Instruction on
Determining the Expected Turnover Level of the Customer in Credit Institutions (CDD)

Purpose

In order to combat money laundering and prevent financing of terrorism and in the effective implementation of the Anti-Money Laundering Act (adopted by the Islamic Consultative Assembly on the 22 January 2008) and the implementing regulations of the Anti-Money Laundering Act, 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, this Instruction on “Determining the Expected Turnover Level of the Customer in Credit Institutions” 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.
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- 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.

1-4- Full Identification: Precise identification of customer at the time of providing basic services as described in the Instruction on Identification of Customers in Credit institutions.

1-5- Basic Services: Banking and credit services which, according to regulations, are considered to be pre-requisite and requirement for providing other services by the credit institutions after which customers call on the credit institutions to receive frequent and continuous services. Some of the basic services are as follows:

Opening any type of bank accounts;

Providing facilities and leasing transactions;

Transactions relating to letters of credit;

Issuance of all kinds of bank letters of guarantee and endorsements;

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;

1-6- Financial Intelligence Unit (FIU) : A national, central and independent agency that has the responsibility for receiving and analyzing reports of suspicious transactions and disseminating them to the competent authorities (as specified in article 38 of the implementing regulations of the Anti-Money Laundering Act).

Determining the Expected Level of Turnover of Natural Persons

Article 2- If a natural person requesting basic services is not a known customer of the credit institution, that person’s expected turnover shall be determined by self-statement in the relevant forms and according to the following documents by the credit institution.

Note 1: The credit institution shall verify the truth and validity of the person’s proclamations by checking them against one or more of the following documents (as the case may be):

For government employees, the latest certified salary and benefits statement, or a verification of the latest insurance list sent to credible insurance companies;

The person’s account turnover report in another credit institution that is under the supervision of the Central Bank (containing the stamp of the credit institution);

The person's latest tax statement;

The latest value added tax statement.

Note 2: For accounts that are opened by introduction from government organizations and public institutions in order to pay their employees’ salaries, the credit institution can accept the letter of introduction from the said organization or institution, or the employment notice of that person as one of the accepted documents. For accounts opened by private corporations for the payment of their employees’ salaries, the credit institution may accept the introduction letter provided by the corporation on the condition that the process of identification of the corporation has already been fully carried out. It is also necessary that the said letter of introduction contain the annual salary and benefits of the person or the monthly median salary and benefits of that person and that it corresponds to the statement provided for insurance purposes.

Article 3- If the person has other sources of income, the documentation for each source of income must be separately submitted to the credit institution.

Article 4- If a natural person is using an account to conduct financial affairs of a legal person (such as for petty cash, supplies, etc.), the said natural person must provide a letter of introduction from the legal person that has already been fully identified. The turnover of the natural customer must not be above that of the turnover of the legal person in question.

Article 5- If the customer does not provide evidentiary documentation required to determine his/her expected level of turnover, it shall be determined at the minimum level possible. The minimum threshold shall be defined periodically as necessary by the Central Bank.

Article 6- The turnover level of customers shall be updated annually, according to the regulations set forth by the Central Bank.

Determining the Expected Turnover of Legal Persons

Article 7- If a legal person requesting basic services is not a known customer of the credit institution, that person's turnover level shall be performed by self statement in the relevant forms and according to the following documents by the credit institution. Note: The credit institution shall verify the truth and validity of that person's proclamations by checking them against one or more of the following documents (as the case may be):

Type of business;

Sales forecasts, cost and revenue in the company's business plan;

Previous year's audited financial statements of the legal person;

The person’s account turnover report in another credit institution that is under the supervision of the Central Bank (for credit institutions based in Iran);

The person's latest tax statement.

Article 8- If the customer’s account transaction is not proportionate to his/her expected turnover, the credit institution must report the matter to the Financial Intelligence Unit.

Article 9- The credit institution shall design its computer softwares such that it can identify and report transactions that are disproportionate to the determined turnover level (e.g., a sizable transfer of cash contrary to the usual activities of the customer or unusual turnover in the customer's account). The softwares must also be capable of updating the turnover level of customers.

Article 10- Credit institutions shall determine the turnover level of their previous customers within six months from the date of notification of this Instruction. If the credit institution is unable to do so within this period of time, the turnover level shall be determined at the minimum level possible.

This Instruction has been approved in the eighth session of the High Council on Anti--Money Laundering on 9 February 2011 in 10 articles and 4 notes and is effective from the date of notification.