

# Iran

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### Babak Namazi

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For nearly 45 years, no specific legislation existed in Iran concerning corporate mergers and acquisitions and foreign investment in the Tehran Stock Exchange (the TSE). Instead, these issues had been governed according to the general provisions of the Commercial Code 1932 and its amendment of 1969, banking laws such as the Law on Usury-Free Banking Operation 1983, the Monetary and Banking Law 1972, and the Law on Establishment of the Stock Exchange 1966. None of these laws and regulations specifically provided for corporate mergers, or authorized direct foreign investment in the TSE. Recently, however, the ratification of the fourth five-year economic, social and cultural plan (the Fourth Plan) in 2005 has led to the formulation of new regulations to cover these issues.

### The new law on foreign investment in the TSE

With approval of the Fourth Plan – and particularly Article 15, which requires the Central Bank of Iran and the Ministry of Economic Affairs and Finance to facilitate foreign investment in the TSE – and subsequently with the ratification of the executive bylaw of Article 15, the TSE entered a new phase. Implementation of this semi-modernized regulation, despite the continuing restrictive conditions for foreign investment in the capital markets, could lead to greater participation of foreign companies in Iran's stock market, which until now has been prohibited.

These regulations now permit (subject to certain conditions) direct foreign participation in the TSE. The main provisions of the new regulation are as follows.

Foreign investment in the TSE is dependent on obtaining a permit from the Organization for Investment, Economic and Technical Assistance of Iran (Oietai), an organization dealing with foreign investment in Iran and affiliated to the Ministry of Economic Affairs and Finance.

No later than one year after obtaining the permit, foreign investors must import into Iran all of the relevant cash funds, either as a lump sum or in installments, and initiate their investment in the TSE. Otherwise, the foreign investor must obtain a new permit.

All of the foreign investor's financial activities related to its

investment in the TSE must be done through Iranian banks and the local banking system.

Foreign investment is authorized in: (i) the stock of the companies listed on the TSE; (ii) other securities accepted by the TSE; and (iii) any kind of participation bond accepted by the TSE.

The import, repatriation and balancing of the principal of the foreign capital and profits thereof, is subject to, and permitted under, the law and regulations of the Foreign Investment Promotion and Protection Act (Fippa) and foreign exchange laws.

The maximum foreign investment must not exceed 10% of the listed company's total issued stock. Investments can occur by either: (i) purchasing the listed company's stock pursuant to obtaining a permit, as mentioned above; (ii) purchasing the GDR of the company's stock; or (iii) purchasing the shares of a listed company through the international markets.

The authorized foreign investment in participation bonds must never exceed 10% of the foreign investor's imported capital. The same restrictions apply to other securities mentioned in this regulation.

Repatriation of the principal foreign investment and capital gains is subject to a three-year commitment, but dividends can be repatriated on an annual basis. In other words, foreign investors must maintain their invested capital or reinvest their capital gains in the stock exchange market for at least three years. Dividends, however, can be repatriated on an annual basis.

Should the foreign investor be unable to meet the above commitments, it is authorized to repatriate its non-investable capital, provided it obtains the Oietai's approval and provided that two-thirds of the stocks quoted for foreign investment have already been purchased by foreign investors.

### Recent changes to merger legislation

Before the ratification of the Fourth Plan, corporate mergers and amalgamations of companies were governed not by specific legislation, but by general provisions of the Iranian Commercial Code. Based on Article 40 of the Fourth Plan, corporate mergers are now allowed provided that they do not give rise to a monopoly and are approved by four-fifths of the merging companies' shareholders.

Upon merger, the new company will become the successor-in-interest to the former companies. This means that all of the assets and debts of the merged companies will be automatically transferred to the new company, and the employees of the former companies will become employees of the new company. However, surplus workforce can be made redundant upon the agreement of the employees' unions or the approval of a special committee consisting of the representatives of the government, the employers and the employees. The capital of the new company, up to a maximum equal to the capital of the merging companies, is exempt from corporate taxation.

Although this legislation is limited, it should develop over time, and be provided for in the new Commercial Code (which is under consideration at the time of writing). The Fourth Plan also obliges the government to implement antitrust laws and regulations to prevent monopolies and to promote competition.

## Banking

### Recommended firms

Tier 1

**Tavakoli & Shahabi**

**Torossian Avnessian & Associates**

Tier 2

**Atieh Associates Law Firm**

**International Law Office Dr Behrooz Akhlaghi and Associates**

**Dr Jamal Seifi & Associates**

**Pars Associates**

## Corporate and commercial

### Recommended firms

Tier 1

**Atieh Associates Law Firm**

**Tavakoli & Shahabi**

**Torossian Avnessian & Associates**

Tier 2

**Dr Alexander Aghayan & Associates**

**International Law Office Dr Behrooz Akhlaghi and Associates**

Tier 3

**Dr Jamal Seifi & Associates**

**J Nouraei & M Mostafavi Law Office**

## Project finance

### Recommended firms

Tier 1

**Tavakoli & Shahabi**

**Torossian Avnessian & Associates**

Tier 2

**Dr Alexander Aghayan & Associates**

**Atieh Associates Law Firm**

**International Law Office Dr Behrooz Akhlaghi and Associates**

**Dr Jamal Seifi & Associates**

## Atieh Associates Law Firm

Demonstrating its international experience and reputation, Atieh Associates Law Firm acts for a string of leading global banks, including ABN Amro, HSBC, Commerzbank and BNP Paribas. Among recent highlights, the firm advised a syndicate of European banks on the first and second sovereign eurobond issues by the Central Bank of Iran on behalf of the government. As is to be expected from a firm with client contacts of this calibre, Atieh Associates' lawyers are able to correspond proficiently in English, Farsi, French and German. From among the strong team, the market recognizes Babak Namazi as one of Iran's leading lawyers.

