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Iran Business Environment Update

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Background

Legal and regulatory aspects of Iran's business environment remain shaped by wartime dynamics. Seeking to keep economic variables under control, the government frequently adjusts economic regulations, particularly those concerning imports and foreign exchange (**FX**), to keep pace with the fast-changing circumstances.

The broader risk of conflict and economic constraints stemming from the maritime blockade and the weight of sanctions continue to cloud the outlook. Recent US threats to impose sanctions on other countries maintaining economic ties with Iran further complicate the picture. As a result, the perspective remains fraught with uncertainty for the time being. Even so, economic activities continue, in the hope of better times ahead.

Further to the escalation of the conflict in recent weeks, the US has recently suspended several general licences under the Iran sanctions regime. Some of these suspensions concern certain services supporting professional and amateur sports activities and exchanges involving the US and Iran (**Iran General Licence F**). Other suspended licences covered certain academic exchanges and the exportation or importation of certain educational services (**Iran General Licence G**).

More recently, the US, in addition to designating 27 Iranian airlines, suspended certain previously authorised aviation-related transactions. These authorisations covered, among other things, payments for overflights of Iranian airspace, aircraft safety, bunkering and emergency repairs, and the temporary sojourn of certain civil aircraft in Iran.

The present article shares certain recent notable updates and insights into Iran's business environment from a legal and regulatory standpoint.

Updates to FX Allocation in Relation to Pharmaceutical Imports

Over recent months have been debates over phasing out the subsidised rate for the import of pharmaceutical raw materials and medicines amid the foundational reforms made to the FX official market and its regulations.

Recently, the news regarding reforms to the FX allocation framework for pharmaceutical raw materials has been circulating following a letter issued by the Iran Food and Drug Administration (**IFDA**), announcing recent measures on the FX allocation system regarding certain pharmaceutical raw materials.

A letter dated 16 August 2026 issued by the IFDA addressing all pharmaceutical raw materials manufacturers aims to dispel ambiguities regarding pricing of the domestically manufactured raw materials and to introduce new FX allocation policies for importation of precursors, intermediates, and APIs.

The said letter states that from the beginning of the current Persian year (late March 2026) pursuant to an understanding with the syndicate of raw materials manufacturers, an amount of EUR 170 million has been allocated at a subsidised rate for importation of pharmaceutical precursors and intermediates. Since the price of finished products using imported APIs has been calculated based on the FX negotiated rate, manufacturers of raw materials are required to set prices for their products using the negotiated rate and pay the difference to the Central Bank of Iran (**CBI**) through the agent bank.

Remarkably, the letter stipulates that the amount of difference equals the gap between the subsidised rate and negotiated rate at the time of clearance from customs. Another significant point made by the letter is that the pricing for the raw materials for which subsidised rates have not been used will be made by the manufacturer. However, IFDA will monitor the prices and in case the price declared by the manufacturer is materially different from the imported price, importation permits will be granted to prompt price adjustments.

Finally, the said letter specifies that with the aim of maintaining fair competition among API manufacturers and importing companies, IFDA will seek to support domestic production through import tariffs. In addition, if domestic manufacturers meet the required depth, quality, and quantity of production, negotiated rates would not be allocated to the importation of raw materials and pharmaceutical companies would have to use other FX allocation routes including personal FX and direct FX transactions on ICE.

Overall, the recent measures appear to confirm the expectations previously held regarding FX allocation arrangements for pharmaceutical importation. Whereas the allocation of subsidised FX for pharmaceutical importation had been shrinking over the past months, this marks one of the most significant regulatory measures to date in this sector.

Although the IFDA officials say the newly introduced policy will not substantially affect consumer prices, it is likely to impact foreign trade arrangements in the pharma sector. Now, the government is likely to continue pursuing the plans previously announced to shift the pharmaceutical subsidies toward the consumer side rather than spreading them across the supply chain.

While it is expected that the subsidised FX rate for pharmaceutical importation will be applicable only in exceptional cases, the IFDA officials reiterate that the subsidised rate will not be fully phased out until the end of this year, but gradual elimination of subsidies for pharmaceutical imports is the policy to be pursued by the government.

Direct FX Transactions in Official Market Introduced to Accelerate Imports

According to an announcement made by the Iran Chamber of Commerce, Industries, Mines, and Agriculture, the CBI has authorised direct FX transactions on the Iran Centre for Exchange of Currency and Gold (**ICE**) for procuring the FX required for importation. This facility will cover an extensive list of HS codes. Accordingly, importers of certain items may, in addition to the indirect FX transactions on ICE, apply for FX allocation through direct FX transactions in order to accelerate the process.

