

Iran

RISK & COMPLIANCE REPORT

DATE: October 2018

Executive Summary - Iran

Sanctions:	Extensive UN, EU and US sanctions are in force.
FAFT list of AML Deficient Countries	Yes
Higher Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations (mutual evaluation not yet undertaken)</p> <p>US Dept of State Money Laundering assessment</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Supporter of / Safe Haven for International Terrorism</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>wheat, rice, other grains, sugar beets, sugarcane, fruits, nuts, cotton; dairy products, wool; caviar</p> <p>Industries:</p> <p>petroleum, petrochemicals, fertilizers, caustic soda, textiles, cement and other construction materials, food processing (particularly sugar refining and vegetable oil production), ferrous and non-ferrous metal fabrication, armaments</p> <p>Exports - commodities:</p> <p>petroleum 80%, chemical and petrochemical products, fruits and nuts, carpets</p> <p>Exports - partners:</p> <p>China 22.1%, India 11.9%, Turkey 10.6%, South Korea 7.6%, Japan 7.1% (2012)</p> <p>Imports - commodities:</p> <p>industrial supplies, capital goods, foodstuffs and other consumer goods, technical services</p> <p>Imports - partners:</p> <p>UAE 33.2%, China 13.8%, Turkey 11.8%, South Korea 7.4% (2012)</p>	

Investment Restrictions

Due to the extensive level of sanctions in force there is little foreign investment in Iran for the time being

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Section 1 - Background

Known as Persia until 1935, Iran became an Islamic republic in 1979 after the ruling monarchy was overthrown and Shah Mohammad Reza PAHLAVI was forced into exile. Conservative clerical forces led by Ayatollah Ruhollah KHOMEINI established a theocratic system of government with ultimate political authority vested in a learned religious scholar referred to commonly as the Supreme Leader who, according to the constitution, is accountable only to the Assembly of Experts - a popularly elected 86-member body of clerics. US-Iranian relations became strained when a group of Iranian students seized the US Embassy in Tehran in November 1979 and held embassy personnel hostages until mid-January 1981. The US cut off diplomatic relations with Iran in April 1980. During the period 1980-88, Iran fought a bloody, indecisive war with Iraq that eventually expanded into the Persian Gulf and led to clashes between US Navy and Iranian military forces. Iran has been designated a state sponsor of terrorism for its activities in Lebanon and elsewhere in the world and remains subject to US, UN, and EU economic sanctions and export controls because of its continued involvement in terrorism and its nuclear weapons ambitions. Following the election of reformer Hojjat ol-Eslam Mohammad KHATAMI as president in 1997 and a reformist Majles (legislature) in 2000, a campaign to foster political reform in response to popular dissatisfaction was initiated. The movement floundered as conservative politicians, through control of unelected institutions, prevented reform measures from being enacted and increased repressive measures. Starting with nationwide municipal elections in 2003 and continuing through Majles elections in 2004, conservatives reestablished control over Iran's elected government institutions, which culminated with the August 2005 inauguration of hardliner Mahmud AHMADI-NEJAD as president. His controversial reelection in June 2009 sparked nationwide protests over allegations of electoral fraud. The UN Security Council has passed a number of resolutions calling for Iran to suspend its uranium enrichment and reprocessing activities and comply with its IAEA obligations and responsibilities. In mid-February 2011, opposition activists conducted the largest antiregime rallies since December 2009, spurred by the success of uprisings in Tunisia and Egypt. Protester turnout probably was at most tens of thousands and security forces were deployed to disperse protesters. Additional protests in March 2011 failed to elicit significant participation largely because of the robust security response, although discontent still smolders. Deteriorating economic conditions due primarily to government mismanagement and international sanctions prompted at least two major economically based protests in July and October 2012.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Iran is subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

Latest FATF Statement - 19 October 2018

In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in June 2018 to continue the suspension of counter-measures.

In December 2017, Iran established a cash declaration regime. Since June 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and Parliament has passed amendments to its AML law and bills to ratify the Palermo and TF Conventions. The FATF notes the progress of the legislative efforts. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation is fully in force, the FATF will review this alongside existing enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards. Iran's action plan expired in January 2018. In October 2018, the FATF noted that the following items are still not completed and Iran should fully address its remaining items, including: (1) adequately criminalising terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) ensuring the full independence of the Financial Intelligence Unit and requiring the submission of STRs for attempted transactions; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information; (8) establishing a broader range of penalties for violations of the ML offense; and (9) ensuring adequate legislation and procedures to provide for confiscation of property of corresponding value. The FATF decided at its meeting this week to continue the suspension of counter-measures. However, the FATF expresses its disappointment that the majority of the Action Plan remains outstanding and expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms. By February 2019, the FATF expects Iran to have brought into force the necessary legislation in line with FATF standards, or the FATF will take further steps to protect against the risks emanating from deficiencies in Iran's AML/CFT regime. The FATF also expects Iran to continue to progress with enabling

regulations and other amendments. Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence, including obtaining information on the reasons for intended transactions, to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19.

Compliance with FATF Recommendations

Iran has not yet undertaken a Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards.

US Department of State Money Laundering assessment (INCSR)

Iran is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

On October 13, 2017, the United States announced its new comprehensive Iran strategy that aims to neutralize and counter the full range of threats the Government of Iran poses to the international community, particularly those posed by the Islamic Revolutionary Guard Corps.

Iran has a large underground economy, spurred by uneven taxation, widespread smuggling, sanctions evasion, currency exchange controls, and a large Iranian expatriate community. There is also pervasive corruption within Iran's ruling and religious elite, government ministries, and government-controlled business enterprises. Although Iran is not currently a financial hub, with the lifting of nuclear-related sanctions against Iran under the Joint Comprehensive Plan of Action (JCPOA) in 2016, Iran could expand its regional financial significance.

Iran remains a major transit route for opiates smuggled from Afghanistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or transport to consumers in Russia and Europe. Most drugs are smuggled into Iran across its land borders with Afghanistan and Pakistan, although maritime smuggling has increased.

On November 21, 2011, the U.S. government identified Iran as a jurisdiction of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. The FATF has repeatedly

warned of the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Iran's merchant community makes active use of MVTs, including hawaladars (sarrafi in Persian) and moneylenders. Leveraging the worldwide hawala network, Iranians are able to easily, securely, and inexpensively make both legitimate and illegitimate money transfers to Europe, North America, and beyond. Counter-valuation in hawala transactions is often accomplished via trade; thus TBML is a prevalent form of money laundering. Many hawala owners and the traditional Iranian merchant class have ties to the regional financial hub of Dubai. As many as 350,000 Iranians reside in the United Arab Emirates (UAE), with up to 50,000 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the UAE, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds.

In 1984, the U.S. Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia.

KEY AML LAWS AND REGULATIONS

Iran has criminalized money laundering and has adopted KYC and STR requirements.

Iran has a declaration system for the cross-border transportation of currency, but whether it is compliant with international standards or is being enforced is unknown. As of April 2017, Iran introduced a new declaration directive, but it is not clear whether Iran has started effectively implementing the directive at all borders/airports. Iran stated that it plans to amend the directive.

Iran is not yet a member of either a FATF-style regional body or the Egmont Group.

AML DEFICIENCIES

In October 2007, the FATF issued its first Public Statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the risks emanating from Iran and to protect their correspondent relationships from being used to bypass or evade countermeasures or risk mitigation practices. As a result of Iran's June 2016 high-level commitment to implement an action plan to address its strategic AML/CFT deficiencies, the FATF continued to include Iran on its Public Statement, but suspended its call for countermeasures for 12 months while Iran implemented its action plan. In light of steps taken by Iran, the FATF decided twice to continue the suspension of countermeasures and urged Iran to continue making progress. Deadlines for completion of action plan items expire in January 2018. Iran must, among other things, pass amendments to its AML Law and ratify the UNTOC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

For nearly two decades, the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals that include legislation and more

than a dozen Executive Orders (E.O.s). One noteworthy action taken against Iran includes designating one state-owned Iranian bank (Bank Saderat and its foreign operations), designated for funneling money to terrorist organizations (E.O. 13224).

Although U.S. nuclear-related secondary sanctions against Iran were lifted on JCPOA Implementation Day in January 2016, the United States continues to enforce sanctions targeting Iran's support for terrorism, destabilizing regional activities, ballistic missile activities, and human rights abuses. Thus, post-JCPOA Implementation Day, more than 200 Iran-related persons and entities remain on the U.S. Department of the Treasury's List of Designated Nationals. Additionally, the United States' new Iran strategy seeks to comprehensively address the threats posed by Iran.

Although there is no information sharing agreement with the United States, Iran cooperates with other jurisdictions on money laundering matters.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Iran does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Cooperates with International Law Enforcement - By law or regulation, banks are permitted/required to cooperate with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a "safe harbour" defence to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

Criminalised Financing of Terrorism - The jurisdiction has criminalized the provision of material support to terrorists and/or terrorist organizations.

