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Iran

Mergers & Acquisitions

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This country-specific Q&A provides an overview of mergers & acquisitions laws and regulations applicable in Iran.

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Iran: Mergers & Acquisitions

1. What are the key rules/laws relevant to M&A and who are the key regulatory authorities?

Key rules and laws relevant to Merger and Acquisition (M&A) in Iran are the following:

(a) The Commercial Code 1932 (Commercial Code): This law regulates share purchases in limited liability companies (LLC), general partnerships, proportional liability companies, joint stock partnerships, and limited partnerships.

(b) The Law Amending the Commercial Code 1968 (LACC): This law governs share purchases in joint stock companies (JSC), whether public or private.

(c) The Law on Cooperative Sector 1991 and its Implementing Regulation: This legislation governs share purchases in cooperative companies.

(d) The Securities and Exchange Organisation (SEO) Regulations: Acquisition of the share of listed companies is primarily governed by the SEO regulations, such as Directive on the Manner of Conducting Transactions on the Tehran Stock Exchange (TSE) 2011 (TSE Directive), Directive on the Manner of Conducting Transactions on Iran Fara Bourse (IFB) 2009 (IFB Directive), Regulation on Disclosure of Information by Listed Companies 2007 (Disclosure Regulation), Regulation on the Transactions and Rules and Requirements for Purchaser of Shares and Pre-emption Rights in Major Transactions through TSE and IFB 2012 (Rules for Major Transactions).

(e) The Civil Code 1928 (Civil Code): Share acquisitions are typically executed through a share purchase agreement (aka SPA), which is generally governed by the Civil Code.

(f) The Foreign Investment Promotion and Protection Act 2002 (FIPPA) and its Implementing Regulation: FIPPA provides rules on share purchases by foreign nationals. According to Article 4(b) of the FIPPA Implementing Regulation, foreigners are allowed to acquire up to 100% of shares in Iranian companies, except in certain industries, which are subject to specific limitations.

(g) The Direct Taxation Law, as amended on 2015: Share transfers are subject to taxation under this law. Article 143, Note 1 imposes a 4% tax on the nominal value of shares, contributions, and preemptive rights each time

they are transferred. For publicly listed companies, Article 143bis applies a 0.5% tax on the sale value of shares. Article 111 and its Implementing Regulation also address merger-related tax implications.

(h) The Law on Implementing Principle 44 of the Constitution 2007: Particularly, Chapter 9 of this law, titled "Facilitating Competition and Prohibiting Monopoly", restricts share purchases that may lead to competition distortion. It is also essential to consider the directives and decisions of the Competition Council and the Implementing Regulation of Articles 47, 48, and 49 of the same law, which focuses on mergers and the definition of concentration.

(i) Sector-specific laws: Foreign investments in regulated sectors like insurance, and banking are subject to sector-specific laws that may require approval from regulatory authorities. For instance, foreign individuals are restricted from acquiring more than 49% of shares in Iranian insurance companies or 40% in banks and credit institutions, with the Central Bank of Iran (CBI) approval required for ownership exceeding 10% in banks.

As for key regulatory authorities, several bodies oversee M&A transactions in Iran, notably the National Tax Administration, the SEO, the CBI, the Competition Council, the TSE, and IFB, depending on the nature of the parties and the sectors concerned.

2. What is the current state of the market?

Iran's M&A market continues to operate in a highly uncertain macroeconomic and geopolitical environment. Intensified sanctions, including the reimposition of UN sanctions, renewed regional tensions, including the Israel and US war against Iran, domestic political unrest, intermittent internet shutdowns, high inflation and significant currency volatility have collectively created a climate of pronounced economic uncertainty.

These factors materially increase execution risk and complicate long-term investment planning. As a result, many businesses have adopted a defensive strategy, focusing primarily on maintaining existing operations rather than pursuing expansion, or exiting from the market. This cautious approach has contributed to a marked reduction in overall market activity, including M&A transactions.

In 2025, there were relatively few significant or high-value M&A transactions of note. Deal flow has been largely opportunistic and strategic, rather than driven by growth-oriented consolidation.

Notwithstanding these challenges, a number of Iranian businesses have relocated or expanded operations abroad. This trend has led to an increase in outbound cross-border M&A activity, particularly in the Middle East, with the United Arab Emirates serving as a key destination jurisdiction for Iranian investors.

