



Behnam Khatami
Managing Partner

+98 21 2240 0434
behnam.khatami@namiassociates.com



Shahram Safai
Partner

+971 50 459 8106
ssafai@afridi-angell.com



Mansour Vesali
Senior Associate

+98 21 2240 0434
mansour.vesali@namiassociates.com



Anita Hajynia
Paralegal

+971 4 330 3900
anita@afridi-angell.com

Heightened Geopolitical Tensions Regarding Iran: Implications and Compliance Strategies for Foreign Corporate Entities

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In recent weeks, **geopolitical tensions** surrounding Iran have intensified, particularly considering the US military buildup in the region. As uncertainty grows amid the complex dynamics of international relations with Iran, the legal strategy for foreign corporate entities operating in the country is also affected. Companies still maintaining a presence in Iran may face significant challenges in balancing potential business opportunities against heightened **geopolitical risks** and regional strains, requiring careful risk management and strategic planning.

While the ultimate impact of ongoing tensions, as well as the ensuing high-level negotiations and diplomatic interactions, remains uncertain, the strategic legal approaches to managing these geopolitical challenges largely mirror those that can be employed to navigate the complex **Iran sanctions regime** that was updated following the United Nations (UN) sanctions “snapback” in September 2025.

Against this backdrop of evolving **geopolitical developments** and updated sanctions regime, our first article in a series on the current geopolitical environment and sanctions regime affecting Iran examines the implications for foreign market participants with operations or investments in the country. The goal is to provide stakeholders with insights to evaluate their current position and identify practical, compliant options for navigating the landscape. In this article, we focus on corporate considerations and offer guidance on maintaining or restructuring a foreign corporate presence or shareholding in Iran under the renewed sanctions environment. Accordingly, bearing in mind the heightened **tensions** in the international arena, the updates to the sanctions landscape are briefly outlined before exploring strategies that foreign entities can use to operate effectively and compliantly in the Iranian market.

With the reimposition of UN sanctions against Iran in September 2025, the global compliance environment has entered a new and more complex phase.

This first article begins by tracing the evolution of sanctions on Iran, including periods of relief and subsequent reimposition, with particular emphasis on the “snapback” mechanism and its role in reshaping the current framework. It then outlines key implications and high-level compliance strategies for foreign companies seeking to maintain or restructure their Iranian operations under reinstated UN sanctions and corresponding EU and UK measures.

Background

On 14 July 2015, the five permanent members of the UN Security Council—China, France, Russia, the United Kingdom, and the United States—alongside Germany and supported by the EU’s High Representative for Foreign Affairs, reached the Joint Comprehensive Plan of Action (**JCPOA**) with Iran.¹ This agreement aimed to ensure that Iran’s nuclear program would only be used for peaceful purposes in exchange for significant sanctions relief.²

The UN Security Council endorsed the JCPOA through Resolution 2231(2015)³, which outlined the parties’ reciprocal commitments and provided for the lifting of prior UN sanctions. These measures took effect on 16 January 2016⁴, at which point the EU also lifted their own economic and financial sanctions. In 2018, however, the US made the decision to unilaterally withdraw from the JCPOA and reinstated the sanctions on Iran it had previously suspended under the agreement⁵, diluting the international sanctions regime applicable to Iran.

On 28 August 2025, France, Germany and the United Kingdom formally notified the UN Security Council of Iran’s significant non-performance of its commitments, thereby activating the “snapback” mechanism.⁶ Under Resolution 2231, this reimposition would take effect automatically unless the Security Council adopted a resolution to the contrary within 30 days, which it did not. As a result, in September 2025 the sanctions regime was reinstated in full.

Sanctions Landscape

Reinstated UN sanctions

The “snapback” mechanism triggered the reimposition of UN sanctions adopted between 2006 and 2015 through various Security Council resolutions. These measures targeted certain matters such as Iran’s nuclear and ballistic missile programs, and conventional weaponry.⁷ All UN Member States are under a binding obligation to implement these sanctions in their domestic legal systems.

