

**Circular no. 2**

**Anti- Money Laundering (AML) Division**

**Subject: Instructions regarding how to know Your Customer**

**Target:**

Pursuant to Anti-Money Laundering / Counter\_ Terrorist financing ( CTF ) and provide necessary arrangements for implementing Paragraph Two of Article-14 contained in Monetary and Banking State Law (Approved Dated Tir,1351 and Amendments after that ), Paragraph A of Article-7 the law against money launderings (passed by Islamic Parliament Dated second Bahman,1386 ), Chapter II of the Executive Regulations to combat money laundering Subscribe to the Department of Inspection and Audit Directive 91 issue of the Legal Department, Regulations document the flow of funds in the country Subject of Decree No.H3935 T/21815 Dated 26.12.1386 To be announced as follows::

**Definitions**

The instructions thereon the terms and phrases used is defined as follows:

**Central bank:** Central bank of Islamic Republic of Iran;

**Law:** The law against money laundering approved 2.11.1386;

**Regulations:** Executive Regulations to combat money laundering Subject Thread a member of the Committee of Ministers decree no. T/181434 Dated 14.9.1388 and Amendments after that ;( the Department of Inspection and Audit Directive 91 issue of the Legal Department)

**Credit institutions:** Banks (Including Iranian banks and branches and Agencies of foreign banks based in Islamic Republic of Iran), Non-bank credit institutions, Credit Unions, Fund loan, Leasing companies, Investee companies and Other legal entities deal with Intermediation of funds.

**Note:** Above-mentioned Credit institutions include Islamic Republic of Iran branches and agencies located in the commercial-industrial free zones and special zones as well as.

**Senior Management:** Chief executive director/ Members of the executive board and Group of executives and Senior employees of credit institutions thereof directly under any member of the executive board of or the CEO bear responsibility for implementing strategies and policies approved by the Board of Directors/ Board of Trustees or Operating staff according to case.

**Operational Risk:** The risk of loss resulting from Inappropriate and Insufficiency of Processes and procedures, People and internal systems or Caused by events outside the branch including Operational interruptions, Customers crimes, Products and job performance, Employment performance and Workplace safety.

**Reputation Risk:** The risk of loss resulting from Loss of reputation for some reason including Unfavorable financial situation, Credit rating downgrade or the loss of public confidence.

**Compliance:** It is banking operation Compliance with laws, Standards governing the activities of the Institute.

**Compliance Risk:** Including possible fines, penalties, legal, Regulatory sanctions, Exposure to significant losses or Damage to the reputation of credit institutions, due to Non-compliance with laws, regulations and standards.

**Customer (Clientele):**

- Natural or legal person who has an (bank) account at the branch or in his favor or on behalf of him the bank account is opened;

- Any natural or legal person (Beneficiary or Stakeholders) opposite side branch in conjunction with other banking and credit services and from whom the credit institution may be at the exposure of several risks especially operation and reputation risk.

Bank customer is been divided into two types: permanent and walk in customer as described below:

**Walk in customer:** Customer that In order to get non-basic services referring to the branch and providing services to whom does not require filing. Client relationship with the branch Lacks "Continuity" features. Instances walk in customers include the applicants' receipt of payment Cheque, money transfers and Pay bills.

**Permanent customer:** Customer relationship with the bank has important features of "Continuity" hence for nature and type of required services filing for inclusion its identity information or other required information is necessary.

**Customer identification:** Knowing and certifying the customer identity by use of information sources, documents and independent reliable and valid data. Customer identification divided into two groups of "Primary identification" and " Secondary identification".

**Primary identification:** Registering and complying the declared customer identification or If action by the agent or lawyer with identity document, register principle identification as well as the lawyer or reprehensive.

**Secondary identification:** Customer accurate identification when providing basic services as the instruction for how to know the Iranian customer of credit institution

**Banking and credit services:** It refers to types of services provided to customer by branch. Banking and credit services divided into two groups of "Non-Basic" and "Basic services" as follow.

**Non-Basic services:** It refers to types of services that deliver them to customer has no pre-condition and necessity providing other services or sustain client relationship with branch. Provide these services to customer are only required primary identification as the instruction for how to know the Iranian customer of credit institution. The following are among the instances of non-basic services:

- Money transfer;
- Do any payment or receive;
- Foreign exchange including cash, draft, traveler's check and similar cases;
- Issuance of banker 'checks, inter-bank checks (certified check) and sight payment;

**Basic services:** Banking and credit services upon regulation are pre-condition and necessity for providing other banking services and providing them for customer causes their referral continuity of obtaining services. The following are among the instances of basic services:

- Opening of bank accounts;
- Credit facilities/granted and Leasing;
- Letter of Credits;
- Issuance of any Letter of Guaranties and endorsement;
- (to) factor, Collection or discount commercial/banking documents (including bills, check and promissory note) and endorsement thereof;
- Safe deposit box;
- Issuance debit/credit Card;

**National Identification:** Exclusive number upon resolution no.H39271T/16169 dated 29.1.1386 is being allocated to all legal entities.

**Non-financial businesses:** People who are doing many cash transaction and expose to money laundering risk. The following are among non-financial businesses:

- Car or Housing pre-sale agents
- Goldsmiths;
- Car sellers;
- Precious carpet sellers;
- Rare commodities and expensive cultural products sellers;

**Financial Intelligence Unit:** Financial unit, focused, and independent which has the responsibility for receiving, analyzing and referring "Suspect Transaction Report" (STR) to authorities' concerned.

**Threshold transaction:** It is the amount of 150,000,000RIs, or its equivalent the coin and/or paper money of any country, and precious goods if necessity, Cabinet shall modify the mentioned threshold upon economic conditions.

**Council:** Anti-Money laundering supreme council;

**Secretariat:** Anti-Money laundering supreme council secretariat;

**S.A.H.A system:** (Authentication System entities): It is the system established in Ministry of Economic Affairs and Finance which by means of relation with thereto registrations (The Civil Registration, stats deeds and property registration, Post Company, and Tax Affairs organization), which facilities responding to call regarding authentication entities, and the address thereof.

**Wholesale Shareholder:** It refers to a person whose shares in name of a legal entity over the level in herewith instruction (individual person 5 percent, and 10 percent).

### **Customer acceptance policy**

**Clause 1-**It is the branch duty having specific and clearly measurements for customer acceptance. Herewith measurements shall be observed as follow:

1-1-Opening any accounts are being required to knowing customer upon authenticated documents.

1-2-It is the branch duty to comply the customer and concerned agents (guardian, testator, and lawyer) declared identity and entities with authenticated documents and upon said regulation.

1-3-The branch is obliged to apply necessary control prior to open account to ensure there is not any compliance between the account applicant identities with who are not allowed to open account for.

**Clause 2-** It is upon branch duties to protect and conserve customers' information and it is necessary to ta undertake necessary measurements to prevent disclosure and unauthorized use thereof.

**Clause 3-** It is upon branch duties to do necessary action for identification of formerly customers as soon as possible and in the event that there is existed any discrepancy in compliance procedure thereof, take action to resolve the discrepancy. If customer fails to resolve the discrepancy, it shall be upon staff or branch duty to report thereon to anti-money laundering division.

**Clause 4-** If it is not possible for branch to acquire necessary information for identifying customer for some reason such customer lack of cooperation or customer provide false information, Post-clarifying the case to customer branch shall prevent to provide service thereof.

**Clause 5-** It is upon branch duty to report to anti-money laundering division the customers' identification who declared false information.

**Clause 6-** It is prohibited to provide basic services for following persons by branch and if any prior to instruction notification herewith it shall be branch duty to quit customer relationship thereof:

- The person who prevent to provide the necessary information or documents;
- Illicit money exchangers;
- The person who are not allowed to open an account according to judiciary verdict;
- The Iranian national who has lack of national or ID Number;

### **"Know Your Customer" procedures**

**Clause 7-** Customer identification is categorized into two types, Primary and secondary identification upon thereon requested services (non-basic and basic services).

#### **7-1-Primary identification:**

It is upon branch duty to take measure for customer primary identification as inserted description in herewith instructions and to register data thereon at own Information system meanwhile providing any banking service (whether basic or non-basic service) and undertaking any monetary or financial operation (even less than limits on the funds) including any payment and receive, money transfer order, draw or pay a check, providing facilities, issuance any credit and debit card, letter of guaranties issuance, foreign currency, securities and bond exchange,

acceptance of letter of guaranties and co-signers affidavit in any form such as signing sears, bills and letter of credits.

**Note:** It makes no necessity for customer identification regards to less than limits on the funds, Payment of government bills and bills for utilities.

#### **7-1-1- Primary natural person's identification:**

- **Required information:**

It insists of Name and surname, national ID no., date of birth, father's name, full address thereto postal code and phone no.

- It is upon branch duty post acquiring the above-mentioned information, thereto comply with national ID card therein contents and register the same in relevant documents.

**Note 1:** It is necessary regarding whom under custodianship, acquire guardian thereto information beside the person's.

**Note 2:** Branch has only authentication to open investment or saving deposit account thereto whom under custodianship. Opening ATS account, providing loan and credit facilities, issuing letter of credit (LC ),issuing letter of guaranties ( LG ) of each, and the same for herein with persons still is forbidden.

**Note 3:** Customer primary identification is permitted upon driving license, domicile certificate or valid passport whereas there is exist possibility for branch online communication (direct or indirectly) with The Civil Registration or other authorities thereto and such institution having possibility to comply therein customer Specifications declared with contents thereof.

**Note 4:** Primary identification of natural person presented by legal person is upon criteria set forth person thereof.

#### **7-1-2-Primary identification of legal person**

Regards to the natural person refer to branch on behalf of the legal person, primary identification of such person is upon criteria set forth natural person.

**7-1-3-** If there is existed any ambiguity regards to authentication of the customer presented identification documents, it shall be upon branch customer primary identification operating staff duty to take necessary measures for demystifying and identifying customer by means of survey of other systems and data base, obtaining valid documents-upon provision of instructions thereon- or inquiry of authority thereto. Providing service shall be quitted till demystifying ambiguity.

It is upon branch duty prompt shall report to AML besides preventing of service continuity whereas there is no doubt concerned forge identity documents.

**7-2- Basic identification:**

It is upon branch duty to take measure for the basic identification and the estimated level of activity meanwhile providing any service for permanent client.

**7-2-1- Basic identification of natural person:**

• It is upon branch duty to obtain the following customer information and documents according to case besides primary identification thereof:

1. Valid certificate signed by at least one of known customer or branch confident person or certificate issued by one of central bank licensed credit institution, government agencies or Institutions, and official professional associations.
2. Customer records of correspondent with any central bank licensed credit institution and thereto institution inquiry for authentication of customer declared information.
3. Valid business license specially regards to non-financial businesses.
4. Certificate of employment for natural person holder of business license or legal entities have national ID.
5. Information regards to type, level, and target of customer activity for determining expected customer cash flow concerned activity area thereto.

**Note 1:** Basic identification of natural person entitles to act in the name of legal entity (Iranian or foreign) is upon stipulated criteria.

**7-2-2 Basic identification of legal entity:**

- For basic identification of legal entities, it is upon branch duty to obtain following documents and information besides thereof primary identification:
- Type, subject, nature and level of legal entity activities;
- The information pertaining to legal entity ranking (including authorities as the president deputy strategic planning and control credit rating agency or other expert authorities);

**Note:** It is upon branch duty to take action for determining customer expected level of activity from reviewing financial statement confirmed by each member of certified public accountant whereas company lack of ranking.

- Identification of person(s) who have liability to withdraw funds from legal entity account (including name and surname, national id, father's name, date of birth, address and postal code) and thereof organizational level ( herein with thereof authenticated signature);
- Names, Profile, Residence address of Board members, Board / CEO, Independent auditor (auditors), Legal inspector(s) and shareholders (partners) having possession of more than 5 percent of legal entity (capital stock) share (concerning other legal entities including non-profit organization and foundations and like, board of Trustees and like thereof specification);
- Headquarters, Central office address and postal code, phone number and fax thereto, authenticated signature holder names and specimen signature thereof and information concerning modes of authenticating all financial documents and correspondence thereto;

**Note:** Concerning governmental and municipal institution and organization (subject to article 587 commercial law) whereas have the ability to acquire legal entity at once of establishing with no need of register, obtaining registry date and number thereto is out of agenda. Herewith regards obtaining national ID or inquiry SAHA system and keep thereto in records provide assessing adequacy of data so there is existed no need to carry out due duties concerning basic customer identification.

**7-2-3-** For customer basic identification, it is upon branch duty to authenticate provided information (including national ID no., national ID and the like) according to case. The inquirer shall certify the date of confirmation taken from thereto database besides to thereof personal identification on said documents.

**Note:** Upon the case, it is possible for authenticating provided information, seeking inquiry from following databases:

- **Natural persons:** Database for natural persons national ID no.;
- **Legal entities:** Database for legal persons national ID;
- **Address:** The Post Company;
- **Economic code:** State taxation affairs organization;  
(The above-mentioned cases shall be obtainable from SAHA system).
- **Guilds code:** Department of Commerce;
- **Iran Code:** Department of Commerce;
- **Official Gazette database.**

**7-2-4-** For basic identification of legal entity, it is a must to comply thereto declared identification with original copy of authenticated documents by authenticated signature holders' and post inserting certified copy thereto, is kept in customer records by thereof person.

