

Iran

RISK & COMPLIANCE REPORT

DATE: February 2017

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 - 24 February 2017

In June 2016, the FATF welcomed Iran's adoption of, and high-level political commitment to, an Action Plan to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. Accordingly, in June 2016, the FATF suspended counter-measures for twelve months in order to monitor Iran's progress in implementing the Action Plan. If the FATF determines that Iran has not demonstrated sufficient progress in implementing the Action Plan at the end of that period, FATF's call for counter-measures will be re-imposed. If Iran meets its commitments under the Action Plan in that time period, the FATF will consider next steps in this regard.

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 to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19. The FATF urges Iran to fully address its AML/CFT deficiencies, in particular those related to terrorist financing.

The FATF will continue to engage with Iran and closely monitor its progress.

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 was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Iran is not a financial hub, but the imminent lifting of sanctions, including financial sector sanctions, pursuant to the Joint Comprehensive Plan of Action (JCPOA), could expand Iran's regional financial significance, as investors and companies explore opportunities for new deals in Iran. Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is also a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Iran's Minister of Interior estimated in February 2015 that the combined value of narcotics trafficking and sales in Iran is worth \$6 billion annually. Narcotics traffickers use illicit proceeds to purchase goods in the domestic Iranian market, often for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaar*i have ties to the regional hawala hub in Dubai. Around 400,000 Iranians reside in Dubai, with an estimated 50,000 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the United Arab Emirates, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds. There is pervasive corruption within Iran's ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. The FATF has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the 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, such as the Houthi group Ansarallah in Yemen, the Assad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Following the lifting of sanctions pursuant to JCPOA, Iranian financial institutions are expected to have access to financial messaging services. In recent years, international sanctions had curtailed Iran's ability to send and receive international wires. While nuclear sanctions will be lifted following JCPOA implementation, the United States will continue to enforce sanctions targeting Iran's support for terrorism, destabilizing regional activities, and ballistic missile activities.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: Not available

Criminalization of money laundering:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES **civilly:** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: Not available **Domestic:** Not available

KYC covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: Not available

Iran is not a member of a FATF-style regional body. In 2014, it applied for observer status in the Eurasian Group (EAG).

Enforcement and 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). Noteworthy actions taken against Iran under E.O.s include designating one state-owned Iranian bank (Bank Saderat and its foreign operations), which were designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran’s Islamic Revolutionary Guard Corps (IRGC), designated for providing

material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Since 2009, the FATF has urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. Most recently, in October 2015, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF, in its October 2015 Public Statement, said it remains concerned about Iran's failure to address the risk of terrorist financing, and the threat this poses to the integrity of the international financial system. The FATF continues to urge Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

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 2016:

Positioned along the world's most prolific trafficking corridor for Afghan opiates, Iran is a significant transit and destination country for illegal drugs. Most opiates and hashish are smuggled into Iran across the country's land borders with Afghanistan and Pakistan, for domestic consumption and transshipment to Turkey, Russia and European markets. