

Directive on

Measures Necessary for Ensuring the Observance of Anti-Money Laundering Regulations by Foreign Units of Financial Institution

Purpose

In order to combat money laundering and financing of terrorism and in the effective implementation of article 31 of 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 to ensure the full implementation of the said rules in all financial institution units situated abroad and preventing them from being exposed to reputation risks, this Directive on "Measures Necessary for Ensuring the Observance of Anti-Money Laundering Regulations by Foreign Units of Financial Institution" 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- Act: means the Anti-Money-Laundering Act (enacted by the Islamic Consultative Assembly on 22nd January 2008);

1-3- By-Law: means 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;

1-4- 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 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.

1-5- Reputation Risk: potential loss due to loss of reputation for reasons such as an unfavorable financial situation, a decrease in credit ranking or loss of public trust;

1-6- Foreign Units: representative office or branch of a financial institution situated abroad;

1-7- Destination State: the country where the foreign unit of the financial institution is situated;

1-8- Foreign Subsidiary: refers to an independent legal person that has been incorporated in the destination state as a financial institution and is under the control of a financial institution of the Islamic Republic of Iran.

Article 2- A financial institution that has foreign units shall take measures to ensure that the laws and regulations on anti-money laundering and precautionary directives issued by the Central Bank are notified to such units for full implementation.

Article 3- A financial institution shall ensure that its foreign unit personnel have received the necessary training on anti-money laundering regulations and methods of discharging the responsibilities entrusted to them and have sufficient knowledge of the relevant concepts.

Article 4- Foreign units shall, in accordance with the Central Bank's guidelines on observing anti-money-laundering laws and regulations in destination states, act as follows:

1. If there are anti-money-laundering regulations compatible with international standards in the destination state, the foreign unit shall fully and diligently abide by those regulations.
2. If the regulations of the destination state set a lower standard than the regulations of the Islamic Republic of Iran, the foreign unit shall abide by the regulations of the Islamic Republic of Iran.
3. If the destination state does not have any regulations on anti-money laundering, the foreign unit shall abide by the regulations of the Islamic Republic of Iran. In this case, or if the destination state is a high-risk region in terms of money-laundering, the financial institution shall report the matter to the Central Bank in order to receive the necessary guidelines.
4. The financial institution's inspectors shall, when inspecting foreign units, prepare a detailed report on the conditions of the destination state (on money-laundering risks and the precise implementation of anti-money-laundering regulations) for the Board of Directors of the financial institution or if the institution does not have a Board of Directors, for its highest official.
5. The Anti-Money Laundering Unit of the financial institution shall continuously monitor the conditions of those countries in which the financial institution units in respect of their compliance with international standards and the anti-money-laundering regulations of Iran, and report any developments to the Board of Directors of the financial institution or if the institution does not have a Board of Directors, to its highest official. Furthermore, the financial institution shall send a copy of these reports to the Central Bank.
6. The discharge of the duties set forth in this Directive is also incumbent on the financial institution's foreign subsidiaries, if the destination state's regulations allow it.

This Directive has been approved in the eighth session of the High Council on Anti--Money Laundering on 9 February 2011 in 4 articles and one note and is effective from the date of notification.