Directive on

Performing Customer Due Diligence in Financial institutions

Purpose

In order to combat money laundering and prevent financing of terrorism and in the effective implementation of the Anti-Money Laundering Act (adopted by the Islamic Consultative Assembly on the 22 January 2008) and the Executive By-Law 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, this Directive on "Performing Customer Due Diligence in 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- Customer:

- a natural or legal person who has an account in a financial institution, or a bank account is opened by or on behalf of that person;
- any natural or legal person who is in another banking or credit service relation with the financial institution (or other beneficiary or beneficiaries) and from whom various risks, especially risks to reputation and operations, may arise for the financial institution.

1-4- Full Identification: means precise identification of customer at the time of providing basic services as described in the Directive on Identification of Customers in Financial institutions.

1-5- Basic Services: banking and credit services which, according to regulations, are considered to be pre-requisite and required for providing other services by the financial institutions after which customers call on the financial institutions to receive frequent and continuous services. Basic services include:

- Opening any type of bank accounts;
- Providing facilities and leasing transactions;
- Transactions relating to letters of credit;
- Issuance of all kinds of bank guarantees and endorsements;
- 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;

1-6- Financial Intelligence Unit: (FIU) a national, centralized and independent financial unit that has the responsibility to receive, analyze and refer the reports about suspicious transactions to the competent authorities (as specified in article 38 of the Executive By-Law of the Anti-Money Laundering Act).

Performing Due Diligence for Natural Persons

Article 2- If a natural person requesting basic services is not a known customer of the financial institution, that person’s due diligence shall be performed by self statement in the relevant forms and according to the following documents by the financial institution.

Note 1: The financial institution shall verify the truth and validity of the person’s proclamations by checking them against one or more of the following documents (as the case may be):

- For government employees, the latest certified salary and benefits statement, or a verification of the latest insurance list sent to credible insurance companies;
- The person’s account turnover report in another financial institution that is under the supervision of the Central Bank (containing the stamp of the financial institution);
- The person's latest tax statement;
- The latest value added tax statement.

Note 2: For accounts that are opened by introduction from government organizations and public institutions in order to deposit their employees’ salaries, the financial institution can accept the letter of introduction from the said organization or institution, or the employment notice of that person as one of the accepted documents. For accounts opened by private corporations for the deposit of their employees’ salaries, the financial institution may accept the introduction letter provided by the corporation on the condition that the process of identification of the corporation has already been fully carried out. It is also necessary that the said letter of introduction contain the annual salary and benefits of the person or the monthly median salary and benefits of that person and that it corresponds to the statement provided for insurance purposes.

Article 3- If the person has other sources of income, the document for each source of income must be separately submitted to the financial institution.

Article 4- If a natural person is using an account to conduct financial affairs of a legal person (such as for petty cash, supplies, etc.), said natural person must provide a letter of introduction from the legal person that has already been fully identified. The due diligence of the natural customer must not be above that of the threshold activity of the legal person in question.

Article 5- If the customer does not provide evidentiary document required to conduct the due diligence, shall be determined at the minimum level possible. The minimum threshold shall be defined periodically as necessary by the Central Bank.

Article 6- The due diligence of customers shall be updated annually, according to the regulations set forth by the Central Bank.

Performing Due Diligence for Legal Persons

Article 7- If a legal person requesting basic services is not a known customer of the financial institution, that person's due diligence shall be performed by self proclamation in the relevant forms and according to the following documents by the financial institution.

Note: The financial institution shall verify the truth and validity of that person's proclamations by checking them against one or more of the following documents (as the case may be):

- Type of business;
- Sales forecasts, cost and revenue in the company's business plan;
- Previous year's audited financial statements of the legal person;
- The person's account transaction report in another financial institution that is under the supervision of the Central Bank (for financial institutions based in Iran);
- The person's latest tax statement.

Article 8- If the customer's account transaction is not proportionate with the due diligence of that person, the financial institution must report the matter to the Financial Intelligence Unit.

Article 9- The financial institution shall design its computer software such that it can identify and report transactions that are disproportionate with determined due diligences (e.g., a sizable transfer of cash contrary to the usual activities of the customer or unusual turnover in the customer's account). The software must also be capable of updating the due diligence of customers.

Article 10- Financial institutions shall perform the due diligence of their previous customers within six months from the date of notification of this Directive. If the financial institution is unable to do so within this period of time, the due diligence shall be determined at the minimum level possible.

This Directive has been approved in the eighth session of the High Council on Anti-Money Laundering on 9 February 2011 in ten articles and four notes and is effective from the date of notification.