

Directive on

Method of Taking Particular Precision and Supervision While Providing Basic Services to Foreign Politically Exposed Persons by Financial Institutions

In order to combat money laundering and prevent financing of terrorism and ensure the effective implementation of the Executive Bylaw of the Anti-Money Laundering Act subject of By-law No. 181434/T 43182K of 5 December 2009 issued by the Ministers member of the Work Group for the Adoption of By-laws of the Anti-Money Laundering Act, in particular its Article 9, this Directive on “Method of Taking Particular Precision and Supervision While Providing Basic Services to Foreign Politically Exposed Persons by Financial Institutions” is hereby notified.

Definitions

Article 1- The terms and phrases used in this Directive have the following definitions:

1-1- Central Bank: Central Bank of the Islamic Republic of Iran;

1-2- Financial institutions: means banks (including Iranian banks and branches and representative offices of foreign banks based in the Islamic Republic of Iran), non-bank financial institutions, credit cooperatives, interest-free loan funds.

Note: A financial institution includes a branch or representative office existing in the free trade and industrial zones and the special economic zones of the Islamic Republic of Iran.

1-3- Designated Number: a unique number that, according to resolution No. H40266T/ 16173 of Apr. 18, 2009 by the Council of Ministers, is determined and allocated to each of foreign persons.

1-4- Act: the Anti-Money-Laundering Act of 22 January 2008;

1-5- Bylaw: means the Executive Bylaw of the Anti-Money Laundering Act of By-law No. 181434/T 43182K of 5 December 2009 issued by the Ministers member of the Work Group for the Adoption of Bylaws of the Anti-Money Laundering Act.

1-6- Foreign natural persons: are individuals who do not have Iranian nationality, have valid passport of another country and have visa or valid residence permission in Iran. As regards stateless foreigners, have special card for foreign nationals or valid temporary exit card issued by the interior ministry of I.R. Iran. As for foreign refugees, have valid refugee card issued by the police of I.R. Iran.

1-7- Foreign Political Persons

Foreign natural persons who have one of the following conditions:

1-7-1- Persons who have official political position in their own country or have a diplomatic position on behalf of their country in foreign countries.

1-7-2- Persons who have not any official position but are known as persons of political parties at that country and are engaged in political activities in their own or foreign countries.

1-7-3- Persons who have official position in inter-state or international organizations.

1-8- Special foreign politically exposed persons: foreign politically exposed persons as noted in item (1-7) or other foreign politically exposed persons affiliated to military or quasi-military or cult groups, provided that they have one of the following conditions:

- a) Prosecuted by Interpol
- b) Prosecuted under provisions of extradition of criminals
- c) Boycotted by Security Council of the UN.

Note: The list of foreign politically exposed persons and special foreign politically exposed persons shall be updated by the Central Bank and notified to financial institutions.

1-9- Banking and financial services: refers to various services provided by the financial institution to a customer. Banking and financial services are divided into two groups, known as "non-basic services" and "basic services".

1-9-1- Non-basic Services: means services which are not a prerequisite and required for providing other services to a customer nor will result in a continued relationship of the customer with the financial institution. The provision of these services to a customer only requires the customer's initial identification by the financial institution as set forth in this Directive. Non-basic services include:

- Money order;
- Any form of payment or withdrawal;
- Buying and selling foreign currencies, whether cash, transfers, foreign travelers check, etc.;
- Issuance of various cashier's checks and certified checks and payment of checks.
- Buying and selling certificate of deposit (special or general) and other securities

1-9-2- Basic Services: means services which, according to regulations, are considered to be pre-requisite and required for providing other services by financial institutions after which customers call on the financial institution to receive frequent and continuous services. The provision of basic services to a customer requires full identification of the customer (in addition to initial identification) as defined in this Directive. Basic services include:

- Opening accounts of any type with banks;
- Provision of facilities and leasing transactions;
- Transactions related to letters of credit;
- Issuance of various bank guarantees and endorsement;
- Buying debt, reception or discounting of commercial and banking documents (including promissory notes, checks and bills of exchange) and endorsements thereof;
- Renting of safe deposit boxes;
- Issuance of various withdrawal and payment cards.

