

# Talks on Ways to Enforce **INSTEX**

INSTEX opposite number to be registered soon

**P**resident of Europe's Special Purpose Vehicle known as INSTEX, Per Fischer, was in Tehran to attend talks between Iranian authorities and representatives from France, Germany, Britain, and the European Union on how to best implement the payment channel.

A meeting was held between delegations from the Foreign Ministry and relevant bodies and the EU economic and political delegations.

In a talk with Financial Tribune last week, the UK trade commissioner to Middle East, Afghanistan and Pakistan Simon Penney had said the focus of the technical team comprising E3 and EU officials will be on creating a counterparty mirror entity in Iran.

The French Embassy also re-

ported the trip of the INSTEX president in a tweet saying that the newly appointed chief was welcomed by the E3 heads of missions in Tehran.

In its tweet, the embassy called the visit an "important step to discuss with Iranian counterparts how to make the EU-Iran trade mechanism operational." Details about cooperation between the two entities (INSTEX and the Iranian entity) as well as traders' access to the mechanism will be discussed in the Tehran sessions. The negotiating parties will also discuss measures to expand the scale and scope of INSTEX to process a wider range of trade.

The mechanism is intended initially for the export of food, medicine and medical devices to Iran. Later it is to be extended to other goods.

Iran's Ambassador in London

Hamid Baeidinejad said earlier 12 groups of merchandise can be traded via the channel, including agricultural products, raw material for producing pharmaceuticals and medicine.

Establishment of the financial mechanism was officially announced at the end of January in a statement by the three European signatories to the historic nuclear deal known as the Joint Comprehensive Plan of Action (JCPA) in an attempt to promote non-dollar trade with EU members after the US abandoned the 2015 agreement last November and imposed new sanctions on Iran.

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**PENNEY**



Per Fischer in Tehran, talks on ways to enforce INSTEX



## Governor of the Central Bank of Iran said the corresponding entity to the Special Purpose Vehicle known as INSTEX created by the European Union to enable non-dollar trade with Iran will be registered soon in Tehran

ated by the European Union to enable non-dollar trade with Iran will be registered soon in Tehran.

According to a statement released by the CBI, Abdolnasser Hemmati said creation of the institution does not mean that Iran would “wait upon” Europe to operationalize INSTEX.

“We will continue our strategy to access to finance and trade for our country through neighbors and other trading partners,” Hemmati was quoted as saying.

The CBI first green lighted the mirror entity to INSTEX last month after the global anti-money laundering body decided to extend the suspension of countermeasures against Iran for four more months, recognizing the government’s efforts to accept its Action Plan. CBI welcomed FATF’s move, hoping that the two remaining bills (part of Iran’s Action Plan with FATF) would be finalized soon. The bank said in order to show its goodwill, it will soon introduce the corresponding entity to match the European INSTEX.

INSTEX was launched by the EU on January 30 to shield Iran trade from the new US sanctions announced last year after the hostile US administration

walked out of the international nuclear accord it signed with Iran in 2015.

INSTEX president Per Fischer visited Iran last week and met authorities and representatives from France, Germany, Britain, and the EU on how to best implement the payment channel.

A meeting was held between delegations from the Foreign Ministry and relevant bodies and the EU economic and political delegations.

Hemmati referred to the negotiations and said in CBI meetings with Fischer and representatives from the E3, the European team offered full explanation about the Iranian entity.

“We are waiting for action from the European side,” Hemmati said.

In a recent talk with the Financial Tribune, the UK trade commissioner to Middle East, Afghanistan and Pakistan Simon Penney said the focus of the technical team comprising E3 and EU officials will be on creating a counterparty mirror entity in Iran.

“This is because we need the two ends of the SPV: one in Europe and one here in Iran and we have heard some encouraging comments around the work that Iran is doing to make sure

that the counterparty mirror SPV will be created,” he said.

According to the official INSTEX will operate “simplistically on a netting basis” so the idea is to minimize the flow of physical cash or money across the border in and out of Iran and is predicated on having equal debits and credits on both sides.

### Will it work?

There are still technical details to be worked out following the entity’s official registration.

Theoretically, the payment channel would shield European companies from US sanction-related penalties. However, European companies and banks that do business with the US may still be hesitant to trade with Iran over concerns they could be hit with US penalties. Many European companies have already pulled out of Iran in response to US sanctions.

The entity is initially aimed at small and medium-sized European companies and trade volume is likely to remain small.

The payment vehicle’s facilitation of trade in non-sanctionable essential products raises questions as to whether it will sufficiently benefit Iran’s struggling economy and help it curb runaway inflation and currency devaluation.

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**HEMMATI**