**7-2-5-** If the lawyer, guardian and testator on behalf of other person(s) apply for services, it shall be necessary for branch to identify person(s) proxy and principle thereof besides documenting thereto upon contents of herein provisions.

**7-2-6-**Documenting customer address in primary identification is undertaken through compliance of customer declared postal code with code endorsed therein national ID card and regarding basic identification thereto, the declared code is complied with postal code database information(Herein database access is possible through SAHA system).

**7-2-7-**If there exist an exclusive number for customer upon thereto creating different accounts, it shall not be necessary each account basic identification.

**7-2-8-**If wholesale shareholders whose shares in name of legal entity are been among persons(natural, legal) whom unknown for branch, it shall be necessary to identify customers as well as thereof shareholders. Anyway the legal entity operation shall be under special supervision. (Upon concerned criteria of supervising suspect persons instruction)

**7-2-9-**Regards to group of services under framework of rules and specific provisions shall be deemed necessary to receive other document and information as well, it shall be upon branch duty to observe condition contained in herein instruction, meanwhile applying following regulations to identify customer.

**7-2-10-**It is upon branch duty regarding persons who has general power of attorney for doing all affairs of legal or natural persons to take measure for basic identification of principle and trustee (as contained herewith instruction ) meanwhile reporting to AML.

**7-2-11-**It is upon branch duty to comply customer obtained information with said contents of valid documents and to ensure thereof authentication. The valid documents consist of:

• **(For) Natural persons:**

- National ID card;

- Birth certificate (only for persons under 15 year);

Birth certificate or driving license or passport (on condition branch interaction with SAHA system possibility to determine the accuracy of thereto information).

**Note:** Regards to the under-guardianship, it shall be necessary to receive official document for confirming the guardian, testator title authentication as well as a/m (above-mentioned) documents.

• **(For) Legal entities:**

- Company Certificate of registry copy or original copy;
- Registration statement or Articles of association (upon company condition);
- Approval of board of directors pursuant to open account (in name of company) and introducing the holder of authenticated signature;

**7-2-12-**If customer does not provide a/m said documents or there exists suspect transaction and likewise crimes regards to thereof activities, it shall be upon branch duty to refrain from providing services thereof and report the matter to AML.

**Article 8-**It is forbidden regards to e-banking basic services with no customer basic identification as well as any anonymous or non-traceable electronic transaction and providing thereto facilities.

**Article 9-**It is upon branch duty while as providing services for persons whose name and identification thereof declared by authorities and central offices thereto to provide more accurate monitoring and constantly monitors thereof financial performance.

**Note:** It is upon branch duty to pay special careful attention pursuant to following:

- The person or institution whose name enlisted by AML as well as accused of terrorist crimes and thereof name announced by central bank to banks thereto branches;
- Guilds with no codes';

**Article 10-**If branch does not comply information system thereto regards to the person identification and the registered real estate with relevant database, it shall be necessary transferring said information to mentioned database post providing the customer basic service due at most one month and verifying thereto authentication.

**Article 11-**It is upon branch duty to update information thereto already has been complied with relevant databases once every two month. If it is being established the natural person has been deceased otherwise herein matter does not declared to bank due date, it shall be necessary to block thereof account immediately and in case there exists transaction or deal pursuant to thereof account further than limits on the funds, herein matters shall be reported to AML.

**Article 12-**It is upon of the branch providing basic services, continuously and specifically pursuant to following matters, the information regards to customer basic identification shall be updated:

**A-** Anytime based on evidence and appearance there exists possibility of major changes in the condition of the customer.

**B-** In the event that based on evidence and appearance, branch estimates customer exposure of money laundering operation or terrorism financing.

**Article 13-** For purpose of customer information documentary, It is necessary post inquiry of relevant authorities and ensuring authentication regards thereof information, the image of herein documents shall be certified as a true copy of the original by getting it signed by the authenticated person.

**Article 14-** Six months after the notification of herein instruction, it shall be necessary matching the permanent customer legal residence address and postal code the information contained in thereto database (Registry ort registry of deeds). Regarding transient customer, branch shall be obliged to acquire the customer declared information compliance with postal code inserted therein national ID card.

**Article 15-** Providing customer services imply approval of thereto employees' approach regards customer identification and if based on herein framework there is happened to exist any deficiency, they shall be exposed to thereto responsibility.