The reinstated sanctions include: (i) a comprehensive arms embargo prohibiting the supply, sale, or transfer of arms and related materials to and from Iran; (ii) restrictions on the export of nuclear-related

¹ <https://press.un.org/en/2018/sc13398.doc.htm>19

² <https://www.europarl.europa.eu/cmsdata/122460/full-text-of-the-iran-nuclear-deal.pdf>

³ [https://docs.un.org/en/S/RES/2231\(2015\)](https://docs.un.org/en/S/RES/2231(2015))

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2025/09/29/iran-sanctions-snapback-council-reimposes-restrictive-measures/>

⁵ <https://www.congress.gov/crs-product/IF11583#:~:text=In%20May%202018%2C%20President%20Donald,suspended%20pursuant%20to%20the%20agreement>

⁶ Fn. 4.

⁷ UNSC Resolutions 1696, 1737, 1747, 1803, 1835, and 1929.

technologies and materials; (iii) asset freezes and travel bans on individuals and entities linked to Iran's nuclear and missile programs; and (iv) restrictions on banking activities connected to proliferation-sensitive sectors.⁸

Reinstated and additional EU sanctions

Council Regulation (EU) No. 2025/1975 of 29 September 2025, amending Council Regulation (EU) No. 267/2012 concerning restrictive measures against Iran⁹, was published in the Official Journal on 29 September 2025 and entered into force on 30 September 2025. The Regulation is binding in its entirety and directly applicable in all EU Member States.¹⁰ The reintroduced European sanctions include restrictions on Iran's banking, insurance and shipping sectors, as well as prohibitions on the export of key equipment and technology for the oil, gas, petrochemical and certain metals sectors, along with targeted designations of entities such as the Central Bank of Iran, the National Iranian Oil Company, and the National Iranian Tanker Company.

Additionally, the EU has also transposed measures enacted by the UN Security Council post-2006, traversing numerous United Nations Security Council resolutions, alongside other autonomous restrictions.¹¹ These sanctions include: i) a ban on the transfer of any arms whatsoever or materials, goods, or other technologies to Iran that could contribute to uranium enrichment, reprocessing activities, or ballistic missile programmes; ii) bans on the import, purchase, or transportation of crude oil, natural gas, petrochemicals and petroleum products or the provision of related services; iii) a ban on the sale or supply of key equipment for the energy sector, gold, other precious metals, naval equipment, or software; iv) asset freezes across the Central Bank of Iran, other major Iranian commercial banks, and specially designated nationals' or entities' funds abroad; and v) restrictions on access to EU airports for Iranian cargo flights, or bans on the maintenance and servicing of Iranian cargo aircraft carrying prohibited goods.

UK sanctions on Iran

The UK sanctions against Iran were reinstated through the "snapback" mechanism. The Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019 were updated with the Iran (Sanctions) (Nuclear) (EU Exit) (Amendment) Regulations 2025¹². The UK government added 9 individuals and 62 entities to the UK Sanctions list, freezing their assets and imposing travel bans, and targeted key Iranian sectors like finance and energy.¹³

⁸ Fn. 7.

⁹ [Council Regulation \(EU\) 2025/1975 of 29 September 2025 amending Regulation \(EU\) No 267/2012 concerning restrictive measures against Iran](#)
[Council Regulation \(EU\) No 267/2012 of 23 March 2012 concerning restrictive measures against Iran and repealing Regulation \(EU\) No 961/2010](#)

¹⁰ Art. 2 of the Council Regulation (EU) 2025/1975 of 29 September 2025.

