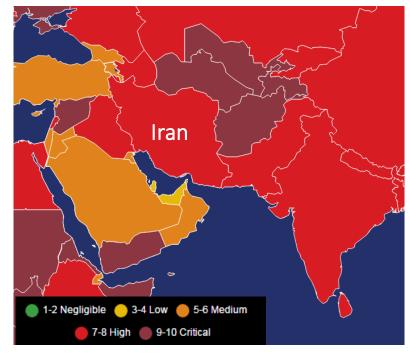


Other Considerations



Corruption

- Worsened under sanctions
- Recent official warnings
- Past cases of bribery by IOCs



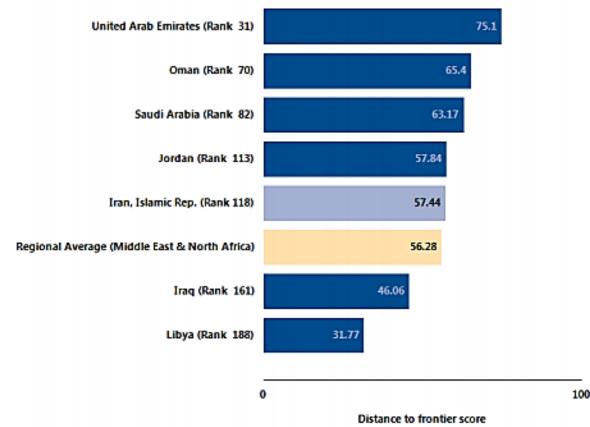
Corruption Threat Level, PGI Risk Portal

Other Considerations



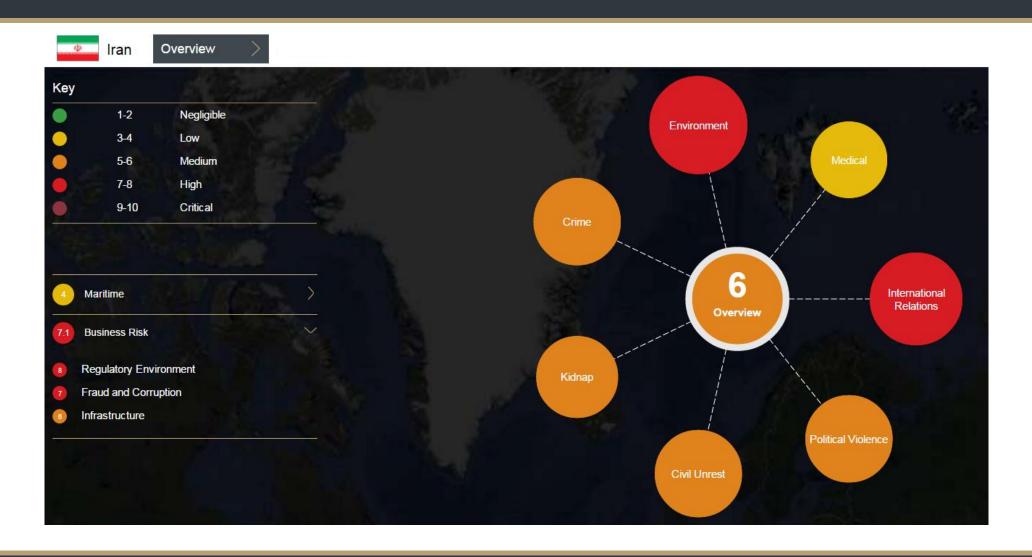
- Regulatory framework
 - Red tape
 - Vague, protectionist measures
 - Precedent for reaction to foreign investment
- Repatriation of capital
- Arbitration
- Labour Laws





Other Considerations





How can business mitigate risk?



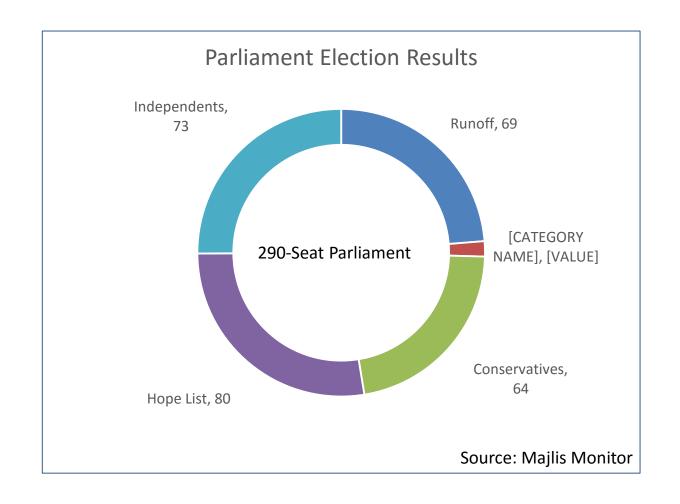
- Extensive due diligence
- Updating internal compliance
- Termination clauses in contracts
- Time



Looking Ahead



- Rouhani administration to push ahead with pro-business reforms
- Political environment remains uncertain



Looking Ahead



- Key milestones
 - Approval of IPC
 - Progress on awarding of deals for major fields
 - Momentum towards easing banking challenges





Thank you! Questions?

