

MEMO# 25664

November 25, 2011

New Sanctions on Iran and Notice of Proposed Rulemaking

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TO: AML COMPLIANCE WORKING GROUP No. 5-11
TRANSFER AGENT ADVISORY COMMITTEE No. 98-11
BROKER/DEALER ADVISORY COMMITTEE No. 78-11 RE: NEW SANCTIONS ON IRAN AND
NOTICE OF PROPOSED RULEMAKING

On November 21, the U.S. Department of the Treasury announced that it is taking a series of actions to confront the threat posed by Iran and significantly increasing pressure on Iran to comply with the full range of international obligations and to address the international community's longstanding concerns regarding its nuclear program. [\[1\]](#)

As part of these actions, the Treasury Department identified the Islamic Republic of Iran as a jurisdiction of primary money laundering concern under Section 311 of the USA Patriot Act based on Iran's support for terrorism, pursuit of weapons of mass destruction (WMD), reliance on state-owned or controlled agencies to facilitate WMD proliferation, and the illicit and deceptive financial activities that Iranian financial institutions – including the Central Bank of Iran – and other state-controlled entities engage in to facilitate Iran's illicit conduct and evade sanctions.

In addition, Treasury's Financial Crimes Enforcement Network also filed a Notice of Proposed Rulemaking, in which it proposes imposing a special measure against Iran. Written comments on the proposed rulemaking are due 60 days after the date of publication of the Notice in the Federal Register.

The proposed rule would prohibit covered financial institutions from establishing, maintaining, or managing in the United States any correspondent account for, or on behalf of, banking institutions in Iran. In particular, covered financial institutions would be required to apply special due diligence to their correspondent accounts to guard against their improper indirect use by Iranian banking institutions. The proposal provides that, at a minimum, the special due diligence would be required to include the following two elements. First, a covered financial institution would be required to notify those correspondent account holders that the covered financial institution knows or has reason to know provide services to Iranian banking institutions, that such correspondents may not

provide Iranian banking institutions with access to the correspondent account maintained at the covered financial institution (a form of notice is included in the proposal). Second, a covered financial institution would be required to take reasonable steps to identify any indirect use of its correspondent accounts by Iranian banking institutions, to the extent that such indirect use can be determined from transactional records maintained by the covered financial institution in the normal course of business. The proposal provides that a covered financial institution would be required to take a risk-based approach when deciding what, if any, additional due diligence measures it should adopt to guard against the improper indirect use of its correspondent accounts by Iranian banking institutions, based on risk factors such as the type of services it offers and the geographic locations of its correspondents.

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endnotes

[1] The following documents were submitted to the Federal Register on November 21, 2011: Imposition of Special Measure against the Islamic Republic of Iran as a Jurisdiction of Primary Money Laundering Concern, available at http://www.fincen.gov/statutes_regs/patriot/pdf/Irn311RulemakingProposalSpecialMeasure.pdf; and Finding that the Islamic Republic of Iran is a Jurisdiction of Primary Money Laundering Concern, available at http://www.fincen.gov/statutes_regs/patriot/pdf/Iran311Finding.pdf. Additional information about these measures is provided in the Treasury Fact Sheet: New Sanctions on Iran, available at <http://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx>.

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