



# Department of the Treasury Financial Crimes Enforcement Network

## Advisory

**FIN-2010-A008**

**Issued: June 22, 2010**

**Subject: Update on the Continuing Illicit Finance Threat Emanating from Iran**

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The Financial Crimes Enforcement Network (FinCEN) is issuing this advisory to supplement information previously provided on the serious threat of money laundering, terrorism finance, and proliferation finance emanating from the Islamic Republic of Iran,<sup>1</sup> and to provide guidance to financial institutions regarding United Nations Security Council Resolution (UNSCR) 1929, adopted on June 9, 2010.

UNSCR 1929 contains a number of new provisions which build upon and expand the financial sanctions imposed in previous resolutions (UNSCRs 1737, 1747, and 1803) and which are designed to prevent Iran from abusing the international financial system to facilitate its illicit conduct. The resolution's measures include a call for States, in addition to implementing their obligations pursuant to resolutions 1737, 1747, 1803, and 1929, to prevent the provision of any financial service – including insurance and reinsurance – or asset that does or could contribute to Iran's proliferation activities; and to prohibit on their territories new relationships with Iranian banks, including the opening of any new branches of Iranian banks, if there is a suspected link to proliferation. The UNSCR also requires States to ensure their nationals exercise vigilance when doing business with any Iranian firm, including the Islamic Revolutionary Guard Corps (IRGC) and the Islamic Republic of Iran Shipping Lines (IRISL), when there is a possibility that such business could contribute to Iran's proliferation activities.

These Security Council actions, in addition to Financial Action Task Force (FATF) statements regarding the risks posed by Iran and calling for countries to impose countermeasures,<sup>2</sup> illustrate the increasing risk to the integrity of the international financial system posed by:

- the Iranian financial sector, including the Central Bank of Iran;

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<sup>1</sup> See, "Guidance to Financial Institutions on the Increasing Money Laundering Threat Involving Illicit Iranian Activity," (FIN-2008-A002, March 20, 2008) and "Guidance to Financial Institutions on the Continuing Money Laundering Threat Involving Illicit Iranian Activity (FIN-2007-A001, October 16, 2007)

<sup>2</sup> FinCEN's advisory "Guidance to Financial Institutions Based on the Financial Action Task Force Public Statement on Anti-Money Laundering and Counter-Terrorist Financing Risks" (FIN-2010-A002) reminded institutions of FATF's statements addressing the risks that Iran's substantially deficient AML/CFT regime presents to the international financial system (See also "FATF Statement on Iran," October 11, 2007; "FATF Statement," February 28, 2008; and "FATF statement," October 16, 2008, available at <http://www.fatf-gafi.org>). In addition, FATF has issued three sets of guidance to assist States in implementing their financial obligations pursuant to United Nations Security Council resolutions 1737 (See <http://www.fatf-gafi.org/dataoecd/43/17/39494050.pdf>), 1747 (See <http://www.fatf-gafi.org/dataoecd/23/16/39318680.pdf>), and 1803 (See <http://www.fatf-gafi.org/dataoecd/47/41/41529339.pdf>) to address proliferation finance risks associated with Iran's proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems.

- commercial enterprises that are owned or controlled by the IRGC, which was designated by the State Department under Executive Order 13382 in 2007; and
- other Iranian entities supporting proliferation-related activities, particularly IRISL, which was designated by the Department of the Treasury's Office of Foreign Assets Control (OFAC) in 2008 and specifically highlighted as a proliferation risk in UNSCRs 1803 and 1929.

Iran's record of illicit and deceptive activity, coupled with its extensive integration into the global financial system, increases the risk that responsible financial institutions will unwittingly become involved in Iran's illicit activities. Many of the world's major financial institutions have either cut off or dramatically reduced their relationships with Iranian banks, leaving Iran's financial institutions increasingly isolated. Despite the degradation in Iran's access to correspondent and other financial relationships with major international financial institutions, Iran continues to maintain a visible presence in the international financial system and is constantly seeking to expand its banking presence internationally.