3. Which market sectors have been particularly active recently?

In light of the prevailing economic and geopolitical challenges, and in particular the ongoing electricity and energy supply crisis in Iran, the energy sector has been comparatively active, especially in the areas of power generation and renewable energy. Structural supply shortages, grid constraints and longer-term sustainability considerations have increased attention to capacity expansion and efficiency improvements.

As a result, a number of notable acquisitions and strategic investments have taken place in the energy sector. In addition, government-supported mechanisms, including long-term guaranteed power purchase arrangements for renewable energy producers, have provided a degree of structural support and investment incentive, notwithstanding broader financing constraints.

Furthermore, the consumer goods and FMCG sectors have continued to experience relatively steady deal activity. These sectors benefit from resilient domestic demand, as consumption of essential goods, including food, hygiene and household products, remains comparatively stable despite wider economic volatility.

4. What do you believe will be the three most significant factors influencing M&A activity over the next 2 years?

The most significant factor influencing M&A activity in Iran over the next two years will be the level of economic and political certainty.

First, the trajectory of international sanctions and diplomatic relations will be decisive. The potential easing of sanctions, particularly in the context of negotiations between Iran and the United States, could materially improve investor confidence. A reduction in sanctions, improved international relations and the removal of the

perceived risk of military escalation would likely reduce barriers and facilitate greater access to international markets and financing. Such developments would be expected to have a strongly positive impact on M&A activity.

Second, macroeconomic stability, especially the control of inflation and exchange-rate volatility, will be critical. Sustained high inflation and currency fluctuations significantly complicate valuation, financing structures and transaction execution, thereby suppressing deal-making appetite.

Third, broader geopolitical and domestic political stability will remain a central determinant. If uncertainty persists or intensifies, the current cautious and defensive market posture is likely to be reinforced, resulting in continued subdued M&A activity. Conversely, any meaningful improvement in stability and predictability would be expected to stimulate both domestic consolidation and cross-border investment.

5. What are the key means of effecting the acquisition of a publicly traded company?

According to Article 36(b) of the Law on the Permanent Provisions of Development Plans 2017, the transactions of securities registered with the SEO shall only be conducted through stock exchanges and over-the-counter markets. Accordingly, the acquisition of listed shares is conducted on either the TSE or IFB, depending on where the company is listed.

Unlike share transactions in private companies, which may be executed directly between the parties, transactions in listed companies typically proceed through a formal bidding process facilitated by licensed brokers acting on behalf of both the offeror and the bidder.

Acquisition of shares in a listed company may occur either through the purchase of existing shares or the subscription to new shares via purchasing pre-emptive rights.

If the acquisition of shares in listed companies constitutes a major transaction, it must comply with the following regulations:

- The Rules for Major Transactions;
- Chapter 8 of the IFB Directive; and
- Chapter 10 of the TSE Directive.

These regulations impose additional formalities for conducting major transactions, such as requiring the

bidder to:

- submit management plans for the target company;
- provide a commitment letter to continue the company's accounting policies and refrain from disposing of non-revenue-generating assets for a specified period;
- submit a certificate of criminal clearance;
- represent that the acquisition will not result in a monopoly; and
- demonstrate sufficient and independent financial capability by disclosing the source and ownership of funds used for the transaction.

A transaction qualifies as a major transaction in the following cases:

(a) with regard to the TSE, transactions involving the acquisition of:

- at least 1% or more of the registered shares in a company with more than 3 billion shares; or
- at least 5% or more of the registered shares in a company with 3 billion or fewer shares.

(b) with regard to IFB, transactions involving the acquisition of:

- at least 1% or more of the registered shares in a company with more than 1 billion shares; or
- at least 5% or more of the registered shares in a company with 1 billion or fewer shares.

It should be noted that foreign investors seeking to acquire Iranian listed companies are subject to specific restrictions under the Regulation on Foreign Investment in Exchanges and Over-the-Counter Markets 2010. For example, Articles 1(10) and 8 prohibit a strategic foreign investor (defined as one acquiring more than 10% of a listed company or a board seat) from disposing of shares within two years without prior approval from the SEO.

6. What information relating to a target company is publicly available and to what extent is a target company obliged to disclose diligence related information to a potential acquirer?

There is a distinction between private and listed companies:

In private companies, the scope of publicly available information is very limited. Only certain corporate details, including board members, inspectors, authorised

signatories and their changes, as well as registered capital increases or reductions, are disclosed and accessible via the Official Gazette website (www.rrk.ir). Other critical information, such as shareholder lists, significant transactions, and share or asset transfers remain undisclosed.

In contrast, listed companies are subject to extensive disclosure requirements under the Disclosure Regulation and related directives. These include disclosures of shareholder meetings, periodic financial reports, and material events likely to impact investor decisions. According to Article 13 of the Disclosure Regulation, such material events include mergers, acquisitions, suspension or cessation of operations, execution or termination of agreements, transfer of fixed assets, and changes in major shareholders. Furthermore, listed companies must disclose details of civil and criminal litigations.

All such disclosures by listed companies are made publicly available via CODAL portal (www.codal.ir).

With respect to a target company's obligation to disclose information to a potential acquirer, there is no legal requirement to provide diligence-related information unless such disclosure is contractually mandated (typically through a signed term sheet or preliminary agreement).

7. To what level of detail is due diligence customarily undertaken?

In Iran, the level of due diligence generally depends on the nature, value, and complexity of the transaction, the industry involved, and the agreement between the parties. Generally, due diligence in relation to M&A transactions covers legal, financial, tax, and commercial aspects. On the legal side, this typically includes a review of the company's corporate structure and governance, ownership and shareholding, key commercial contracts, employment matters, real estate and other assets (tangible and intangible), and any known or disclosed disputes or litigation. However, there are notable practical limitations. Access to critical information might be restricted due to confidentiality concerns or the lack of centralised public databases.

Overall, while due diligence remains a key part of transactional practice in Iran, it is significantly shaped and often limited by structural and informational constraints in the legal and regulatory environment. As a result, investors and buyers might also tend to rely more heavily on contractual safeguards such as representations, warranties, and indemnities.

8. What are the key decision-making bodies within a target company and what approval rights do shareholders have?

In Iran, the two most common corporate structures are the private JSC and the LLC. The decision-making bodies and shareholder approval rights differ depending on the company type.

In an LLC, partners constitute the key decision-making body. According to Articles 102 and 103 of the Commercial Code, the transfer of shares in an LLC requires the approval of partners representing at least three-fourths ($\frac{3}{4}$) of the company's capital and a numerical majority of all partners. In addition, the transfer must be notarised and registered with a notary public in order to be valid and enforceable.

In a private JSC, the primary decision-making bodies are the general assembly of shareholders and the board of directors. Under Article 41 of the LACC, the transfer of shares is generally unrestricted unless the company's articles of association provide otherwise. In practice, many private JSCs include provisions in their articles requiring the approval of either the board of directors or, in rare cases, the general assembly, before a share transfer can take effect. Regardless of any such restrictions, all share transfers must be recorded in the company's share ledger to be recognised.

9. What are the duties of the directors and controlling shareholders of a target company?

Under the LACC, in JSCs directors are responsible for the overall management and strategic direction of the company. Directors are tasked with setting general policies, and the managing director is responsible for implementing those policies in the ordinary course of business. Except for matters that fall within the exclusive authority of the general assemblies, as explicitly defined by law, the directors are vested with broad powers to manage the company's affairs.

In the context of a takeover or share transfer, directors are expected to act in good faith and in the best interests of the company. As explained in response to Question 8, in practice in private JSCs the board of directors is required to approve share transfers. In such cases, the board must exercise its discretion in a manner aligned with the company's long-term interests.

On the other hand, the LACC does not impose specific fiduciary duties or responsibilities on shareholders, including controlling shareholders.

10. Do employees/other stakeholders have any specific approval, consultation or other rights?

Under Iranian law, employees do not have any formal rights to approve, be consulted on, or otherwise participate in corporate decisions, including those involving mergers, acquisitions, or share transfers.

There are no statutory requirements obligating companies to inform or consult with employee representatives in the context of corporate acquisitions or restructurings.

11. To what degree is conditionality an accepted market feature on acquisitions?

In most cases, cash is used as the primary form of consideration in M&A transactions. However, the parties may also choose to use shares in other companies, or a combination of cash and shares, depending on the structure of the deal.

In some cases, the transaction may be structured as a share swap, allowing the parties to exchange shares as consideration instead of cash. However, share swaps are typically used in situations where the parties can more easily agree on valuations, such as when the companies involved belong to the same corporate group.

12. What steps can an acquirer of a target company take to secure deal exclusivity?

It is quite common to include conditionality provisions in share acquisition transactions. Such provisions may make the transfer of shares contingent upon factors such as the results of due diligence, payment of the purchase price, regulatory approvals, and other agreed-upon conditions.

13. What other deal protection and costs coverage mechanisms are most frequently used by acquirers?

Iranian law does not provide statutory provisions for deal exclusivity. Such protection is therefore secured contractually through negotiation.