Importers of all the HS codes for which FX allocation has been authorised by IFDA, as well as certain specified HS codes for which the FX-authorising body is the specialised bureaus of the Ministry of Industries, Mines, and Trade (**MIMT**), the Secretariat of Free Zones, or the Ministry of Agriculture, may use this FX purchase method to accelerate their importation process.

Under the direct transaction method, importers may reach a prior agreement with a specific exporter for the purchase of FX and, outside the matching process normally made between purchase and sale orders through indirect transactions on the ICE, carry out the transaction on the ICE.

Direct FX transactions between exporters and importers on the ICE, introduced with a view to facilitating importation, take place without any intervention from the CBI. This represents an additional FX allocation channel besides indirect ordinary transactions on the ICE.

In addition, recent amendments to the CBI FX regulations provide that natural and legal persons are authorised to sell FX notes, or funds held in foreign currency bank accounts not generated from exports, at the negotiated rate on the ICE. This measure likewise appears aimed at expanding FX resources available for importation.

War Risk Coverage Authorised for Insurance Policies

The recent war outbreak gave rise to discussions on insurance coverage for war-related risks. As is generally the case in the insurance sector, war risk is not typically covered by standard insurance policies, which carry explicit war exclusion clauses. In response to recent demands from business actors, the Central Insurance of Iran (**Central Insurance**), which acts as the regulatory and supervisory authority for the insurance industry in Iran, authorised insurance companies to provide war risk coverage for both industrial and non-industrial units subject to certain conditions.

According to a letter from Central Insurance published in August 2026 addressing insurance companies, in order to respond to the demand of economic actors for war risk coverage for

industrial and non-industrial units, insurance companies are authorised to provide war risk coverage for units with capital of less than 2,000 billion IRR, subject to certain conditions.

- (i) Insurer's liability for the payment during the coverage period is limited to 50% of the insured capital.
- (ii) The minimum premium rate is 0.58% of the insured capital.
- (iii) War coverage, either in the form of a new policy or an amendment, is not subject to termination rights for either party.
- (iv) Deductible per loss is 20% of the payable loss.
- (v) War-related damage must be verified by the relevant authorities.
- (vi) Such coverage is only for physical damage.
- (vii) Terms and exclusions set forth in insurance policies (such as exclusion of losses arising from nuclear explosions) may not be violated when providing war coverage insurance.
- (viii) War risk coverage shall be provided only for units with non-military usage.

Changes to the Foreign Investment Office

The Organisation for Investment, Economic and Technical Assistance of Iran (**OIETAI**), which is primarily in charge of managing matters related to foreign investment in Iran, is undergoing changes in its structure and missions. The structure of OIETAI will be reformed with a view to downsizing, and its name will be changed to Iran's Investment Organisation. Its focus will be on facilitating and stabilising investments in Iran.

These changes are made following a decision by the High Administrative Council pursuant to a requirement set forth by the Seventh Development Plan Law 2024. Accordingly, executive bodies are required to redesign their structure in such a way that organisational units are reduced by at least five percent each year.

OIETAI was established in 1976, pursuant to Article 5 of the Law on the Establishment of the Ministry of Economic Affairs and Finance 1974, as a specialised independent entity under the supervision of the Ministry of Economic Affairs and Finance responsible for handling investment affairs and external financing, including obtaining international loans, attracting foreign investment, etc.

Besides renaming, OIETAI's scope of activities will be expanded. The restructured organisation will act as a centralised authority for assessment, standardisation, and prioritisation of the projects aimed at attracting foreign financial resources, and coordination among stakeholders in the investment and foreign financing systems (including government and public bodies,

domestic development institutions, international financial institutions and foreign development banks, private sector associations, enterprises requiring foreign investment and finance, foreign investment agencies, and provincial investment services centres).

Furthermore, it will act as a macro-policymaking authority with regard to attracting and directing foreign finance, guarantee and negotiation of foreign finance, assessment and preparation of sovereign guarantees and payment guarantees issued by the Minister of Economic Affairs and Finance, handling bilateral and multilateral economic relations with states and international organisations, etc.

Final Remarks

Pending the return of normal circumstances and the clarification of business prospects, frequent regulatory changes are being made to streamline procedures at a time marked by severe constraints on foreign trade. The government aims to facilitate the importation of essential needs and basic commodities, as well as raw materials and machinery for production units, in order to strengthen the resilience of the economy in this challenging period. That said, such recently promulgated regulations may also concern foreign parties doing business with Iran.

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