International Terrorism Financing Convention - States parties to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

Reports Suspected Terrorist Financing - By law or regulation, banks and/or other covered entities are required to record and report transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities to designated authorities.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

States Party to United Nations Transnational Organised Crime Convention - States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Iran is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Iran is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017:

Iran is a significant transit and destination country for opiates and hashish, as well as a source of methamphetamine for both international and domestic consumption. Most opiates and hashish are smuggled into Iran across its land borders with Afghanistan and Pakistan, though maritime smuggling has increased as traffickers seek to avoid Iranian border interdiction efforts. An estimated 154 metric tons (MT) of morphine or raw opium leave Afghanistan and enter Iran per year. The Iranian government claims to allocate more than \$700 million annually for border security. Although Iran's interdiction efforts along its eastern border with Afghanistan and Pakistan are extensive, joint investigations with international law enforcement partners remain rare.

According to the most recent available data from Iran's Drug Control Headquarters (DCHQ), Iranian counternarcotics forces conducted 2500 operations in 2015 and seized 620 MT of narcotics – claiming a 21 percent increase from 2014. During the first six months of 2016, Iranian authorities reportedly seized 10.52 MT of heroin and 5.14 MT of morphine throughout the country, up from what was seized during the same period in 2015 (8.66 MT of heroin and

3.15 MT of morphine). Slightly over 23 MT of opium were seized during this same period, approximate to the 23.4 MT seized in 2015. According to the UN Office on Drugs and Crime, Iran accounted for 75 percent of the world's opium seizures and 61 percent of global morphine seizures in 2014, as well as 17 percent of global heroin seizures. Approximately 35 percent of the heroin trafficked from Afghanistan transits Iran, both for domestic consumption and further export to international markets.

Opium is wildly available in Iran, largely as a result of Iran's status as a major opium transit country, and the country has one of the highest opioid addiction rates in the world. Non-governmental organizations and the private sector implement the vast majority of demand reduction and treatment programs in the country, including opioid substitution treatment, voluntary counseling centers, prison treatment, and school-based prevention campaigns. The Iranian government is devoting additional resources to confront addiction among women and adolescents, including the opening in August 2016 of the first addiction hospital for high-school- aged students. Iran's DCHQ claimed in 2016 that nine percent of women and girls in Iran were addicted to some type of illegal drug. Punishment for trafficking is severe and often involves long prison sentences or execution. In November 2014, the secretary-general of Iran's Human Rights Council publicly announced that 93 percent of Iran's executions involved drug trafficking.

The United States and Iran do not have bilateral extradition or mutual legal assistance treaties.

US State Dept Trafficking in Persons Report 2016 (introduction):

Iran is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

Iran is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Accurate information on human trafficking in Iran is difficult to obtain. Organized groups reportedly subject Iranian women, boys, and girls to sex trafficking in Iran and in Afghanistan, the Iraqi Kurdistan Region, Pakistan, United Arab Emirates, and Europe. Iranian girls between the ages of 13 and 17 are targeted by traffickers for sale abroad; younger girls may be forced into domestic service until their traffickers consider them old enough to be subjected to child sex trafficking. An increase in the transport of girls from and through Iran en route to other Gulf States for sexual exploitation has been reported from 2009-2015; during the reporting period, Iranian trafficking networks subjected Iranian girls to sex trafficking in brothels in the Iraqi Kurdistan Region. The media reported Kurdistan Regional Government officials were among the clients of these brothels. In Tehran, Tabriz, and Astara, the number of teenage girls exploited in sex trafficking continues to increase. Organized criminal groups kidnap or purchase and force Iranian and immigrant children to work as beggars and street vendors in cities, including Tehran. These children, who may be as young as 3, are coerced through physical and sexual abuse and drug addiction; reportedly many are purchased for as little as \$150.

In January 2016, an international organization reported the Iranian government and the Islamic Revolutionary Guards Corps (IRGC) coerced male Afghans resident in Iran, including migrants and refugees, to fight in military brigades deployed to Syria by threatening them with arrest and deportation to Afghanistan. Afghan boys in Iran are vulnerable to sexual abuse by their employers and harassment or blackmailing by the Iranian security service and other government officials. Traffickers subject Afghan migrants, including boys, to forced labor in construction and agricultural sectors in Iran. Trafficking networks smuggle Afghan nationals living in Iran to Europe and force them to work in restaurants to pay off debts incurred by smuggling fees. Pakistani men and women migrants in low-skilled employment, such as domestic work and construction, are targeted by organized groups and subjected to forced labor, debt bondage, restriction of movement, non-payment of wages, and physical or sexual abuse. Increasingly, despite labor code protections for registered foreign workers, employers seek adjustable contracts which make workers vulnerable to exploitative work practices such as coerced overtime and denial of work benefits.