The parties typically rely on contractual arrangements, with the most commonly employed mechanism being the inclusion of a "no-shop" clause (also referred to as an exclusivity clause) in a preliminary agreement or term sheet. This clause restricts the target company from

soliciting, negotiating, or accepting competing offers from third parties for a defined period. In some instances, it may also include a notification obligation, requiring the target to inform the acquirer of any unsolicited third-party approaches.

These contractual clauses are considered valid and enforceable under Iranian law, consistent with the principles of freedom of contracts and validity of contracts recognised under Article 10 of the Civil Code.

14. Which forms of consideration are most commonly used?

There are no statutory deal protection or cost coverage mechanisms prescribed under Iranian law for mergers and acquisitions. As such, acquirers must rely on contractually negotiated provisions to safeguard their interests and allocate transaction-related risks.

The most frequently used contractual mechanisms include:

(a) Breakup fee clauses, under which the target company agrees to pay liquidated damages (a predetermined amount of compensation) to the acquirer if the transaction fails due to the target's actions or omissions;

(b) Cost reimbursement provisions, which require one party (typically the acquirer) to reimburse the counterparty for due diligence or legal expenses under certain conditions; and

(c) Material adverse change (MAC) clauses, allowing the acquirer to terminate the transaction if significant adverse events affect the target's business prior to closing.

These provisions serve as financial deterrents to deal abandonment and are designed to promote transactional certainty. They are generally enforceable under Iranian contract law, pursuant to Article 10 of the Civil Code.

15. At what ownership levels by an acquirer is public disclosure required (whether acquiring a target company as a whole or a minority stake)?

In private companies, there is no statutory requirement to publicly disclose share acquisitions or changes in shareholder structure at any ownership level.

With respect to listed companies, Article 13 of the Disclosure Regulation requires immediate public disclosure of material events, including changes in major

shareholders, mergers, and execution or termination of agreements. Accordingly, if an acquisition results in a change in major shareholders, the execution or termination of agreements, significant amendments to existing agreements, or a merger, such events must be disclosed to the public without delay.

16. At what stage of negotiation is public disclosure required or customary?

In the case of private companies, there is no legal obligation under Iranian law to disclose any stage of deal negotiation. Disclosure, if any, is typically voluntary and may occur upon the execution and completion of the transaction.

As for the listed companies, ongoing negotiations are generally not subject to disclosure requirements under existing regulations. However, once the transaction is executed and finalised, disclosure becomes mandatory under Article 13 of the Disclosure Regulation. This obligation applies particularly in instances involving changes in major shareholders, execution or termination of agreements, changes in licences, transfer of assets, or corporate mergers.

17. Is there any maximum time period for negotiations or due diligence?

In Iran, there is no specific legal deadline or statutory time limit under related laws for the duration of negotiations or due diligence between parties in a corporate transaction. The timeline is generally determined by the parties themselves and is typically governed by the terms of any preliminary agreements.

In practice, the length of the negotiation and due diligence period may vary depending on the complexity of the transaction, the availability of information, and the responsiveness of the parties involved. While there is no formal limit, it is common for the parties to agree on timelines to help maintain momentum and manage expectations.

18. Is there any maximum time period between announcement of a transaction and completion of a transaction?

Under Iranian law, there is no statutory maximum time period between the announcement of a transaction and its completion. This applies to both public and private companies. As such, the law does not impose a

mandatory deadline for finalising a transaction following its public announcement.

In the case of JSCs, the timeline for completing a transaction is typically governed by the terms agreed upon between the parties.

19. Are there any circumstances where a minimum price may be set for the shares in a target company?

Generally, in major transactions on stock exchanges, the seller may set a minimum offering price (base price) for the shares in the target company. Accordingly, the price of buy orders may not be lower than the base price.

A minimum price may also be set in connection with the acquisition of shares in state-owned companies within the framework of privatisation schemes.

20. Is it possible for target companies to provide financial assistance?

The law does not expressly prohibit target companies from providing financial assistance in relation to the acquisition of their own shares. However, this practice is uncommon in Iran. While not explicitly forbidden, providing financial assistance may raise concerns about potential misuse of directors' powers and whether it aligns with the corporate purpose.

Specifically with respect to listed companies, buyers acquiring a major portion of shares must disclose the source of financing for the acquisition, which could be deemed consistent with the transparency requirements applicable to listed companies.

