

FinCEN Issues Advisory on the Iranian Regime's Illicit and Malign Activities and Attempts to Exploit the Financial System

October 11, 2018

WASHINGTON—The Financial Crimes Enforcement Network (FinCEN) issued an [advisory](#) today to help financial institutions better detect and report potentially illicit transactions related to the Islamic Republic of Iran. The [advisory](#) is also intended to help foreign financial institutions better understand the obligations of their U.S. correspondents, to avoid exposure to U.S. sanctions, and to address the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) risks that Iranian activity poses to the international financial system. The advisory provides information on the threats the Iranian regime poses to the U.S. financial system as well as to institutions that have correspondent banking relationships with U.S. financial institutions, describes deceptive financial strategies that the Iranian regime uses to evade sanctions, and provides red flag indicators related to specific malign activities and typologies.

“This advisory lays out in great detail the extent to which the Iranian regime uses deceptive practices, including front companies, fraudulent documents, exchange houses, seemingly legitimate businesses and government officials, to generate illicit revenues and finance their malign activities. Iran’s deceptive practices have been orchestrated not only by elements of their government such as the IRGC-Qods Force, but also by Central Bank of Iran officials who were at the highest levels. Any country that allows its Central Bank to be involved in deception in support of terrorism requires the highest levels of scrutiny, particularly when the country itself is the world’s largest state sponsor of terrorism,” said Sigal Mandelker, Under Secretary of the Treasury for Terrorism and Financial Intelligence. “Governments, financial institutions of all types around the world, and other companies need to be on high alert to the types of schemes described in this advisory. More than that, as we expect Iran to continue to attempt to engage in wide scale sanctions evasion while simultaneously using its resources to fund a broad array of malign activity, financial institutions should continue to sophisticate their compliance programs to keep these actors from exploiting them.”

On June 5, 2018, Under Secretary Mandelker delivered [extensive remarks](#) on the surreptitious means by which the Iranian regime finances itself.

“Crucial insight provided through Suspicious Activity Reports (SARs) and other valuable information conveyed by the financial sector have been instrumental in identifying money laundering and other financial schemes associated with the Iranian regime,” added FinCEN Director Kenneth A. Blanco. “This advisory focuses financial institutions’ attention on the current risks associated with transactions involving the Iranian regime. It also provides concrete red flags and typologies to help them identify potentially illicit Iran-linked activity. In so doing, this advisory not only increases industry awareness; it also enhances the future value of related SAR reporting and ultimately strengthens the safety and security of the U.S. financial system.”

The advisory details how the Iranian regime has abused the international financial system through illicit means. For example, the Iranian regime has masked illicit transactions using senior officials of the CBI, who used their official capacity to procure hard currency and conduct transactions for the benefit of the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) and its terrorist proxy group, Lebanese Hizballah. Accordingly, financial institutions are advised to exercise appropriate due diligence when dealing with transactions involving exchange houses that may have exposure to the Iranian regime and/or designated Iranian persons, and the advisory details examples of exchange house-related schemes. Iran-related actors use front and shell companies around the world in procurement networks through which the Iranian regime has gained goods and services related to currency counterfeiting, dual-use equipment, and the commercial aviation industry.

The advisory further warns financial institutions to be on the lookout for possible evasive practices involving Iranian shipping companies. Financial institutions should also be aware of possible Iranian abuses of virtual currency and precious metals to evade sanctions and gain access to the international financial system and to conceal their nefarious actions.

In order to help financial institutions identify deceptive activity potentially linked to the Iranian regime, FinCEN has included red flags in its advisory. For example, CBI officials’ routing transactions to personal accounts rather than central bank or government-owned accounts, and individuals or entities with no central bank or government affiliation withdrawing funds from such accounts, may be a red flag for financial institutions to investigate. Similarly, wire transfers or deposits that do not contain any information on the source of funds, contain incomplete information about the source of funds, do not match the customer’s line of business, or that involve jurisdictions where there is a higher risk of dealing with entities linked to the Iranian

regime may be red flag indicators of illicit Iranian attempts to gain access to the U.S. financial system or evade sanctions.

Following the full re-imposition on November 5, 2018 of sanctions lifted under the Joint Comprehensive Plan of Action (JCPOA), FinCEN expects that Iranian financial institutions, the Iranian regime, and its officials will increase their efforts to evade U.S. sanctions to fund malign activities and secure hard currency for the Government of Iran. Treasury and the U.S. Government are interested in information related to the Iranian regime's efforts outlined in this advisory, as well as information pertaining to how the Iranian regime or Iranian entities subject to sanctions, including the CBI, otherwise evade the sanctions and access the U.S. financial system.

When filing a SAR, financial institutions should provide all pertinent available information in the SAR form and narrative. FinCEN requests that financial institutions reference this advisory by including the key term "Iran FIN-2018-A006" in the SAR narrative and in appropriate SAR fields to indicate a connection between the suspicious activity being reported and the persons and activities highlighted in the advisory.

###

FinCEN's mission is to safeguard the financial system from illicit use, combat money laundering, and promote national security through the strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence.