

MEMO# 21855

October 18, 2007

FinCEN Issues Advisory to U.S. Financial Institutions on Increased Money Laundering Threat Involving Illicit Iranian Activity

[21855]

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TO: AML COMPLIANCE WORKING GROUP No. 8-07
TRANSFER AGENT ADVISORY COMMITTEE No. 73-07 RE: FINCEN ISSUES ADVISORY TO U.S. FINANCIAL INSTITUTIONS ON INCREASED MONEY LAUNDERING THREAT INVOLVING ILLICIT IRANIAN ACTIVITY

The Financial Crimes Enforcement Network (FinCEN) issued an [advisory](#) on October 16 alerting U.S. financial institutions to an increased money laundering threat involving illicit Iranian activity. [\[1\]](#) The advisory follows a [statement](#) published last week by the Financial Action Task Force (FATF) expressing concern that Iran's lack of a comprehensive regime to prevent money laundering and terrorist financing represents a significant vulnerability within the international financial system. [\[2\]](#)

For U.S. financial institutions, among other things, the FATF statement means that correspondent accounts established or maintained for financial institutions licensed in Iran will be subject to "enhanced due diligence" under the provisions of section 312 of the USA PATRIOT Act. [\[3\]](#)

The FinCEN advisory also notes that FATF has issued guidance applicable to Iran regarding the implementation of financial provisions of United Nations Security Council Resolutions to counter the proliferation of weapons of mass destruction. The advisory then warns that these recent international actions may result in an increased effort by Iranian entities to circumvent international sanctions and related financial scrutiny through the use of deceptive practices involving shell companies and other intermediaries.

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endnotes

[1] See FinCEN, Guidance to Financial Institutions on the Increasing Money Laundering Threat Involving Illicit Iranian Activity (Oct. 16, 2007), available at www.fincen.gov/guidance_fi_increasing_mlt_iranian.pdf.

[2] See FATF-GAFI, FATF Statement on Iran (Oct. 11, 2007), available at www.fatf-gafi.org/dataoecd/1/2/39481684.pdf.

[3] See [Memorandum](#) [21531] to AML Compliance Working Group No. 5-07, SEC Rules Members No. 112-07, and Transfer Agent Advisory Committee No. 51-07, dated August 27, 2007 (discussing the implementation and applicability of enhanced due diligence requirements).

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