

REPORTING OBLIGATIONS ON FOREIGN BANK RELATIONSHIPS WITH IRANIAN-LINKED FINANCIAL INSTITUTIONS

Objective: *Assess the bank's compliance with the Bank Secrecy Act (BSA) regulatory reporting requirements under the provisions relating to the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA).*

Regulatory Requirements for Reporting Obligations on Foreign Bank Relationships

This section outlines the regulatory requirements for banks in 31 CFR Chapter X regarding reporting obligations on foreign bank relationships with Iranian-linked financial institutions and Islamic Revolutionary Guard Corps (IRGC)-linked persons designated under the International Emergency Economic Powers Act (IEEPA). Specifically, this section covers:

- [31 CFR 1010.605](#) (Definitions)
- [31 CFR 1060.300](#)

The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) authorizes the Secretary of the Treasury to issue regulations to prohibit, or impose strict conditions on, the opening or maintaining in the United States of a correspondent account or a payable-through account¹ by a foreign financial institution that the Secretary determines has knowingly engaged in sanctionable activities.² One of the purposes of CISADA is to prevent correspondent relationships from being used by Iran and Iranian companies and financial institutions to bypass or evade sanctions.

The Financial Crimes Enforcement Network (FinCEN) established bank reporting requirements for certain foreign bank relationships and transactions with Iranian-linked financial institutions.³ These reporting requirements are triggered when FinCEN issues a written request to a bank soliciting information on the specified foreign bank. The bank receiving such a request must inquire of the foreign bank and report to FinCEN whether the foreign bank:⁴

- Maintains a correspondent account for an Iranian-linked financial institution designated under IEEPA;

¹ The term “payable-through account” has the same definition as given to the term in [31 USC 5318A](#) and means an account, including a transaction account, opened at a depository institution by a foreign financial institution by means of which the foreign financial institution permits its customers to engage, either directly or through a subaccount, in banking activities usual in connection with the business of banking in the United States.

² [22 USC 8513\(e\)](#). See also [31 CFR 1060.300\(a\)\(2\)](#).

³ FinCEN, Final rule “[Comprehensive Iran Sanctions, Accountability, and Divestment Reporting Requirements](#),” 76 Fed. Reg. 62607 (Oct. 11, 2011).

⁴ [31 CFR 1060.300\(b\)](#).

- Has processed any transfer of funds for or on behalf of, directly or indirectly, an Iranian-linked financial institution designated under IEEPA within the preceding 90 calendar days, other than through a correspondent account;⁵ and
- Has processed any transfer of funds for or on behalf of, directly or indirectly, an IRGC-linked person designated under IEEPA within the preceding 90 calendar days.⁶

Banks must report to FinCEN within 45 calendar days of the date of the request from FinCEN regardless of the foreign bank's response (e.g., positive response, negative response, incomplete response, or no response).⁷ In addition, a bank must request the foreign bank to agree to notify the bank if the foreign bank subsequently establishes a new correspondent account for an Iranian-linked financial institution designated under IEEPA at any time within 365 calendar days from the date of the foreign bank's initial response.⁸ Reports regarding new correspondent accounts for an Iranian-linked financial institution designated under IEEPA are due within 10 calendar days of receipt of the notification from the foreign bank.⁹

If certification is received from a foreign bank after the 45-calendar day deadline, the bank must update the report to FinCEN within 10 calendar days of receipt of the certification.¹⁰ A bank must also confirm, if applicable, that it does not maintain a correspondent account for the specified foreign bank, but only in instances in which FinCEN specifically requests that the bank report such information.¹¹

FinCEN has developed a model certification form for a bank to provide to a foreign bank when making an inquiry required by the rule.¹² The use of the model certification form is optional. However, any alternative form used by a bank should request the same information as the model certification form.