The Government of Iran does not fully meet the minimum standards for the elimination of trafficking and is not making significant efforts to do so. As in previous reporting periods, the government did not share information on its anti-trafficking efforts. Public information from NGOs, the media, international organizations, and other governments indicates the Iranian government is not taking significant steps to address its extensive trafficking problem, particularly with regard to the protection of trafficking victims. Furthermore, during the reporting period, allegations arose of complicity by Iranian officials in the coerced recruitment and use of Afghan men for combat in Syria.

US State Dept Terrorism Report 2016

Iran is designated as a State Sponsor of Terrorism

Designated as a State Sponsor of Terrorism in 1984, Iran continued its terrorist-related activity in 2016, including support for Hizballah, Palestinian terrorist groups in Gaza, and various

groups in Syria, Iraq, and throughout the Middle East. Iran used the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) to implement foreign policy goals, provide cover for intelligence operations, and create instability in the Middle East. Iran has acknowledged the involvement of the IRGC-QF in the conflicts in Iraq and Syria and the IRGC-QF is Iran's primary mechanism for cultivating and supporting terrorists abroad.

In 2016, Iran supported various Iraqi Shia terrorist groups, including Kata'ib Hizballah, as part of an effort to fight ISIS in Iraq and bolster the Assad regime in Syria. Iran views the Assad regime in Syria as a crucial ally and Syria and Iraq as crucial routes to supply weapons to Hizballah, Iran's primary terrorist partner. Iran has facilitated and coerced, through financial or residency enticements, primarily Shia fighters from Afghanistan and Pakistan to participate in the Assad regime's brutal crackdown in Syria. Iranian-supported Shia militias in Iraq have committed serious human rights abuses against primarily Sunni civilians and Iranian forces have directly backed militia operations in Syria with armored vehicles, artillery, and drones. Since the end of the 2006 Israeli-Hizballah conflict, Iran has supplied Hizballah with thousands of rockets, missiles, and small arms, in direct violation of UN Security Council resolution (UNSCR) 1701. Iran provides the majority of financial support for Hizballah in Lebanon and has trained thousands of its fighters at camps in Iran. Hizballah fighters have been used extensively in Syria to support the Assad regime and in support of operations against ISIS in Iraq. Hizballah also carried out several attacks against Israeli Defense Forces in 2016 along the Lebanese border with Israel.

Iran has historically provided weapons, training, and funding to Hamas and other Palestinian terrorist groups, including Palestine Islamic Jihad and the Popular Front for the Liberation of Palestine-General Command. These Palestinian terrorist groups have been behind a number of deadly attacks originating in Gaza and the West Bank, including attacks against Israeli civilians and Egyptian security forces in the Sinai Peninsula.

Iran has provided weapons, funding, and training to Bahraini militant Shia groups that have conducted attacks on the Bahraini security forces. On January 6, 2016, Bahraini security officials dismantled a terrorist cell, linked to IRGC-QF, planning to carry out a series of bombings throughout the country.

The Iranian government maintains a robust cyberterrorism program and has sponsored cyberattacks against foreign government and private sector entities.

Iran remained unwilling to bring to justice senior al-Qa'ida (AQ) members it continued to detain and has refused to publicly identify the members in its custody. Since at least 2009, Iran has allowed AQ facilitators to operate a core facilitation pipeline through the country, enabling AQ to move funds and fighters to South Asia and Syria.

US Sanctions

On 8 May, 2018, President Trump announced that the United States is withdrawing from the Joint Comprehensive Plan of Action, under which certain sanctions were suspended in exchange for limitations on Iran's nuclear program.

After an initial wind-down period, the United States will be fully reinstating its nuclear-related sanctions waived under that agreement, including banning foreign subsidiaries of U.S. companies from dealing with Iran and imposing secondary sanctions on foreign companies that engage in certain Iran-related transactions.

Sanctions Fully Effective August 6.

After a 90-day wind-down period, which ends on August 6, 2018, non-U.S. persons will once again become potentially subject to secondary sanctions for certain transactions involving the following activities:

Purchase or acquisition of U.S.-dollar banknotes by the government of Iran;

Trade with Iran in gold or precious metals;

Sale or supply to Iran of coal, certain metals and software for integrating industrial processes;

Significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds denominated in rials outside Iran;

Purchase of, subscription to or facilitation of issuance of Iranian sovereign debt; and

Sale or supply of goods and services to Iran's automotive sector.