¹¹ <https://www.consilium.europa.eu/en/press/press-releases/2025/09/29/iran-sanctions-snapback-council-reimposes-restrictive-measures/>

¹² <https://www.legislation.gov.uk/ukxi/2025/1052/made>

¹³ <https://www.gov.uk/government/news/uk-applies-sanctions-on-links-to-irans-nuclear-programme#:~:text=UK%20sanctions%20have%20been%20applied,in%20facilitating%20the%20nuclear%20programme>

The UK government has also announced plans to introduce legislation that will implement additional measures in coordination with its partners. These new measures are anticipated to focus on finance, energy, shipping, software, and other key industries that contribute to the advancement of Iran's nuclear program.¹⁴

Implications and Compliance Strategies

Maintaining a corporate presence in Iran under the current circumstances may give rise to significant burdens and compliance challenges, including banking-related restrictions which must be carefully evaluated.

Below, we outline and assess several options that market participants may consider in this environment to manage their risks.

Continuation of business operations

Some foreign businesses operating in Iran which are in certain sanctions-exempt sectors such as healthcare (pharmaceutical products and medical devices), food and beverages, and agricultural products have opted to maintain their presence despite the sanctions restrictions. The UN, EU, and UK sanctions are targeted, rather than a blanket trade embargo. They focus on nuclear-related items, arms, petroleum and petrochemicals, certain metals and software, financial services, and dealings with designated persons and entities. Where a company's activities fall outside these restricted sectors and do not involve listed counterparties, there is in principle no general prohibition on maintaining a presence in Iran, although the EU and UK regimes still impose extensive oil, gas, financial and shipping-related restrictions that can indirectly affect a wide range of business activities. Nonetheless, operational continuity must be managed carefully, particularly where banking and procurement channels are affected by financial restrictions.

The sanctions landscape relating to Iran is complex, comprising multiple layers of international and unilateral measures. While the recent reinstatement of the UN sanctions, coupled with EU and UK measures primarily target specific business activities and sectors, these limitations are generally narrower in scope. By contrast, US export control and economic sanctions are far more comprehensive, imposing broad restrictions on trade and other economic activities involving Iran.

The US sanctions framework extends to a wide range of actors. Under US sanctions, "US persons" generally include US citizens, US lawful permanent residents, entities organised under US law (including their foreign branches), and any person physically present in the United States. In addition, under the Iran programme, foreign entities that are owned or controlled by US persons are themselves prohibited from engaging in most transactions with Iran.¹⁵ As a result, many foreign subsidiaries of US groups fall within the effective reach of US Iran sanctions, even though they are not "US persons" as a matter of definition.

Foreign entities without US ownership or control may, from a strictly UN/EU/UK perspective, be able to continue operations in Iran where their activities fall outside restricted sectors and do not involve

¹⁴ Fn. 13

¹⁵ 31 CFR 560.215

designated persons. However, they remain exposed to US secondary sanctions risk, particularly where their business touches the Iranian energy, petrochemicals, financial, shipping or defence sectors or involves Specially Designated Nationals (**SDN**)-listed counterparties. A case-by-case assessment of counterparties, sectors and transaction structures is therefore essential. These entities may, however, face practical challenges, particularly in relation to financial transactions and access to foreign currency.

Downsizing or dormancy

For companies seeking to mitigate exposure to sanctions while maintaining a strategic presence, restructuring in the form of downsizing operations and corporate dormancy may be viable approaches.

Downsizing may be particularly relevant for companies that are not legally prohibited from operating in Iran but face constraints in accessing finance, foreign currency, or imported raw materials. By scaling down operations, companies can continue to serve the market, preserve market share, and maintain operational continuity until sanctions are eased.

While dormancy is not a formally recognised status under Iranian corporate law, it can be implemented in practice. Key considerations include compliance with corporate law formalities, such as shareholders' meetings under the Commercial Code, as well as obligations relating to labour, social security, and taxation. Dormancy allows a company to maintain its legal existence and commercial presence while limiting operations and corporate activities.