Public sources indicate that Iranian banks operate globally, including seven state-owned commercial banks, four specialized government banks, and six privately owned Iranian financial institutions<sup>3</sup> with more than four dozen overseas branches and subsidiaries in Asia, Europe, South America, and the Middle East.<sup>4</sup> Many of these banks report significant relationships in key global financial centers.<sup>5</sup> The Department of the Treasury is also concerned that Iranian banks (both designated and non-designated) are seeking to expand their international presence in order to circumvent the impact of sanctions on Iran's state-owned banks, presenting a risk that Iran's illicit conduct will shift to those banks that are able to maintain ties to the international financial sector.<sup>6</sup>

This advisory does not describe any new legal obligations upon U.S. persons. Existing U.S. sanctions – in particular, those under the Iranian Transactions Regulations<sup>7</sup> and Executive Orders 13382<sup>8</sup> and 13224<sup>9</sup> – already ensure that U.S. financial institutions have very limited direct exposure to Iranian financial or commercial transactions. Nonetheless, FinCEN continues to advise all U.S. financial institutions to take commensurate risk-mitigation measures to diminish threats emanating from Iran.

In that regard, FinCEN is highlighting today the following financial-services related provisions of UNSCR 1929 that may affect current or future correspondent relationships of U.S. financial institutions:

### **UNSCR 1929:**

<sup>3</sup> Central Bank of the Islamic Republic of Iran.). <http://www.cbi.ir/simplelist/1462.aspx>

<sup>4</sup> The Bankers Almanac, May 2010.

<sup>5</sup> *Id.*

<sup>6</sup> For example, OFAC designated Post Bank of Iran on June 16, 2010 for providing financial services to, and acting on behalf of, Bank Sepah, a previously designated Iranian financial institution.

<sup>7</sup> 31 CFR Part 560.

<sup>8</sup> Executive Order 13382 of June 28, 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters."

<sup>9</sup> Executive Order 13224 of September 23, 2001, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism."

- Preambular Paragraph 16: *Welcoming the guidance issued by the Financial Action Task Force (FATF) to assist States in implementing their financial obligations under resolutions 1737 (2006) and 1803 (2008), and recalling in particular the need to exercise vigilance over transactions involving Iranian banks, including the Central Bank of Iran, so as to prevent such transactions contributing to proliferation-sensitive nuclear activities, or to the development of nuclear weapon delivery systems.*

This preambular paragraph references UNSCR 1803, which called upon all States to exercise vigilance over the activities of financial institutions in their territories with all banks domiciled in Iran, and the branches and foreign subsidiaries of these banks, and draws particular attention to the potential role of the Central Bank of Iran in illicit conduct. As noted in prior FinCEN guidance, the Department of the Treasury is particularly concerned that the Central Bank of Iran may be facilitating transactions for sanctioned banks, and notes that the Central Bank of Iran and Iranian commercial banks have requested that their names be removed from global transactions to make it more difficult for intermediary financial institutions to determine the true parties in the transaction.<sup>10</sup>

- Operative Paragraph 8: *Decides that all States shall prevent the direct or indirect supply, sale or transfer to Iran, from or through their territories or by their nationals or individuals subject to their jurisdiction, or using their flag vessels or aircraft, and whether or not originating in their territories, of any battle tanks, armoured combat vehicles, large calibre artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems as defined for the purpose of the United Nations Register of Conventional Arms, or related materiel, including spare parts, or items as determined by the Security Council or Committee established pursuant to resolution 1737 (2006) (“the Committee”), decides further that all States shall prevent the provision to Iran by their nationals or from or through their territories of technical training, financial resources or services, advice, other services or assistance related to the supply, sale, transfer, provision, manufacture, maintenance or use of such arms and related materiel, and, in this context, calls upon all States to exercise vigilance and restraint over the supply, sale, transfer, provision, manufacture and use of all other arms and related materiel.*
- Operative Paragraph 21: *Calls upon all States, in addition to implementing their obligations pursuant to resolutions 1737 (2006), 1747 (2007), 1803 (2008) and this resolution, to prevent the provision of financial services, including insurance or re-insurance, or the transfer to, through, or from their territory, or to or by their nationals or entities organized under their laws (including branches abroad), or persons or financial institutions in their territory, of any financial or other assets or resources if they have information that provides reasonable grounds to believe that such services, assets or resources **could contribute to** Iran’s proliferation-sensitive nuclear activities, or the development of nuclear weapon delivery systems, including by freezing any financial or other assets or resources on their territories or that hereafter come within their territories, or that are subject to their jurisdiction or that hereafter become subject to their jurisdiction, that are related to such programmes or activities and applying*

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<sup>10</sup> FIN-2008-A002, March 20, 2008, *supra* FN 1.