Certain primary sanctions against Iran will also be reimposed on the same day:

General and specific licenses related to export of aircraft and aircraft parts from the United States to Iran will be revoked; and

Importation of Iranian carpets and foodstuffs to the United States will once again be banned.

Sanctions Fully Effective November 4.

After a 180-day wind-down period ending on November 4, 2018, General License H, which authorizes foreign entities owned or controlled by a U.S. person to engage in certain dealings with Iran, will come to an end. This means that any transactions by such subsidiaries with persons in Iran must be brought to a close by that date.

On the same day, the remainder of the nuclear-related secondary sanctions become effective, including sanctions targeting foreign persons engaged in:

Certain transactions with Iran's port operators, shipping and shipbuilding sectors;

Certain petroleum-related transactions, including the purchase of petroleum, petroleum products or petrochemical products from Iran;

Significant transactions by foreign financial institutions with the Central Bank of Iran and Iranian financial institutions, as well as the provision of financial messaging services to those institutions;

Insurance, reinsurance and underwriting services related to the Iranian petroleum sector and certain other activities;

Certain investments in and other dealings involving Iran's energy sector; and

Significant dealings with the government of Iran and entities that it controls. In this regard, numerous Iranian state-owned entities will be moved from the "Executive Order 13,599 List," created after the JCPOA was adopted, back to the Specially Designated Nationals List.

[Read FAQs](#)

On 16 January 2016, the United States lifted the following secondary sanctions:

Financial and banking-related sanctions;

- Sanctions on the provision of underwriting services, insurance, or re-insurance in connection with activities that are consistent with the JCPOA;
- Sanctions on Iran's energy and petrochemical sectors;
- Sanctions on transactions with Iran's shipping and shipbuilding sectors and port operators;
- Sanctions on Iran's trade in gold and other precious metals;
- Sanctions on trade with Iran in graphite, raw or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes, in connection with activities that are consistent with the JCPOA;
- Sanctions on the sale, supply, or transfer of goods and services used in connection with Iran's automotive sector; and
- Sanctions on associated services for each of the categories above).

In addition to the lifting of the nuclear-related secondary sanctions set out above, on Implementation Day, the United States removed over 400 individuals and entities from OFAC's List of Specially Designated Nationals and Blocked Persons (SDN List), the Foreign Sanctions Evaders List (FSE List), and/or the Non-SDN Iran Sanctions Act List (NS-ISA List), as appropriate, pursuant to its commitment under sections 4.8.1 of Annex II and 17.3 of Annex V of the JCPOA. The names of those individuals and entities are set out in Attachment 3 to Annex II of the JCPOA. Beginning on Implementation Day, non-U.S. persons will no longer be

subject to sanctions for conducting transactions with any of the more than 400 individuals and entities set out in Attachment 3 to Annex II of the JCPOA, including the Central Bank of Iran (CBI) and the specified Iranian financial institutions, provided these transactions do not involve persons on the SDN List after Implementation Day. That said, secondary sanctions continue to apply to non-U.S. persons for conducting transactions with any of the more than 200 Iranian or Iran-related individuals and entities who remain or are placed on the SDN List, notwithstanding the lifting of secondary sanctions on categories and sectors as set out above.

A number of U.S. sanctions authorities with respect to Iran remain in place after Implementation Day, including those set out below: -

1. Primary U.S. Sanctions.

The U.S. domestic trade embargo on Iran remains in place. Even after Implementation Day, with limited exceptions, U.S. persons – including U.S. companies – continue to be broadly prohibited from engaging in transactions or dealings with Iran or its government. In addition, the Government of Iran and Iranian financial institutions remain persons whose property and interests in property are blocked under Executive Order 13599 and section 560.211 of the ITSR, and U.S. persons continue to be broadly prohibited from engaging in transactions or dealings with the Government of Iran and Iranian financial institutions, with the exception of transactions that are exempt from regulation or authorized by OFAC. Unless an exemption or express OFAC authorization applies, U.S. persons continue to have an obligation to block the property and interests in property of all individuals and entities that meet the definition of the Government of Iran or an Iranian financial institution, regardless of whether or not the individual or entity has been identified by OFAC on the E.O. 13599 List. In addition, non-U.S. persons continue to be prohibited from knowingly engaging in conduct that seeks to evade U.S. restrictions on transactions or dealings with Iran or that causes the export of goods or services from the United States to Iran.