It is important to note, however, that both downsizing and dormancy carry potential risks. Large-scale redundancies or a significant reduction in operations may have social and reputational consequences, affect relationships with government authorities, and impact the company's long-term commercial viability. Both strategies involve a range of legal considerations, including corporate governance, contractual obligations, and labour and social security law. Effective management of internal and external stakeholders is essential to mitigate these risks.

Share sale (with or without call option)

In view of banking and financial restrictions impacting Iran-related business operations, a practical route for market exit may be the sale of shares in an Iranian corporate entity. Depending on compliance considerations, sellers may structure such transactions to include a call option, enabling reinstatement of ownership and interests if and when restrictions are lifted. This approach requires careful structuring, particularly in relation to risk allocation, corporate governance, dividend entitlement, and the exercise mechanics of the call option, in order to mitigate enforceability risks and ensure alignment with the corporate structure and the applicable legal framework.

Winding up and liquidation

Winding up and liquidation under Iranian law is a lengthy and complex procedure, yet it may serve as a last resort for foreign entities seeking to minimise exposure to sanctions or navigate dominant geopolitical challenges when no other strategies are feasible. Following the US withdrawal from the JCPOA in 2018, several foreign businesses with Iranian branches, affiliates, or representative offices

opted for winding up and liquidation of their subsidiaries and/or branches as a means to exit the market safely.

Liquidation is generally less likely to be triggered solely by reinstated UN sanctions, which are sector-specific rather than comprehensive. Nonetheless, entities that are unable to advance their operations under current conditions, and which have no short-term prospect of re-entering the Iranian market, may consider liquidation to formally cease operations while protecting their legal and financial interests.

Limited trading activity without corporate presence

Despite the reimposition of UN, EU and UK sanctions and the continuation of extensive US measures, humanitarian-related trade remains possible. US sanctions provide for certain general licences and licensing pathways under the Iran sanctions programme permitting the export and re-export of defined categories of agricultural commodities, medicines and medical devices to Iran, subject to detailed conditions (including restrictions on certain sensitive items and dealings with SDN-listed counterparties). The UN “snapback” measures similarly focus on nuclear-related items and arms, rather than basic foodstuffs or ordinary medical products, although dual-use and other sensitive technologies may still be restricted.

Accordingly, foreign businesses supplying permitted food, healthcare products (pharmaceutical and medical devices) or agricultural products may in principle continue to trade with Iran through one-off transactions or via local distributors, including through offshore vehicles. However, such structures do not automatically ensure compliance: each transaction must be assessed against applicable UN, EU, UK and US rules, the conditions of any relevant licence, and banks’ own risk policies, and may still be constrained by limited access to payment channels.

Trusted and credible Iranian distributors facilitate the smooth execution of such transactions, ensuring operational continuity. The country’s relatively robust infrastructure in the food and pharmaceutical sectors allows foreign companies to promote and distribute their products effectively, even without maintaining a formal corporate presence in Iran.

Conclusion

Operating in Iran under the current sanctions landscape requires a nuanced understanding of the multilateral UN, EU, US, and UK export control and sanctions regimes. Certain foreign businesses in permitted areas may still continue operations, subject to sector-specific limitations and related practical challenges. Meanwhile, restructuring strategies such as downsizing, dormancy, share sale (with or without call option arrangements), or liquidation may provide sanctions-compliant ways to mitigate sanctions risk while maintaining or formally concluding market presence.

While businesses must balance operational continuity, sanctions compliance, and long-term commercial interests, careful strategic planning, and thorough legal review are essential in all cases.

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Nami Associates Law Firm

37 Asef (Ejazi) Street, Unit 4 South
Zafaraniyeh, Tehran 1988893433, Iran

+98 21 2240 0434 +98 21 2241 8899

info@namiassociates.com

www.namiassociates.com

Afridi & Angell

Level 35, Office Tower, Jumeirah Emirates Towers
Dubai, United Arab Emirates

+971 4 330 3900

dubai@afриди-angell.com

<https://afриди-angell.com>
