

Directive on

Monitoring and Control of Suspect Persons by Financial Institutions

Purpose

In order to combat money-laundering and prevent financing of terrorism and in the effective implementation of the duties set forth in the Executive By-Law of the Anti-Money Laundering Act 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 and further amendments, especially article 10 of the By-Law, this Directive on "Monitoring and Control of Suspect Persons by Financial Institutions" is hereby notified.

Definitions

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

1-1- Money laundering: means the crime of money-laundering, as defined by the Anti-Money Laundering Act of 22 January 2008;

1-2- Central Bank: Central Bank of the Islamic Republic of Iran;

1-3- 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, leasing companies, and other natural persons acting as intermediaries in the exchange of funds and are under the supervision of the Central Bank;

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.

1-4- Suspect persons: all persons whose names and specifications have been listed by the Financial Intelligence Unit, by reason of being believed to be related with money-laundering and the financing of terrorism and declared to the financial institution by the Financial Intelligence Unit or the Central Bank;

1-5- Suspicious Transactions and Activities: means transactions and activities which persons, having access to information and/or reasonable grounds, suspect are being performed with the aim of money laundering or the financing of terrorism;

1-6- 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.

1-7- Customer identification: the recognition and verification of the customer's identity using information sources and data that are independent, valid and reliable. Customer identification is divided into two groups of activities known as "initial identification" and "full identification".

1-8- Initial Identification: means checking against identification documents and entry of information declared by customer. In case the information is provided by agent or attorney, information of the principal shall be entered in addition to that of the attorney or agent.

1-9- Full Identification: means precise identification of customer at the time of providing basic services as referred to in this Directive.

1-10- 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".

1-10-1- Non-basic Services: means services which are not a prerequisite and required for providing other services to a customer nor will they 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 inter-bank (certified) checks and payment of checks.

1-10-2- Basic Services: means services which, according to regulations, are considered to be prerequisite 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- Monitoring suspect persons transactions

A financial institution shall monitor suspect persons transactions and activities and follow the orders issued by the Financial Intelligence Unit or the Central Bank in relation thereto.

Article 3- Access of personnel to the names and details of suspect persons

A financial institution shall provide the names and details of suspect persons to its relevant personnel that provide services to customers and train them in the correct implementation of this Directive.

Article 4- Confidentiality of information

A financial institution is to consider the names and details of suspect persons as confidential and only provide them to its relevant personnel. Any case of disclosure or unauthorized use of this information shall be dealt with according to the law.

Article 5- Updating

A financial institution shall immediately after receiving the names and details of suspect persons update the previous list, such that the list of suspect persons will consistently contain the latest amendments and be at the disposal of the relevant personnel.

Article 6- Obligation of software compatibility

A financial institution is obliged to design and set its service providing software and programs such that the provision of services to suspect persons will only take place within the framework of the orders issued by the Financial Intelligence Unit and the Central Bank. The said software must be so designed as to be able to send and receive the reports required by the Financial Intelligence Unit by the Anti-Money Laundering Unit of the financial institution.

Article 7- ad hoc reporting

In any case where a financial institution is acting in accordance with article 2 of this Directive, it shall immediately inform the Financial Intelligence Unit of the matter by way of the Anti-Money Laundering Unit of the financial institution or should the financial institution lack such a unit, by way of the highest official of the financial institution.

Article 8- Periodic reporting.

Every three months, a financial institution shall provide a comprehensive report on all activities it has carried out in the implementation of this Directive to the Central Bank.

This Directive has been approved in the eighth session of the High Council on Anti--Money Laundering on 9 February 2011 in 8 articles and one note and is effective from the date of notification.