Although it mainly handles international instructions from foreign financial institutions, Atieh Associates is not just a banking boutique. The firm is a leading full-service international business law firm, and market commentators report that the Atieh "works on many oil and gas projects." Recent projects instructions included advising a foreign telecom operator on an Iranian GSM licence tender, and acting for a number of foreign oil companies in relation to various buyback agreements, exploration contracts, and other upstream oil and gas issues.

In other matters, the firm acted on a large acquisition and joint venture in the petrochemical sector, and advised the sponsors of the first independent power plant in Iran under a balance of trade scheme. Corporate clients of the firm include Bombardier, Celcom, Continental and Heinz.

Atieh Associates, now in its fourth year since formation, is part of the Atieh Group of companies, which consists of a strategic business consulting firm, Atieh Bahar Consulting and a human resources consulting firm, Atieh Roshan Consulting.

### Leading lawyer

Babak Namazi

### Key contact partner

Babak Namazi

## Dr Jamal Seifi & Associates

Jamal Seifi oversees a team of five other lawyers, whose experience encompasses corporate and commercial matters, contracts, projects and construction matters, business and share sales, tax, investment, and intellectual property. Much of the firm's work in these areas has an international dynamic. Despite his international arbitration background, Jamal Seifi is also recognized as a leading corporate finance practitioner.

The firm has received referral work from law firms such as Norton Rose and Fishburns Solicitors in London and two Parisian international law firms, demonstrating the firm's ability to advise on the Iranian aspects of cross-border transactions.

Although much of the firm's work proceeds on a confidential basis, recent deal highlights for Dr Jamal Seifi & Associates that are in the public domain have included advising European, Japanese, international and Iranian corporations working in the oil, gas, petrochemicals and telecommunications sectors. Dr Jamal Seifi & Associates was formed in 1992, and is based in the country's capital, Tehran.

**Leading lawyer**

Jamal Seifi

**Key contact partner**

Jamal Seifi

**International Law Office Dr Behrooz Akhlaghi and Associates**

Founded in 1978, the International Law Office Dr Behrooz Akhlaghi and Associates is a trusted adviser on Iranian transactions. It also benefits from having an office in the US. The 13-lawyer practice offers advice to clients in Arabic, English, French and Farsi.

**Key contact partner**

Behrooz Akhlaghi

**J Nouraei & M Mostafavi Law Office**

J Nouraei & M Mostafavi Law Office is a Tehran firm that offers the full range of Iranian commercial and financial law practice advice, and is well versed in coordinating transactions that involve both domestic and foreign interests. The firm also advises on matters such as patent and trademark law, and is recommended as a good choice for general corporate matters. The firm is headed by name partner J Nouraei.

**Key contact partner**

J Nouraei

**Pars Associates**

Pars Associates was founded in 1980 and comprises two partners, backed up by a team of three associates. The main focus of the firm is advising on local and international corporate and commercial law. Particular areas of expertise include labour and employment matters, oil and gas, maritime advice, business consultancy, joint ventures and trademarks. The firm also has recognized capability in Iranian banking law advice, and operates a translation service for contracts and commercial and economic texts.

Clients of the firm include Alitalia, KLM, Snamprogetti, Tecnimont, Marubeni, Mitsubishi, Mitsui, Société Générale, Taisei, Tatneft, Zarubezhneft, Tomen Corp, LG, Hyundai, Alstom Khadamat, Foster Wheeler, Degussa Construction Chemicals, the Inpex Corporation, Nuovo Pignone, Kobe Steel, Leccepen, Thales and Toyota Tsusho.

**Key contact partner**

Z Majdzadeh Ameli

**Tavakoli & Shahabi**

Tavakoli & Shahabi was founded in the early 1960s, and today comprises three partners and five associates. Tavakoli & Shahabi's lawyers are qualified in, and have worked in, a number of foreign jurisdictions. Over the years the firm has developed strong and fruitful relationships with law firms in the world's largest business and financial centres.

The firm's areas of corporate expertise over the past four decades include advice on foreign investments, balance of trade schemes, buyback agreements, joint venture structures and corporate acquisitions. Tavakoli & Shahabi also maintains excellent bank finance and project finance capabilities.

Examples of recent matters undertaken by the firm include representing European manufacturers in relation to a factory construction joint venture, advising European, Middle Eastern and Asian companies in relation to acquisitions of equity participations in Iranian industrial companies, and acting for Japanese and Australian companies in the development of a trans-national gas pipeline project.

**Key contact partners**

Ahmad Ehtesham

Mostafa Shahabi

Mehran Tavakoli

**Torossian Avanesian & Associates**

Founded in 1996, this young firm has been quick to make its mark on the legal market. Torossian Avanesian & Associates boasts an impressive client list on which appear such international names as Eastman Kodak, ABB Asea Brown Boveri, Peugeot, Mitsubishi, Mannesmann and Eli Lilly.

Name partners Aida Avanesian and Vrej Torossian are highly regarded by their peers, particularly for their work in high-level banking and project finance matters. Oil and gas is a key area of expertise, and the firm also advises on many direct foreign investment matters into Iran.

**Leading lawyers**

Aida Avanesian

Vrej Torossian

**Key contact partners**

Aida Avanesian

Vrej Torossian