2. Designation authorities.

In addition, after Implementation Day, the United States retains a number of authorities to counter Iran's other activities, including the following authorities which are also listed in section VII.B of the Guidance Document:

- Support for terrorism
- Iran's human rights abuses
- Proliferation of WMD and their means of delivery, including ballistic missiles:

EU Notice:

On 16 January 2016, the Council lifted all nuclear-related economic and financial EU sanctions against Iran. This follows verification by the International Atomic Energy Agency (IAEA) on 16 January 2016 that Iran has implemented the agreed nuclear-related measures as set out in the Joint Comprehensive Plan of Action (JCPOA).

On 14 July 2015, China, France, Germany, Russia, the United Kingdom and the United States, with the High Representative of the European Union for Foreign Affairs and Security Policy, agreed the JCPOA aimed at ensuring the exclusively peaceful nature of the Iranian nuclear programme while providing for the comprehensive lifting of all UN Security Council sanctions as well as EU and US sanctions related to Iran's nuclear programme following an agreed sequence of actions.

The Council on 18 October 2015 adopted the legal acts providing for the lifting of these sanctions upon verification by the IAEA of the implementation of Iran's commitments under the JCPOA.

A limited number of EU sanctions against Iran were already suspended after China, France, Germany, Russia, the United Kingdom and the United States, with the High Representative of the European Union for Foreign Affairs and Security Policy, reached an interim agreement with Iran; the Joint Plan of Action of 24 November 2013 set out an approach towards reaching a long-term comprehensive solution to the Iranian nuclear issue. The lifting of all EU economic financial sanctions taken in connection with the Iranian nuclear programme will supersede this limited sanctions relief.

EU Sanctions

On Implementation Day, the EU lifted all its economic and financial sanctions²³ taken in connection with the Iranian nuclear programme. As a consequence of the lifting of these sanctions, the following activities, including associated services, are allowed as of Implementation Day.²⁴

Financial, banking and insurance measures

The prohibition of financial transfers to and from Iran (including the notification and authorisation regimes) is lifted. Consequently, transfers of funds between EU persons, entities or bodies, including EU financial and credit institutions, and non-listed Iranian persons, entities or bodies, including Iranian financial and credit institutions²⁵, are permitted as of Implementation Day and the requirements for authorisation or notification of transfers of funds are no longer applicable.

Banking activities, such as the establishment of new correspondent banking relationships and the opening of branches, subsidiaries or representative offices of non-listed Iranian banks in Member States are permitted. Non-listed Iranian financial and credit institutions are also allowed to acquire or extend participation, or to acquire any other ownership interest in EU financial and credit institutions. EU financial and credit institutions are allowed to open representative offices or to establish branch or subsidiaries in Iran; to establish joint ventures and open bank accounts with Iranian financial or credit institutions.

The supply of specialised financial messaging services, including SWIFT, is allowed for Iranian natural or legal persons, entities or bodies, including Iranian financial institutions and the Central Bank of Iran that are no longer subject to restrictive measures as of Implementation Day.²⁶

The provision of financial support for trade with Iran such as export credit, guarantees or insurance is permitted as of Implementation Day. The same applies for commitments for grants, financial assistance and concessional loans to the Government of Iran. Other allowed activities in this context are provision of insurance and reinsurance to Iran and transactions in public or public-guaranteed bonds with Iran.

Oil, gas and petrochemical sectors

Import, purchase, swap and transport of crude oil and petroleum products, gas and petrochemical products from Iran is allowed as of Implementation Day. EU persons are able to export equipment or technology, and provide technical assistance, including training, used in the sectors of the oil, gas and petrochemical industries in Iran covering exploration, production and refining of oil and natural gas, including liquefaction of natural gas, to any Iranian person, in or outside Iran, or for use in Iran. Investing in the Iranian oil, gas and petrochemical sectors, by the granting of any financial loan or credit to, the acquisition or extension of a participation in, and the creation of any joint venture with, any Iranian person that is engaged in the oil, gas and petrochemical sectors in Iran or outside Iran is permitted as of Implementation Day.

Shipping, shipbuilding and transport sectors

Sanctions related to shipping and shipbuilding sectors and certain sanctions related to the transport sector, including the provision of associated services to these sectors, are lifted on Implementation Day.

Consequently, the following activities are allowed: sale, supply, transfer or export of naval equipment and technology for ship building, maintenance or refit, to Iran or to any Iranian persons engaged in this sector; the design, construction or the participation in the design or construction of cargo vessels and oil tankers for Iran or for Iranian persons; the provision of vessels designed or used for the transport or storage of oil and petrochemical products to Iranian persons, entities or bodies; and the provision of flagging and classification services, including those pertaining to technical specification, registration and identification numbers of any kind, to Iranian oil tankers and cargo vessels.

