

**Instruction on
Compliance with the Regulations on Anti-Money Laundering 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 implementing regulations No. 181434/T 43182K of 5 December 2009 passed by the Ministers of the Working Group for the Adoption of implementing regulations of the Anti-Money Laundering Act and further amendments thereto, especially article 6 of the implementing regulations and in order to create transparency and delineate the banking units duties in complying their electronic payments and electronic banking transactions with the rules and regulations on anti-money laundering, this Instruction on "Compliance with the Regulations on Anti-Money Laundering in E-banking and E-payments" is hereby notified.

Definitions

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

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

1-2- Credit institutions: Banks (including Iranian banks and branches and representative offices of foreign banks based in the Islamic Republic of Iran), non-bank credit institutions, credit cooperatives, Gharzolhassanah funds, leasing companies, investee companies, and other natural and legal persons acting as intermediaries in the exchange of funds.

Note: "Credit institution" means a branch or representative office based in the free trade and industrial zones and the special economic zones of the Islamic Republic of Iran.

1-3- Implementing Regulations: The implementing regulations on Money Laundering subject of approval No. 181434/T 43182K of 5 December 2009 passed by the Ministers

of the Working Group for the Adoption of implementing regulations of the Anti-Money Laundering Act as further amended thereto;

1-4- Designated Threshold Amount: The sum of one hundred and fifty million (150,000,000) Rials 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 credit institution which allows its holder to make payments or transfer funds to another person.

1-6- Identification Instrument: An electronic or physical ID or a combination of the two, by which the customer can receive banking services from credit 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 credit 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 credit institution's employees.

Regulations on Transaction Instruments

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

Article 3- The issuance of any named payment card, whether debit or credit cards, must be carried out after full identification of the customer or opening or introducing 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 credit institution is necessary. If the information elements relevant to the full identification of a customer exist in a credit institution and centralized access to that information is possible, the process needs not to be repeated for providing the said services and products, and it will suffice to check the particulars of the customer against the particulars already existing in order to ensure they comply.

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, 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., is permitted for initial identification or transfer of documents required for full identification.

Article 7- In concluding a contract, a customer must provide a written statement to the credit institution undertaking that no other person will use the identification instrument and if any issue arises 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 implementing regulations.

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 the 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 Instruction on the Identification of Customers in Credit 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 credit 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 must be received from the card acceptor and registered in the data records for acceptance devices of the credit institution or the payment service provider:

1- A copy of the business license or any other documents to prove the capacity of the acceptor for reception of funds (for natural persons) or registration documents (for legal persons);

2- Full postal address (containing postal code) corresponding to the business license 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 card acceptor and registered in the data records for acceptance devices of the credit 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 equipments are located, and correspond to the business license or registration documents of the legal person), which must be the same as the location of installation of the acceptance device.

2- The precise particulars and Internet address of the acceptor, the identification particulars 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, representative offices and branches), articles 11 and 12 of this Instruction 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 credit institution or payment service provider:

1- The threshold limit for each individual credit 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 credit 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 credit 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 the regulations set forth for initial identification in article 3 of the implementing regulations, 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 to be considered as cash exchanges between persons.

Article 21- The credit institution must maintain all transaction information in accordance with the implementing regulations on the Duration and Method for Maintaining Commercial Documents, Banks' Logs and Documents approved on 15 June 2010 in the 1114th session of the Monetary and Credit Council (subject of Central Bank circular 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 Instruction 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.