Financial Crimes Enforcement Network
Department of the Treasury

Advisory

FIN-2007-A001
Issued: October 16 2007
Subject: Guidance to Financial Institutions on the Increasing Money Laundering Threat Involving Illicit Iranian Activity

The Financial Crimes Enforcement Network is issuing this advisory to U.S. financial institutions so that they may guard against threats of illicit Iranian activity related to money laundering, terrorist financing and weapons of mass destruction proliferation financing. The Financial Action Task Force (FATF)[1] has recently determined that Iran's lack of a comprehensive anti-money laundering and combating the financing of terrorism (AML/CFT) regime represents a significant vulnerability within the international financial system. These deficiencies, among others, have caused Iran to be identified in a statement of concern dated October 11, 2007. As noted in the statement, "FATF members are advising their financial institutions to take the risk arising from deficiencies in Iran's AML/CFT regime into account for enhanced due diligence."

Iran is currently the only country for which FATF has publicly identified such a significant AML/CFT vulnerability. FATF called upon Iran "to address on an urgent basis its AML/CFT deficiencies, including those identified in the 2006 International Monetary Fund Article IV Consultation Report for Iran"[2]

In addition to the recent FATF action citing Iran's AML/CFT deficiencies, FATF has released guidance on implementing the activity-based financial prohibitions called for under United Nations Security Council Resolution (UNSCR) 1737 of December 23, 2006 and UNSCR 1747 of March 24, 2007 with respect to Iran's ongoing nuclear program. UNSCR 1737 in particular requires all member states "to prevent the provision to Iran of any technical assistance or training, financial assistance, investment, brokering or other services, and the transfer of financial resources or services, related to the supply, sale, transfer, manufacture or use of the prohibited items, materials, equipment, goods and technology" associated with Iran's proliferation sensitive nuclear activities. The FATF has advised jurisdictions to consider all customers and transactions associated with Iran as a primary risk determinant for the purposes of applying risk-based identification and enhanced scrutiny with respect to high-risk customers and transactions that may be related to activity prohibited by UNSCR 1737.

In light of the recent UNSCRs and the pronouncement of FATF's concerns with Iran and weapons proliferation financing, financial institutions should be particularly aware that there may be an increased effort by Iranian entities to circumvent international sanctions and related financial

[1] The FATF is a 34 member inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.
[2] Article IV of the IMF Articles of Agreement represents a general obligation on all IMF members to undergo regular surveillance of their economic and financial policies.

community scrutiny through the use of deceptive practices involving shell companies and other intermediaries or requests that identifying information be removed from transactions. Such efforts may originate in Iran or Iranian free trade zones subject to separate regulatory and supervisory controls, including Kish Island. Such efforts may also originate wholly outside of Iran at the request of Iranian-controlled entities.

Financial institutions also are reminded of the existing U.S. sanctions that are administered by the Department of the Treasury's Office of Foreign Assets Control (OFAC) with respect to the Government of Iran, including but not limited to Iranian Government-owned banks, as well as other sanctions imposed on Iranian entities that have been linked to terrorist activity and the proliferation of weapons of mass destruction. Information about these sanctions is available on OFAC's website at http://www.treasury.gov/offices/enforcement/ofac/.