All cargo flights operated by Iranian carriers or originating from Iran have access to the airports under the jurisdiction of EU Member States.

Inspection, seizure and disposal by EU Member States of cargoes to and from Iran in their territories no longer apply with regard to items which are no longer prohibited.

Provision of bunkering or ship supply services, or any other servicing of vessels, to Iranian-owned or Iranian-contracted vessels not carrying prohibited items is allowed; and the provision of fuel, engineering and maintenance services to Iranian cargo aircraft not carrying prohibited items is permitted.

Gold, other precious metals, banknotes and coinage

Sale, supply, purchase, export, transfer or transport of gold and precious metals as well as diamonds, and provision of related brokering, financing and security services, to, from or for

the Government of Iran, its public bodies, corporations and agencies, or the Central Bank of Iran is allowed.

Delivery of newly printed or minted banknotes and coinage for the Central Bank of Iran is permitted.

Metals

Sale, supply, transfer or export of certain graphite and raw or semi-finished metals to any Iranian person, entity or body or for use in Iran is no longer prohibited but subject to an authorisation regime as of Implementation Day.²⁷

Software

Sale, supply, transfer or export of Enterprise Resource Planning software, including updates, to any Iranian person, entity or body, or for use in Iran, in connection with activities consistent with the JCPOA is no longer prohibited but subject to an authorisation regime as of Implementation Day if the software is designed specifically for use in nuclear and military industries.

De-listing of persons, entities and bodies

As of Implementation Day, certain persons, entities and bodies are delisted and consequently no longer subject to the asset freeze, prohibition to make funds available and visa ban. This covers UN listings and EU autonomous listings.

Proliferation-related sanctions and restrictions will remain in place after Implementation Day. These concern the arms embargo, sanctions related to missile technology, restrictions on certain nuclear-related transfers and activities, provisions concerning certain metals and software which are subject to an authorisation regime, as well as related listings which remain in force after Implementation Day.

Measures concerning inspection of cargoes to and from Iran and those related to the provision of bunkering or ship supply services continue to apply after Implementation Day in relation to items which will continue to be prohibited

UN Sanctions

UN Security Council resolution 2231 (2015) was adopted on 20 July 2015. It endorsed the JCPOA, urged its full implementation on the timetable established in the JCPOA³², and defined the schedule and commitments to be undertaken by all parties to lead to the termination of UN sanctions against Iran.

On Implementation Day, being the 16th day of January 2016, all provisions of previous UN Security Council resolutions³³ on the Iranian nuclear issue are terminated, subject to re-imposition in the event of significant non-performance by Iran of JCPOA commitments, and specific restrictions, including restrictions regarding the transfer of proliferation sensitive goods, apply.

On UN Security Council resolution Termination Day, all the provisions of UN Security Council resolution 2231 (2015) will terminate and the UN Security Council will conclude its consideration of the Iranian nuclear issue and the item will be removed from the list of matters of which the Council is seized.

Nuclear Proliferation

In 2006, the [UN Security Council](#) imposed, amongst other matters, asset freeze restrictions on persons determined by the UN as engaging in, directly associating with, or providing support for, Iran's proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems.

Between 2007 and 2012, the European Commission implemented further measures. In summary, the measures now in place involve the freezing of funds and economic resources of designated persons; restrictions on transfers of funds to and from an Iranian person, entity or body; vigilance over activities with Iranian banks; dealing with the Iranian banking sector; restrictions on Iran's access to the EU's insurance and reinsurance markets, restrictions on the provision of insurance and restrictions on financing certain Iranian enterprises and prohibitions on EU credit and financial institutions transferring funds to or from Iranian banks.

Iran (nuclear proliferation) – Supreme Court judgement in Bank Mellat v. Her Majesty's Treasury (No. 2)

Judgement was handed down on 19 June 2013 in relation to Bank Mellat's challenge to the Financial Restrictions (Iran) Order 2009 (SI 2009/2725). The Supreme Court found in favour of Bank Mellat. The Financial Restrictions (Iran) Order 2009 ceased to have effect in October 2010.

