

Executive Directive on

Anti-Money Laundering in Currency Exchange Bureaus

Purpose

In order to combat money-laundering and prevent financing of terrorism and ensure the effective implementation of article 7 of the Anti-Money Laundering Act (enacted by the Islamic Consultative Assembly on 22 January 2008), 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 its later amendments, and the Cabinet By-Law Number T/211815 H39395 on “Documenting the Flow of Funds in the Country” of 16 March 2008, and in line with international rules and criteria in the field of AML and CFT this Directive on "Anti-Money Laundering in Currency Exchange bureaus" 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: the Anti-Money Laundering Act of 22 January 2008.

1-3- By-Law: 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 its later amendments.

1-4- Financial Intelligence Unit (FIU): means a centralized and independent unit that is responsible to receive, analyze and refer the reports about suspicious transactions to the competent authorities (as specified in article 38 of the Executive By-Law to the Anti-Money Laundering Act).

1-5- Currency Exchange Bureau: any private stock company or joint guarantee company that, upon obtaining license from the Central Bank, engages in the act of sale and purchase or transfer of foreign currencies in cash or by money order or via brokers outside the country and/or engages in sale and purchase of gold and silver coins.

1-6- 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.

1-7- Cash: means any type of coins and banknotes and checks of various kinds whose transfers is not being documented and is untraceable, such as ordinary bearer checks and other checks whose bearer is a party other than the first beneficiary (such as the endorsed checks by third parties, travelers, checks, Iran checks and the like).

1-8- Money laundering: means the crime of money laundering, as defined by section 2 of the AML Act;

1-9- 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;

1-10- Customer: any person including principal, attorney or legal representative who calls on the currency exchange bureau for receiving services, dealing or transfer of funds.

1-11- Customer identification: the recognition and verification of the customer's identity using information sources and data that are independent, valid and reliable.

1-12- National ID for Legal Persons: means a unique number that is allocated to all legal persons, according to By-law No.H39271 T/16169 of Apr. 18, 2009 of the Council of Ministers.

1-13- Designated Number of Foreign Persons: means a unique number that is allocated to all foreigners related to I.R. Iran by the National Database for Foreign Nationals, according to By-law No.H40266T/ 16173 of Apr. 18, 2009 of the Council of Ministers.

1-14- FCMS: is the Foreign Currency Monitoring System that is located at the Central Bank and currency exchange bureaus are obliged to register all exchange operations and information related to identification of the customer in that System.

1-15-Currency fund: national money unit of I.R. Iran that is Rial.

1-16- Currency Exchange Bureau Designated Account: a designated account (in Rial or foreign currency) under the name of the currency exchange bureau through which the bureau's financial operations are conducted.

1-17- Customer Code: is a unique number which each individual should obtain once from the currency exchange bureau for the exchange activity.

Identification of the customer

Article 2- All currency exchange bureaus are obliged, before providing services to customers, to identify them in the following manner:

2-1- Identification of Iranian natural person

Required information for Identification of Iranian natural person includes name and surname, national ID number, date of birth, father's name, number of birth certificate, place of birth, complete residential address and postal code, landline and mobile numbers.

Currency exchange bureaus are obliged, in conducting all exchange activities, to obtain the above mentioned information from the customer, verify it against the content of the national card, register the information in the FCMS, write it on the relevant invoice and get the invoice signed by the customer.

2-2- Identification of foreign natural person

Required information for Identification of foreign natural person includes name and surname, father's or grandfather's name, nationality, number of visa, number of passport, complete residential address and postal code, home or domicile address in Iran, telephone number, designated number of foreign persons.

While obtaining the said information from foreign natural customer and verifying against original identification documents, all currency exchange bureaus are obliged in all currency operations to register information in FCMS and write it on the invoice which customer shall sign.

Note: As regards foreign natural person, the valid passport including entry and residence permission or ID card and or valid processing paper for foreign nationals, designated number of foreign persons is considered identification documents.

2-3- Identification of Iranian legal person

Required information for Identification of Iranian legal person includes, name, registration number, registration place, national ID, economic code, complete address and postal code of legal domicile of legal person and telephone number.

While obtaining the said information from legal customer and verifying against original identification documents, all currency exchange bureaus are obliged in all currency operations to

register information in FCMS and write it on the invoice which the representative of the legal person shall sign.

Note: Valid documents for legal persons consist of: Articles of association; the certificate of registration of the company; latest Official gazette;

2-4- Identification of foreign legal person

Required information for identification of foreign legal person includes: name, registration number, country and city of registration, economic code, complete address and postal code of legal domicile of legal person, telephone number, license for activity in Iran, designated number of foreign persons.

While obtaining the said information from legal customer and verifying against original identification documents, all currency exchange bureaus are obliged in all currency operations to register information in FCMS and write it on the invoice which the representative of the legal person shall sign.

Note 1: In case the transaction is more than the designated threshold amount, it is necessary for the currency exchange bureau to scan the identification documents of the customer.

Note 2: As regards all legal persons, including Iranian and foreign, it is necessary, in addition to obtaining and filing the original of the valid introduction letter, to identify the introduced representative by the legal person, in accordance with the regulations on identification natural persons.

Article 3- In case the customer who refers to the currency exchange bureau does not have the customer code, it is necessary, before defining the customer in the FCMS, to search via the national number (Iranian natural person) national ID (Iranian legal person) passport number or designated number (foreign persons) and if the customer information is not registered in the System, the bureau shall define it.