*enhanced monitoring to prevent all such transactions in accordance with their national authorities and legislation (emphasis added).*

The first operative paragraph requires that States "prevent the provision... of financial resources or services to Iran... related to the supply, sale, transfer, provision, or manufacture of" prohibited arms. The second operative paragraph calls upon States to "prevent the provision of financial services... if they have information that provides reasonable grounds to believe such services, assets, or resources could contribute to Iran's proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems." In light of Iran's use of deceptive practices and abuse of the international financial system to facilitate proliferation-sensitive activities, FinCEN advises all U.S. financial institutions to take commensurate risk-mitigation measures.

As required under 31 CFR § 103.176(a), covered financial institutions should ensure that their due diligence programs, which address correspondent accounts maintained for foreign financial institutions, include appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to detect and report known or suspected money laundering activity conducted through or involving any correspondent account established, maintained, administered, or managed in the United States.

With respect to correspondent accounts held with financial institutions that maintain relationships with Iran, FinCEN reminds institutions of the increasing likelihood that Iran will use its existing correspondent relationships to hide illicit conduct in an attempt to circumvent existing sanctions. Financial institutions should be vigilant in dealing with banks that might have a connection to Iran.<sup>11</sup>

FATF has also issued guidance<sup>12</sup> advising jurisdictions to consider all customers and transactions associated with Iran as a primary risk determinant for the purposes of applying risk-based identification and enhanced scrutiny of high-risk customers and transactions that may be related to activity prohibited by various UNSCR provisions.

- Operative Paragraph 22: *Decides that all States shall require their nationals, persons subject to their jurisdiction and firms incorporated in their territory or subject to their jurisdiction to exercise vigilance when doing business with entities incorporated in Iran or subject to Iran's jurisdiction, including those of the IRGC and IRISL, and any individuals or entities acting on their behalf or at their direction, and entities owned or controlled by them, including through illicit means, if they have information that provides reasonable grounds to believe that such business **could contribute to Iran's proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems or to violations of resolutions 1737 (2006), 1747 (2007), 1803 (2008) or this resolution (emphasis added).***

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<sup>11</sup>For example, with respect to high-risk financial transactions with Iranian banks, the FATF guidance to assist States in implementing their financial obligations under UNSC 1803 includes encouraging financial institutions to obtain information on the: (i) parties to the transaction; (ii) source of funds; (iii) beneficial ownership of the counterparty; and (iv) purpose of the transaction or payment.

<sup>12</sup>FATF "Guidance Regarding the Implementation of Activity-Based Financial Prohibitions of United Nations Security Council Resolution 1737," October 12, 2007.

The increasing infiltration of Iran's legitimate economy by designated entities, including especially the IRGC, exposes international financial institutions and companies that do business with entities incorporated in Iran or subject to Iran's jurisdiction to increased risk of doing business with entities directly involved in Iran's proliferation-sensitive activities. Also of note is the exposure of international financial institutions and companies to entities owned, controlled, or otherwise affiliated with the IRGC and other designated entities. To address this concern, the Security Council decided that States must require their nationals, persons subject to their jurisdiction, and firms incorporated in their territory or subject to their jurisdiction, to exercise vigilance over business with certain entities or individuals if they have information that provides reasonable grounds to believe that such business could contribute to Iran's proliferation-sensitive activities, the development of nuclear weapon delivery systems, or violations of existing UNSCRs regarding Iran, including UNSCR 1929.

Iran's demonstrated use of deceptive practices makes it difficult to determine whether designated entities or proliferation-related activities are associated with any particular transaction involving Iran. For example, since OFAC's designation of IRISL in 2008, IRISL has employed deceptive practices to evade scrutiny, including renaming and reflagging its vessels and adjusting the information associated with financial transactions to conceal IRISL's involvement. FinCEN notes that the International Maritime Organization (IMO) registration number assigned to each vessel is a unique identifier that cannot be reassigned to another ship and remains with the ship throughout the life of the vessel. IMO numbers could provide a useful indication of whether an IRISL vessel is involved in a transaction.<sup>13</sup> The IMO numbers for IRISL vessels previously identified by the U.S. are provided on the Specially Designated Nationals and Blocked Persons List (SDN List) published by OFAC.

The focus in this Operative Paragraph is on vigilance when doing business with businesses incorporated in Iran, including the IRGC and IRISL. FATF has previously issued guidance<sup>14</sup> advising jurisdictions to consider all customers and transactions associated with Iran as a primary risk determinant for the purposes of applying risk-based identification and enhanced scrutiny of high risk customers and transactions that may be related to activity prohibited by UNSCR provisions.