A bank must maintain for a period of five years a copy of any report filed and the original or any business record equivalent of any supporting documentation for a report, including a foreign bank certification or other responses to an inquiry under this section.¹³

The regulation does not require a bank to take any action, or to decline to take any action, other than the requirements identified in 31 CFR 1060.300, with respect to an account established for,

⁵ [31 CFR 1060.300\(a\)\(2\)](#). For the purposes of this section, an "Iranian-linked financial institution designated under IEEPA" means a financial institution designated by the U.S. government pursuant to IEEPA (or listed in an annex to an Executive Order issued pursuant to IEEPA) in connection with Iran's proliferation of weapons of mass destruction or delivery systems for weapons of mass destruction, or in connection with Iran's support for international terrorism.

⁶ [31 CFR 1060.300\(a\)\(2\)](#). For the purposes of this section, an "IRGC-linked person designated under IEEPA" means Iran's IRGC or any of its agents or affiliates designated by the U.S. government pursuant to IEEPA (or listed in an annex to an Executive Order issued pursuant to IEEPA).

⁷ [31 CFR 1060.300\(c\)\(1\)](#) and [\(c\)\(2\)\(i\)](#).

⁸ [31 CFR 1060.300\(b\)](#).

⁹ [31 CFR 1060.300\(c\)\(2\)](#).

¹⁰ *Id.*

¹¹ [31 CFR 1060.300\(c\)\(1\)\(vii\)](#).

¹² See Appendix A of 76 Fed. Reg. 62607 (Oct. 11, 2011) for the [model certification form](#).

¹³ [31 CFR 1060.300\(d\)](#).

or a transaction with, a foreign bank.¹⁴ However, nothing in 31 CFR 1060.300 relieves the bank of any other applicable regulatory obligation.¹⁵ A bank should consider all of the information it knows about its customer in accordance with its risk-based Bank Secrecy Act (BSA)/anti-money laundering (AML) compliance program to determine whether additional actions, such as the filing of a suspicious activity report, are warranted.

Examiner Assessment of Compliance with Reporting Obligations on Foreign Bank Relationships with Iranian-Linked Financial Institutions

Examiners should assess the adequacy of the bank's policies, procedures, and processes to enable it to fulfill its reporting obligations on foreign bank relationships with Iranian-linked financial institutions. Specifically, examiners should determine whether these internal controls are designed to mitigate and manage money laundering, terrorist financing, and other illicit financial activity risks and to comply with reporting obligations for these foreign bank relationships. Examiners may review information, such as independent testing or audit reports, to aid in their assessment of the bank's compliance with these reporting obligations. Refer to the [Assessing the BSA/AML Compliance Program - BSA/AML Internal Controls](#) section of this Manual for more information.

¹⁴ [31 CFR 1060.300\(e\)](#).

¹⁵ *Id.*

REPORTING OBLIGATIONS ON FOREIGN BANK RELATIONSHIPS WITH IRANIAN-LINKED FINANCIAL INSTITUTIONS EXAMINATION AND TESTING PROCEDURES

Objective: *Assess the bank's compliance with the Bank Secrecy Act (BSA) regulatory reporting requirements under the provisions relating to the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA).*

1. Review the bank's policies, procedures, and processes relative to reporting obligations on foreign bank relationships relating to the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA). Policies, procedures, and processes should cover the following:
 - Responding to Financial Crime Enforcement Network's (FinCEN's) requests within the designated time frame.
 - Requesting the required information from foreign banks.
 - Complying with recordkeeping requirements.
2. If the bank has received a written request from FinCEN on a specific foreign bank:
 - Verify that the response was provided to FinCEN within the designated time frame.
 - If the bank uses the [model CISADA certification form](#), verify the form is complete and certified by the foreign bank.
 - If the bank does not use the model CISADA certification form, determine whether the bank's reporting format captures the required information and certification.
 - Verify that the bank maintains for a period of five years a copy of any report filed and the original or any business record equivalent of any supporting documentation for a report, including a foreign bank certification or other responses to an inquiry under this section.
3. On the basis of examination and testing procedures completed, form a conclusion about the adequacy of policies, procedures, and processes the bank has developed to meet Bank Secrecy Act (BSA) regulatory requirements associated with reporting obligations on foreign bank relationships with Iranian-linked financial institutions.