

Instruction on Identification of Suspicious Transactions and Method of Reporting

Purpose

In order to combat money-laundering and prevent financing of terrorism and to provide the necessary framework for the implementation of article 7 (C) of the Anti-Money Laundering Act of 22 January 2008 and chapters two and three of the implementing regulations of the Anti-Money Laundering Act 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 43 of the implementing regulations, which requires the drafting of an Instruction on the identification of suspicious transactions and operations, this Instruction on the "Identification of Suspicious Transactions and Method of Reporting" 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- Act: means the Anti-Money-Laundering Act of 2008;

1-3- Implementing Regulations: The implementing regulations of the Anti-Money Laundering Act of 2009;

1-4- 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 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.

1-5- Customer:

any natural or legal person who has an account in a credit institution, or a bank account is opened in favour or on behalf of that person;

any natural or legal person who is in banking or credit services relation other than the above with the credit institution (or other beneficiary or beneficiaries) and from whom various risks, especially reputation and operations risks may arise for the credit institution.

1-6- Banking and credit services: Various services provided by the credit institution to a customer. Banking and credit services are divided into two groups, known as "non-basic services" and "basic services" as described below.

1-6-1- Non-basic Services: Services which are not a prerequisite and required for providing other services to a customer nor will result to a continued relationship of the customer with the credit institution. The provision of these services to a customer only requires the customer's initial identification by the credit institution as set forth in this Instruction. Some of the non-basic services are as follows:

Transfer of funds;

Any form of receipt or withdrawal;

Foreign exchange trading, whether in cash, transfers, foreign traveler's check, etc.;

Issuance of various cashier's checks, certified checks and payment of checks.

1-6-2- Basic Services: Services which, according to regulations, are considered to be pre-requisite and required for providing other services by credit institutions after which customers call on the credit institution to receive frequent and continuous services. Some of the basic services are as follows:

Opening accounts of any type with banks;

Provision of facilities and leasing transactions;

Transactions related to letters of credit;

Issuance of various bank letters of guarantee and endorsement;

Buying debt, reception or discounting of commercial and banking documents (including promissory notes, checks and bills of exchange) and endorsements thereof;

Renting of safe deposit boxes;

Issuance of various receipt and payment cards.

1-7- Suspicious Transactions and Operations: Transactions and operations which persons, having access to information and/or reasonable grounds, suspect that they are being performed with the aim of money laundering or the financing of terrorism.

Note: Reasonable grounds are conditions and circumstances that lead an ordinary person to doubt and suspect about the origin of funds and deposits or other operations of a person (natural or legal).

1-8- Financial Intelligence Unit (FIU): A national, central and independent agency that is responsible for receiving and analyze reports of suspicious transactions and disseminating them to the competent authorities (as specified in article 38 of the implementing regulations to the Anti-Money-Laundering Act).

1-9- Suspicious Transactions Report Gathering System: The system in the Financial Intelligence Unit that has been designed and commissioned to receive and collect reports and other information on money-laundering and the financing of terrorism transactions from organizations subject to the Law.

1-10- Council: High Council on Anti Money Laundering.

1-11- Secretariat: The Secretariat of the High Council on Anti Money Laundering.

Reporting

Article 2- Upon observing transactions and operations that are suspicious to money-laundering and financing of terrorism, all employees of a credit institution are responsible to report the matter to the person or unit in charge of anti-money-laundering in their institution without informing the customer. Such reports are considered to be confidential and if a customer is informed of such reports, the informer will be dealt with according to law.

Article 3- The relevant employees of credit institutions are responsible to submit their reports to the anti-money-laundering unit of their institution so that the said unit will submit them to the Financial Intelligence Unit.

Article 4- The anti-money-laundering unit of the credit institution shall, upon suspecting money-laundering being carried out by a customer, whether the customer requests basic or non-basic services, report the matter to the Financial Intelligence Unit.

Note 1: A list of some of the criteria for identifying suspicious transactions is continuously updated at www.Iranaml.ir. Credit institutions shall continuously download and use the latest list.

Note 2: The appraisal of the relevant officer of the credit institution regarding a suspicious transaction is of primary importance and the declared criteria are only part of the relevant criteria.

Article 5- The credit institution shall draft and notify the appropriate criteria for the identification of suspicious transactions for its various structural levels (branch, regional offices, etc.).

Article 6- The submission of a suspicious transaction report and other reports that a credit institution is obligated to submit to the Financial Intelligence Unit is not to be considered an accusation of any person and the submission thereof to the FIU is not be considered a disclosure of personal secrets, and therefore the reporters will face no accusation in this regard.

Article 7- The anti-money-laundering unit in every credit institution shall, in addition to submitting a report on suspicious transactions to the Financial Intelligence Unit (ordinary reports), also submit suspicious transaction reports that have been prepared by comparing the information gathered from various units of the credit institution.

Article 8- If a credit institution, in submitting a report other than a report on suspicious transactions, comes across a suspicious issue, it shall, in addition to submitting that report, also submit a report on the suspicious issue to the competent authorities.

Article 9- The anti-money-laundering unit of the credit institution shall submit the report on suspicious transaction by way of the Suspicious Transactions Reports Gathering System to the Financial Intelligence Unit by the end of the same working day at the latest. If access to the said system has not yet been granted by the Financial Intelligence Unit to the credit institution, the institution shall refer to the Internet website of the Secretariat to download and complete the printed form of suspicious transactions reports and send the completed form by registered Courier Post to the Financial Intelligence Unit.

Article 10- In order to expedite the evaluation of the reports, the official or unit in charge of anti-money-laundering in the credit institution shall be provided with the necessary and sufficient powers and access in the credit institution and the conduction of inquiries and reporting by them and the submission of the results to the competent authorities shall not be dependent upon verification or approval by any other person.

Article 11- The credit institution shall, upon receiving the username for the Suspicious Transactions Reports Gathering System, take the necessary precautions in safeguarding that username. It is to be noted that in view of the confidentiality of the information of the system, any disclosure or unauthorized use will be dealt with according to law.

Article 12- The credit institution shall evaluate on a daily basis the Suspicious Transactions Gathering Reports System and answer any requests for information in that system by the end of the same working day at the latest and provide the required information in the format determined and by way of the system.

Training of Employees

Article 13- The credit institution shall design and provide general training for all relevant employees in the credit institution, and design and provide professional training for employees in specialized areas. The record of employees participation in these training sessions shall be kept in the personal files.

Maintenance of Customers and Transactions Records

Article 14- The credit institution shall maintain and safe-keep the documents relevant to suspicious transaction reports in accordance with the implementing regulations on the Duration and Method of Maintaining Commercial Documents, Banks' Logs and Documents (circular number 80223/89 of 6 July 2010).

Scope of this Directive

Article 15- This Instruction is binding on all branches and representative offices of foreign banks and foreign fin credit institutions in Iran, credit institutions situated in free trade and industrial zones and special economic zones, and Iranian banking units (branches and representative offices) abroad.

This Instruction has been approved in the eighth session of the High Council on Anti--Money Laundering on 9 February 2011 in 15 articles and 4 notes and is effective from the date of notification. 6