- Operative Paragraph 23: *Calls upon States to take appropriate measures that prohibit in their territories the opening of new branches, subsidiaries, or representative offices of Iranian banks, and also that prohibit Iranian banks from establishing new joint ventures, taking an ownership interest in or establishing or maintaining correspondent relationships with banks in their jurisdiction to prevent the provision of financial services if they have information that provides reasonable grounds to believe that these activities could contribute to Iran's proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems.*

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<sup>13</sup> For a more complete discussion of IMO numbers, *see* [http://www.imo.org/includes/blastDataOnly.asp/data\\_id%3D17028/1886-Rev3.pdf](http://www.imo.org/includes/blastDataOnly.asp/data_id%3D17028/1886-Rev3.pdf)

<sup>14</sup> FATF "Guidance Regarding the Implementation of Activity-Based Financial Prohibitions of United Nations Security Council Resolution 1737," October 12, 2007.

- Operative Paragraph 24: *Calls upon States to take appropriate measures that prohibit financial institutions within their territories or under their jurisdiction from opening representative offices or subsidiaries or banking accounts in Iran if they have information that provides reasonable grounds to believe such financial services could contribute to Iran’s proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems.*

FinCEN remains concerned that Iranian financial institutions are seeking to compensate for the loss of access to financial sectors by establishing new financial relationships, including the opening of new foreign branches, subsidiaries, representative offices, or correspondent or other accounts either outside or within Iran, and the pursuit of joint ventures. Financial institutions should be vigilant in dealing with banks that might have a connection to Iran.

FinCEN reminds financial institutions of the existing U.S. sanctions that are administered by OFAC with respect to Iran and the Government of Iran, including but not limited to Iranian Government-owned banks, as well as other sanctions imposed on Iranian entities that have been linked to terrorist activity or to the proliferation of weapons of mass destruction. Information about these sanctions is available on OFAC’s website at <http://www.treasury.gov/offices/enforcement/ofac/>.

Additionally, as required under 31 CFR §§ 103.15 - 103.21, if a financial institution knows, suspects, or has reason to suspect that a transaction involves funds derived from illegal activity or that a customer has otherwise engaged in activities indicative of money laundering, terrorist financing, or another violation or attempted violation of law or regulation, the financial institution shall then file a Suspicious Activity Report.<sup>15</sup>

The Department of the Treasury has encouraged financial institutions worldwide to take similar precautions as those described above and urges all financial institutions to also take into account all applicable U.S. and international sanctions programs with regard to any possible transaction with Iranian institutions. To assist both domestic and international institutions in applying enhanced scrutiny, FinCEN is updating in this advisory the list of Iranian banks previously provided in March 2008:<sup>16</sup>

<b>NAME</b>	<b>LOCATION</b>
ARIAN BANK (a.k.a. ARYAN BANK)	Kabul, Afghanistan
BANCO INTERNACIONAL DE DESARROLLO SA	Caracas, Venezuela
BANK KARGOSHAEE	Tehran, Iran
BANK KESHAVARZI (added June 22, 2010) <sup>17</sup>	Tehran, Iran

<sup>15</sup> FinCEN has previously clarified that suspicious activity reporting obligations are sometimes deemed to be satisfied by reports filed with OFAC. See 69 Federal Register 76847 and “Revised Guidance of Filing Suspicious Activity Reports Relating to the Office of Foreign Assets Control” in SAR Activity Review, Issue 8 ([http://www.fincen.gov/news\\_room/rp/files/sar\\_tti\\_08.pdf](http://www.fincen.gov/news_room/rp/files/sar_tti_08.pdf)).

<sup>16</sup> *Supra* FN1.

<sup>17</sup> Formerly listed Agricultural Bank in Tehran, Agricultural Cooperative Bank of Iran (a.k.a. Bank Taavon Keshavarzi Iran) in Tehran, and Agricultural Development Bank of Iran (a.k.a. Bank Josiayi Keshahvarzi) in Tehran have all been assumed under Bank Keshavarzi.