Article 2- financial institution is obliged, while providing basic services, in particular the following banking services, to foreign political persons, to observe provisions set forth in this Directive:

1- Opening, blocking (the whole or part of the account) and closing interest-free loan saving account.

2- Opening, blocking (the whole or part of the account) and closing interest-free loan saving account and termed deposit investment account

Note 1: According to letter No644/1496977 dated 14Nov 2011 of General Manager of International Law of the Ministry of Foreign Affairs, introducing legal and natural persons of foreign representatives located in I.R. Iran for conducting banking activities and receiving basic services is subject to issuance of an official letter by the General Protocol Office of the Ministry of Foreign Affairs.

Note 2- Provision of all basic services to special foreign political persons is forbidden. In case of provision of basic services to the said persons before the notification of this Directive, it is necessary to immediately report the issue to the Central Bank so that the method of action be, upon usual evaluation, declared.

Note 3: Provision of basic services to other foreign political persons is permitted but the issue should be immediately reported to the Central Bank.

Article 3- In case where foreign political person withdraws from receiving basic services or in case the provision of the said services is ceased (such as blocking account, settlement of facilities), the issue should immediately be reported to the Central Bank.

Opening interest-free loan saving account

Article 4- Opening interest-free loan current account for foreign political persons is possible, only within the framework of provisions set forth in the Directive on “Method of Identification of Foreign Customers of Financial Institutions”, in particular their full identification.

Article 5- As for opening interest-free loan current account for foreign political person, the financial institution is obliged to review this matter that the applicant person falls within which group of foreign political persons mentioned in this Directive. In this regard:

5-1- Opening current account for special foreign political persons is absolutely forbidden.

5-2- In case the original home country of foreign political persons is among those countries in which organized crimes and predicate offences of money laundering are many, opening current account for them shall be subject to obtaining permission from the Central Bank.

5-3- In case after opening account, foreign political persons who hold the accounts fall under one of the previous Items...., it is necessary to immediately report the issue to the Central Bank so that the method of action be, upon usual evaluation, declared to the financial institution.

Article 6- Banks are obliged to exercise necessary controls, in order to ensure that specifications of person applying for opening account are not those of persons whom it is forbidden to open account for (such as persons who are in the black list due to the order of a judicial authority or due to having the record of bounced checks).

Article 7- Prior to opening current account, the bank is obliged to obtain necessary information, through predicted mechanisms, in order to identify the number of current accounts of the applicant in the whole banking system. Also, banks shall have to design and apply proper monitoring activities within the framework of the Circular “Guidelines for Efficient Internal Monitoring System in Financial Institution” No. 1172/MB dated 21 June 2007 issued by the Central Bank to identify the applicants who have numerous current accounts and are probably lacking necessary capacity for opening new current account.

Opening Interest-free Loan Saving Account and Termed saving Investment

Article 8- While opening interest-free loan saving account and termed deposit investment for foreign political persons, banks are obliged to conduct full identification, according to Directive on method of identification of foreign customers of financial institutions. For opening the said accounts, permanent residence of the applicant in Iran is not required.

Closing and Blocking Account

Article 9- The accounts mentioned in this Directive shall be closed in the following cases:

9-1- requesting of the applicant

9-2- By virtue of issuance of judicial verdict by Iranian courts;

9-3- By virtue of issuance of judicial verdict by foreign courts, upon approval by the Central Bank;

9-4- By virtue of issuance of judicial order by international authorities, upon approval by the Central Bank;

Note: Accounts shall be blocked only when conditions set out in items (9-2), (9-3) and (9-4) are met. The financial institution is obliged to report closing or blocking accounts of foreign political persons, along with a full report, to the Central Bank.

General Requirements

Article 10- All financial institutions are obliged to ensure observance of this Directive by their foreign branches.

Article 11- Financial institutions are obliged to report all basic services that have been provided to foreign political persons to the Central Bank.

Article 12- The financial institution should, in addition to observing provisions of this Directive, observe regulations relating to opening, blocking and closing current account applicable to all Iranian and foreign persons, in the case of foreign political persons.

This Directive has been approved in the twelfth session of the High Council on Anti-Money Laundering on 2 January 2012 in 12 articles and 6 notes.