

**Directive on**

**Duty to Abide by Anti-Money Laundering Regulations in**

**E-banking and E-payments**

**Purpose**

In order to ensure the full implementation of the Anti-Money Laundering Act of 22 January 2008 and in the effective implementation 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 and further amendments, especially article 6 of the By-Law and in order to create transparency and delineate the banking units duties in aligning their electronic payments and electronic banking transactions with the rules and regulations on anti-money laundering, this Directive on "Duty to Abide by Anti-Money Laundering Regulations in E-banking and E-payments" 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, leasing companies, investee companies, and other natural and legal persons acting as intermediaries in the exchange of 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- By-Law: the Executive By-Law on Money Laundering subject of resolution 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 as further amended;

1-4- Designated Threshold Amount: the sum of one hundred and fifty million (150,000,000) Riyals cash, or its equivalent in other foreign currencies and precious material. The Cabinet may, where necessary, modify such Threshold with a view to the country's economic conditions.

1-5- Payment Card: is any form of physical or virtual card issued by a financial institution which allows its holder to make payments or transfer funds to another person.

1-6- Identification Instrument: is an electronic or physical ID or a combination of the two, by which the customer can receive banking services from financial institutions' indirect portals without any other authorization. A payment card is a kind of identification instrument.

1-7- Acceptance Device: a physical device or electronic system through which banking transactions and reception of various banking services can be carried out using an identification instrument. An acceptance device may be physical, such as an ATM or a POS terminal, or virtual, such as an Internet portal.

1-8- on- site Visit: a visit by a customer to the branches, offices or administrative buildings of the financial institution and engagement with that institution's personnel for the purpose of receiving services.

1-9- off -site Visit: the use of various acceptance devices by a customer and receiving of services by means of identification instruments without engaging the financial institution's personnel.

### **Regulations on Transaction Instruments**

Article 2- The issuance of any identification instrument must be carried out after full identification of the customer and registration of the customer's identity and identification instrument specifications.

Article 3- The issuance of any named payment card, whether debit or credit cards, must be carried out after full identification of the customer and the creation or introduction of a corresponding account in a bank.

Article 4- The process of full identification of customers for the issuance of identification instruments, payment cards and opening of accounts for a customer's first visit to the financial institution is necessary. If the information elements relevant to the full identification of a customer exists in a financial institution and centralized access to that information is possible, the process need not be repeated for providing the said services and products, and it will suffice to check the identity of the customer against the specifications already existing.

Note: Identification instruments, payment cards and other items relevant to this article shall only be submitted to the customer or its legal representative after initial identification.

Article 5- Checking a customer's identity against identification information elements in off- site visits shall take place by means of the identification instruments.

Article 6- The electronic identification of customers for initial identification or transfer of documents required for full identification is permitted when that customer uses a certified digital signature issued by the Center for Certification of Digital Signatures of the Central Bank of the Islamic Republic of Iran.

Article 7- In concluding a contract, a customer must provide a written statement to the financial institution undertaking that no other person will use the identification instrument and should any issue arise in this respect, the customer will bear full responsibility.

Article 8- All unnamed cards such as gift cards and unnamed purchase cards fall under the regulations concerning cash, subject of article 1 (H) of the By-Law.

Note: Recharging any kind of unnamed payment and untraceable cards or creating this possibility on such cards is prohibited.

Article 9- The first purchaser of all unnamed payment cards must be a customer of the bank and have been identified prior to purchase. The responsibility for all transactions undertaken with such cards rests with the primary purchaser.

### **Regulations Concerning Transaction Methods**

Article 10- The installation of any acceptance device for salespersons or service providers, either physical or virtual, shall only take place after ascertaining the identity of the card acceptor and its full identification in accordance with the rules stipulated in the Directive on the Identification of Customers in Financial Institutions.

Article 11- The deposit of funds pertaining to the transactions carried out by payment cards to the account of the card acceptor will exclusively take place through the account held in a financial institution and declared by the acceptor.

Article 12- At the time of installing any kind of physical acceptance device at the location of the card acceptor, the following information and data will be received from the card acceptor and registered in the data records for acceptance devices of the financial institution or the payment service provider:

- 1- A copy of the business permit or any other documents to prove the capacity of the acceptor for reception of funds (for natural persons) or incorporation document (for legal persons);
- 2- Full postal address (containing postal code) corresponding to the business permit or registration documents of the legal person that must correspond to the location of installation of the acceptance device.

Article 13- At the time of installing any kind of virtual acceptance device for the card acceptor, the following data and information must be received from the acceptor and registered in the data records for acceptance devices of the financial institution or payment service provider:

- 1- Full postal address (containing postal code) of the business location and presence of the card acceptor (the office or place where the devices, systems or virtual payment equipment are located, and corresponds to the business license or registration document of the legal person), which must be the same as the location of installation of the acceptance device.
- 2- The precise specification and Internet address of the acceptor and the identification and location of the website domain.

Article 14- If a customer requests numerous physical or virtual acceptance devices (including in cases where a legal person requests receiving these devices for its main office, representatives and branches) articles 11 and 12 of this Directive shall apply for each of the said devices.

Article 15- When installing a physical or virtual card acceptance device for the card acceptor, the following data and information must be received from the acceptor and registered in the data records of the card acceptor in the financial institution or payment service provider:

- 1- The threshold limit for each individual financial transaction;
- 2- The threshold limit for the monthly turnover of each acceptance device.

Article 16- Any change in the information or data of the card acceptor including a change of physical or virtual location, a change in business activity or similar changes must be brought to the attention of the financial institution or payment service provider that has installed the acceptance device as soon as possible by the card acceptor and the said institutions must update their information and data in their information sites within one week of such notification. This must be clearly stated in the contracts concluded for the installation of acceptance devices.

### **Regulations on Electronic Transactions Details**

Article 17- Issuing an order for intra-banking or inter-banking payments, including an order for Real-Time Gross Settlement (RTGS) or Automated Clearing House (ACH) payments, can only take place after identifying the person issuing the order for payment.

Article 18- Submission of a request for an Automated Clearing House (ACH) withdrawal requires the identification of the beneficiary and the existence of a valid destination account in the financial institution receiving such request.

Article 19- The identification of a person ordering a payment or requesting a withdrawal in on-site visits will take place by way of the documents stated in, and according to the regulations set

forth for initial identification in article 3 of the By-Law, and for nonphysical and virtual visits such identification will take place according to common control criteria for identification instruments.

Article 20- Off-line electronic transactions, such as electronic purse transactions, which due to the nature of their technology and trade value lack a record of the details of each transaction in banking systems, are considered cash exchanges between persons.

Article 21- The financial institution must maintain all transaction information in accordance with the By-Law on “the Duration and Method for Maintaining Commercial Papers, Banks' Ledgers and Documents” approved on 15 June 2010 in the 1114<sup>th</sup> session of the Monetary and Credit Council (subject of Central Bank By-Law number 80223/89 of 6 July 2010, as further amended). Failure to do so will entail the punishments stipulated in the Act and regulations on Anti-Money-Laundering.

This Directive has been approved in the eighth session of the High Council on Anti--Money Laundering on 9 February 2011 in 21 articles and 3 notes and is effective from the date of notification.