21. Which governing law is customarily used on acquisitions?

In M&A transactions, Iranian law is normally used as the governing law, particularly because Iranian corporate and regulatory law will apply to matters such as share transfers, board of directors' approvals, and registration of the same. Even where the share purchase transaction involves foreign parties or a foreign law is chosen by the parties, Iranian law remains applicable to the corporate law and regulatory aspects of the transaction.

22. What public-facing documentation must a

buyer produce in connection with the acquisition of a listed company?

No public-facing documentation is necessary if the buyer is a private company. However, if listed companies acquire major shares in another listed company or major shares in a listed company is transferred, there is a mandatory disclosure requirement. The threshold for this requirement is 5% of shares of a listed company, which normally applies to M&A transactions, too. Disclosure must take place through the CODAL system (www.codal.ir), which is the official disclosure platform of the SEO.

23. What formalities are required in order to document a transfer of shares, including any local transfer taxes or duties?

Share purchases are subject to tax under the Direct Taxation Law. There is a 4% tax on the nominal value of shares in case of acquisition of shares of a private JSC. For listed companies, a 0.5% tax on the sale value of shares applies.

As for documentation formalities, the transfer of shares in an LLC requires the approval of partners holding at least three-fourths ($\frac{3}{4}$) of the company's capital, who also constitute a numerical majority. In private JSCs, all share transfers must be recorded in the share ledger of the company. Although not explicitly required under the Commercial Code or the LACC, such transfers must typically be reported to the company registrar in practice.

Transfer of shares of listed companies must take place in accordance with the regulations and directives regarding the conduct of transactions on stock exchanges.

24. Are hostile acquisitions a common feature?

As far as listed companies are concerned, hostile acquisitions are not per se prohibited under Iranian law. According to the LACC, restrictions on the transfer of shares in public JSCs, such as making transfers contingent upon board of directors' approval, are not permitted. However, in practice, hostile acquisitions are uncommon in Iran. This is largely due to the fact that most listed companies offer only a limited portion of their shares for public trading on the stock exchange.

With respect to private JSCs, the articles of association commonly include provisions requiring board approval for share transfers. As a result, while hostile acquisitions are not explicitly prohibited by law, they are generally not

feasible in practice.

25. What protections do directors of a target company have against a hostile approach?

As a common practice in Iran, the articles of association of private JSCs provide that share transfers are subject to the approval of the board of directors. While the board may not unreasonably obstruct such transfers, this requirement can serve as a protective mechanism for directors against hostile acquisitions.

26. Are there circumstances where a buyer may have to make a mandatory or compulsory offer for a target company?

Unless there is a contractual arrangement imposing such an obligation, there is generally no explicit requirement under Iranian law providing for such offers for a target company.

27. If an acquirer does not obtain full control of a target company, what rights do minority shareholders enjoy?

Minority shareholders, whether in private or listed companies, are afforded several statutory rights and protections under Iranian corporate law. These rights are designed to safeguard their interests against potential majority abuse and to ensure a minimum level of corporate participation and transparency. Key minority rights include:

(a) Participation in general meetings: Minority shareholders have the right to attend and vote at shareholders' general meetings, either in person or through a duly appointed proxy. This enables them to participate in critical decisions concerning the company's governance, including approval of financial statements, election of directors and inspectors, and share capital modifications.

(b) Access to corporate information: Shareholders are entitled to request information from the board of directors and statutory inspectors regarding the company's affairs. This includes the right to review annual financial statements, audit reports, and related corporate records necessary for informed decision-making.

(c) Entitlement to dividends: Pursuant to Article 90 of the LACC, companies are required to distribute at least 10% of their annual net profits to shareholders. Minority shareholders are entitled to receive their proportionate share of this mandatory dividend, ensuring participation in the company's economic success.

(d) Pre-emptive rights in capital increases: In the event of a capital increase, minority shareholders are entitled to subscribe to new shares in proportion to their existing holdings, thereby preventing dilution of their ownership interests.

28. Is a mechanism available to compulsorily acquire minority stakes?

There is no statutory mechanism under Iranian law for the compulsory acquisition of minority shares in a company. Accordingly, majority shareholders cannot unilaterally force minority shareholders to transfer their shares solely by operation of law.

However, in practice, shareholders' agreements commonly include contractual mechanisms such as drag-along rights. These provisions entitle majority shareholders, subject to agreed conditions, to require minority shareholders to transfer their shares to a third-party purchaser, typically in the context of a merger or acquisition where the majority shareholders elect to sell their shares and the acquirer seeks to obtain full ownership of the company.

The enforceability of such arrangements depends on proper contractual structuring and compliance with applicable corporate and transfer formalities under Iranian law.

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