Article 4- In case of money order's operations, the declarations of customer about reason of performing money order shall be registered with relevant documents in FCMS.

Note 1: In case the purchased order by the customer is for importing, the currency exchange bureau is obliged to insert the order registration number in the FCMS.

Note 2: In case specifications provided by the customer are false and or his/her identification documents are assessed as forged by the bureau, the bureau is obliged to immediately report the issue as a suspicious transaction to the FIU. In these cases, provision of services to the customer

shall be ceased for one working day after submission of the report. After that time and in case the FIU presents a judicial decree to the bureau, necessary measures on that basis shall be taken, otherwise provision of services to the customer is permitted.

Financial transaction in currency exchange operations:

Article 5- The currency exchange bureau is obliged to install POS device – in Rial – connected to the bureau's account.

Note: Upon notification of the Central Bank for the possibility of installing POS device – in foreign currency - the bureaus shall have to install it.

Article 6- It is necessary to conduct any payment of cash higher than the designated threshold amount to the customer (including settlement of the ordered transaction or cancellation of the order or part of it by the customer) be conducted via paying in the account of the customer or issuing check in his/her name (without the possibility of countersigning). The bureau is by no means allowed to offset the original or remaining part of the customer account with other accounts.

Reporting

Article 7- Upon observing transactions and operations suspicious of money laundering and financing of terrorism, all currency exchange bureaus have a duty to submit the matter to the FIU through STR System in their institution without informing the customer. Such reports are confidential and if a customer is informed of such reports, the informer will be dealt with according to law.

Note 1: The list of some indices of identifying suspicious transactions and activities shall be sent through STR System. The currency exchange bureau is obliged to use the latest version of this list by continuous visiting of the System.

Note 2: The appraisal of the relevant personnel of the currency exchange bureau regarding a suspicious transaction is of primary importance and the declared criteria are only part of the relevant criteria.

Article 8- The submission of a report on suspicious transactions and other reports that a currency exchange bureau is obliged to submit to the Financial Intelligence Unit is not considered an accusation of any person and the submission thereof to the said unit is not considered a disclosure of personal secrets, and therefore the reporters will face no accusation in this regard.

Article 9- All currency exchange bureaus are obliged, in all transactions more than the designated threshold amount whose price is paid in cash by the customer, obtain explanations of the customer and complete the form of cash payment more than the designated threshold amount in the System.

Note: If the customer does not complete the form, or refrains from providing information that would enable the personnel of the relevant currency exchange bureau to complete the form, the personnel of the currency exchange bureaus are obligated to accept the funds from the customer, but shall inform the Financial Intelligence Unit of the issue and designate the matter as “urgent”.

Article 10- If the explanations provided by the customer about the source of the cash exceeding the Designated Threshold Amount are not convincing, or for any other reason, there is a suspicion of money laundering or the financing of terrorism, the relevant official shall have to submit the report on suspicious transactions to FIU.

Article 11- All currency exchange bureaus are obliged to submit every six months a report of their activities related in any way to this Directive to the Central Bank.

Maintaining the Records:

Article 12- All currency exchange bureaus are obliged to register the records of financial transactions and operations electronically in FCMS and keep documents relating to identification record of customers, invoices and other documents related to currency exchange bureau operations physically and at least five years since completion of operation.

.Note: Also, in case of winding up or liquidation of the currency exchange bureau, the documents shall have to be kept for five years after the winding up or liquidation.

Article 13- Records and documents mentioned in this section ought to be kept and maintained in a way that it is possible to send the requested information by the FIU within at most four working days and the requested evidence and documents within at most one month. The currency exchange bureau is responsible for search and provision of the documents.

Method of monitoring of suspect persons:

Article 14- All currency exchange bureaus are obliged to monitor operations and transactions of persons whose names have been announced by the FIU and take measures on them according to orders issued by the Unit.

Access of personnel to the names and details of suspect persons

Article 15- All currency exchange bureaus shall provide the names and details of persons, according to article 14, to its relevant personnel that provide services to customers and along with inserting them in their software, provide the possibility of issuing necessary alerts at the time of conducting transaction with those persons.

Confidentiality of information

Article 16- All currency exchange bureaus are to consider the names and details of persons, according to article 14, as confidential and only provide them to their relevant personnel. Any case of disclosure or unauthorized use of this information shall be dealt with according to the law.

Updating

Article 17- All currency exchange bureaus shall immediately after receiving the names and details of persons, according to article 14, update the previous list, such that the list of these persons will consistently contain the latest amendments and be at the disposal of the relevant personnel.

Ad hoc reporting

Article 18- In any case where all currency exchange bureaus are acting in accordance with article 14 of this Directive, it shall immediately report the Financial Intelligence Unit of the matter.

Training of personnel

Article 19- All currency exchange bureaus are obliged to train their employees the content of AML Act, its Executive By-Law and the relevant Directives.

Article 20- All currency exchange bureaus are obliged to make necessary arrangements for their employees to attend training courses on AML and CFT held by the Central Bank or the Secretariat of the High Council on AML.

This Directive has been approved in the twelfth session of the High Council on Anti-Money Laundering on 2 January 2012 in 20 articles and 11 notes and is effective from the date of notification.