

Instruction on
Necessary Measures for Ensuring the Observance of Anti-Money-Laundering
Regulations by Overseas Units of credit Institution

Purpose

In order to combat money laundering and financing of terrorism and in the effective implementation of article 31 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 to ensure the full implementation of the said rules in all credit institution units situated abroad and preventing them from being exposed to reputation risks, this Instruction on " Necessary Measures for Ensuring the Observance of Anti-Money-Laundering Regulations by Overseas Units of Credit Institution " 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: The Anti-Money-Laundering Act (enacted by the Islamic Consultative Assembly on 22nd January 2008);
- 1-3- Implementing Regulations: 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;
- 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- Reputation Risk: Potential loss due to loss of reputation for reasons such as unfavorable financial situation, decrease in credit ranking or loss of public trust;

1-6- Overseas Units: Representative office or branch of a credit institution situated abroad;

1-7- Destination Country: The country where the overseas unit of the credit institution is situated;

1-8- Subsidiary: An independent legal person that has been registered in the destination country as a credit institution and is under the control of a credit institution of the Islamic Republic of Iran.

Article 2- A credit institution that has overseas units shall take measures to ensure that the laws and regulations of anti-money-laundering and precautionary instructions issued by the Central Bank are notified completely to such units for implementation.

Article 3- A credit institution shall ensure that its overseas unit employees 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- Overseas units shall, in accordance with the Central Bank's guidelines on observing anti-money-laundering laws and regulations in destination countries, act as follows:

1. If there are anti-money-laundering regulations compatible with international standards in the destination country, the overseas unit shall fully and diligently abide by those regulations.

2. If the regulations of the destination country set a lower standard than the regulations of the Islamic Republic of Iran, the overseas unit shall abide by the regulations of the Islamic Republic of Iran.

3. If the destination country does not have any regulations on anti-money laundering, the overseas unit shall abide by the regulations of the Islamic Republic of Iran. In this case, or if the destination country is a high-risk region in terms of money-laundering, the credit institution shall report the matter to the Central Bank in order to receive the necessary guidelines.

4. The credit institution's inspectors shall, when inspecting overseas units, prepare a detailed report on the conditions of the destination country (on money-laundering risks and the precise implementation of anti-money-laundering regulations) for the Board of Directors of the credit institution or if the institution does not have a Board of Directors, for its highest official.

5. The anti-money-laundering unit of the credit institution in Iran shall continuously monitor the conditions of those countries in which the credit institution has overseas units in respect of their compliance with anti-money laundering international standards and regulations and report any related developments to the Board of Directors of the credit institution or if the institution does not have a Board of Directors, to its highest official. Furthermore, the credit institution shall send a copy of these reports to the Central Bank.

6. The discharge of the duties set forth in this Instruction is also incumbent on the credit institution's subsidiaries abroad, if the destination country's regulations allow it.

This Instruction has been approved in the eighth session of the High Council on Anti-Money Laundering on 9 February 2011 in 4 articles and 1 note and is effective from the date of notification.