The Judgement does not affect the current EU asset freeze which remains in place against Bank Mellat. Banks and other financial institutions must continue to abide by the EU measure, and must apply all the financial restrictions that are imposed under EU Regulation 267/2012 as amended by EU Regulation 1263/2012.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	30
World Governance Indicator – Control of Corruption	26

Companies operating or planning to invest in Iran face a very high risk of corruption. A powerful system of political patronage, nepotism and cronyism pervades all sectors of the economy. Irregular payments and bribes are often exchanged to obtain services, permits or public contracts. The Rouhani government has addressed the need to curtail corruption but fails to exert enough pressure on hardliners in control of key state institutions, including the Islamic Revolutionary Guards Corps (IRGC) and the judiciary. While there are multiple laws in place that criminalize various forms of corruption in both the public and private sectors, they are not effectively enforced in practice and impunity is pervasive. **Information provided by GAN Integrity.**

Section 3 - Economy

Iran's economy is marked by statist policies, inefficiencies, and reliance on oil and gas exports, but Iran also possesses significant agricultural, industrial, and service sectors. The Iranian government directly owns and operates hundreds of state-owned enterprises and indirectly controls many companies affiliated with the country's security forces. Distortions - including inflation, price controls, subsidies, and a banking system holding billions of dollars of non-performing loans - weigh down the economy, undermining the potential for private-sector-led growth.

Private sector activity includes small-scale workshops, farming, some manufacturing, and services, in addition to medium-scale construction, cement production, mining, and metalworking. Significant informal market activity flourishes and corruption is widespread.

Fiscal and monetary constraints, following the expansion of international sanctions in 2012 on Iran's Central Bank and oil exports, significantly reduced Iran's oil revenue, forced government spending cuts, and sparked a sharp currency depreciation. Iran's economy contracted for the first time in two decades during both 2012 and 2013, but growth resumed in 2014. Iran continues to suffer from high unemployment and underemployment. Lack of job opportunities has prompted many educated Iranian youth to seek employment overseas, resulting in a significant "brain drain."

In June 2013, the election of President Hasan RUHANI generated widespread public expectations of economic improvement and greater international engagement. Almost two years into his term, RUHANI has achieved some success, including reining in inflation and, in July of 2015, securing the promise of sanctions relief for Iran by signing the Joint Comprehensive Plan of Action (JCPOA) with the P5+1. The JCPOA, which severely limits Iran's nuclear program in exchange for unfreezing Iranian assets and reopening Iran to international trade, should bolster foreign direct investment, increase trade, and stimulate growth. In spite of RUHANI's efforts, Iran's growth was tepid in 2015, and significant economic improvement resulting from sanctions relief will take months or years to materialize.

Agriculture - products:

wheat, rice, other grains, sugar beets, sugarcane, fruits, nuts, cotton; dairy products, wool; caviar

Industries:

petroleum, petrochemicals, gas, fertilizers, caustic soda, textiles, cement and other construction materials, food processing (particularly sugar refining and vegetable oil production), ferrous and nonferrous metal fabrication, armaments

Exports - commodities:

petroleum 80%, chemical and petrochemical products, fruits and nuts, carpets, cement, ore

Exports - partners:

China 22.2%, India 9.9%, Turkey 8.4%, Japan 4.5% (2015)

Imports - commodities:

industrial supplies, capital goods, foodstuffs and other consumer goods, technical services

Imports - partners:

UAE 39.6%, China 22.4%, South Korea 4.7%, Turkey 4.6% (2015)

Banking

In 1979, the government nationalized all private banks. A banking system was subsequently created where, in accordance with Islamic law, interest on loans was replaced with handling fees. This system went into effect in the mid-1980s. The Central bank, the Bank Markazi, issues currency and oversees all state and private banks. The government began to privatize the banking sector in 2001 when licenses were issued to two new privately owned banks.

There are a few foreign bank branches and representative offices in the country who are allowed to undertake administrative and coordination activities but are not permitted to open customer accounts inside Iran, receive deposits or extend normative facilities.

In 2010 there were major concerns that the Iranian banking system is in crisis, weighed down by a proliferation of non-performing loans.

Stock Exchange

The Tehran Stock Exchange opened in February 1967. Most early listings were Government bonds and certain State-baked certificates.

The Tehran Stock Exchange has evolved to where individual and institutional investor can trade securities in over 420 companies.

Section 4 - Investment Climate

Information unavailable

Section 5 - Government

Chiefs of State and Cabinet Members:

Susilo Bambang YUDHOYONO

Legal system:

religious legal system based on sharia law

International organization participation:

CICA, CP, D-8, ECO, FAO, G-15, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, MIGA, NAM, OIC, OPCW, OPEC, PCA, SAARC (observer), SCO (observer), UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNITAR, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer)

Section 6 - Tax

Exchange control

Information unavailable

Treaty and non-treaty withholding tax rates

Information unavailable

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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