BANK MASKAN (a.k.a. HOUSING BANK (of Iran))	Tehran, Iran
BANK MELLAT	Tehran, Iran
BANK MELLAT	Seoul, South Korea
BANK MELLAT	Ankara, Istanbul, Izmir, Turkey
BANK MELLI IRAN	Tehran, Iran
BANK MELLI IRAN	Paris, France
BANK MELLI IRAN ( <i>added June 22, 2010</i> )	Baku, Azerbaijan
BANK MELLI IRAN	Hamburg, Germany
BANK MELLI IRAN	Central, Hong Kong
BANK MELLI IRAN	Baghdad, Iraq
BANK MELLI IRAN	Muscat, Oman
BANK MELLI IRAN	Al Ain, Deira, Dubai City, Fujairah, Ras al-Khaimah, and Sharjah, United Arab Emirates
BANK MELLI IRAN ZAO	Moscow, Russia
BANK OF INDUSTRY AND MINE (of Iran) (a.k.a. BANK SANAD VAMADAN)	Tehran, Iran
BANK OF REGIONAL COOPERATION ISLAMIC FOR DEVELOPMENT AND INVESTMENT ( <i>added June 22, 2010</i> )	Baghdad, Iraq
BANK REFAH (f.k.a. WORKERS WELFARE BANK, f.k.a. BANK REFAH KARGARAN)	Tehran, Iran
BANK SADERAT IRAN	Tehran, Iran
BANK SADERAT	Paris, France
BANK SADERAT	Frankfurt, Hamburg, Germany
BANK SADERAT	Athens, Greece
BANK SADERAT	Baalbak, Beirut, Saida, Lebanon
BANK SADERAT	Muscat, Oman
BANK SADERAT	Doha, Qatar
BANK SADERAT	Ashgabat, Turkmenistan
BANK SADERAT	Abu Dhabi, Ajman, Al Ain, Dubai City, Sharjah, United Arab Emirates
BANK SADERAT PLC	London, United Kingdom
BANK SADERAT TASHKENT	Tashkent, Uzbekistan
BANK SEPAH	Tehran, Iran
BANK SEPAH	Paris, France
BANK SEPAH	Frankfurt, Germany
BANK SEPAH	Rome, Italy
BANK SEPAH INTERNATIONAL PLC	London, United Kingdom
BANK TEJARAT	Tehran, Iran
BANK TEJARAT	Paris, France

BANK TEJARAT	Dushanbe, Tajikistan
THE CENTRAL BANK OF IRAN (a.k.a. BANK MARKAZI JOMHOURI ISLAMI IRAN)	Tehran, Iran
EUROPAEISCH-IRANISCHE HANDELSBANK AG (f.k.a.DEUTSCH-IRANISCHE HANDELSBANK AG)	Hamburg, Germany
EUROPAEISCH-IRANISCHE HANDELSBANK AG (f.k.a. DEUTSCH-IRANISCHE HANDELSBANK AG)	Tehran, Iran
EXPORT DEVELOPMENT BANK OF IRAN (a.k.a. BANK TOWSEH SADERAT IRAN)	Tehran, Iran
FIRST EAST EXPORT BANK ( <i>added June 22, 2010</i> )	Labuan, Malaysia
FUTURE BANK B.S.C.	Manama, Bahrain
IRAN OVERSEAS INVESTMENT BANK PLC (a.k.a. IRAN OVERSEAS INVESTMENT CORPORATION LIMITED)	London, United Kingdom
KARGOZARI BANK TEJARAT	Tehran, Iran
MELLAT BANK DB AOZT (a.k.a. MELLAT BANK S/B CJSC)	Yerevan, Armenia
MELLAT BANK S/B CJSC (a.k.a. MELLAT BANK DB AOZT)	Yerevan, Armenia
MELLI BANK PLC.	London, United Kingdom
MELLI BANK PLC. ( <i>added June 22, 2010</i> )	Hong Kong, China
PERSIA INTERNATIONAL BANK PLC.	London, United Kingdom
PERSIA INTERNATIONAL BANK PLC.	Dubai City, United Arab Emirates
POSTBANK OF IRAN ( <i>relisted from private to state-owned bank</i> )	Tehran, Iran

### Privately Owned Iranian Financial Institutions

NAME	LOCATION
BANK PASARGAD	Tehran, Iran
EN BANK PJSC (a.k.a. EGHTEHAD-E-NOVIN BANK)	Tehran, Iran
KARAFARIN BANK	Tehran, Iran
PARSIAN BANK	Tehran, Iran
SAMAN BANK CORPORATION	Tehran, Iran
BANK SARMAVE	Tehran, Iran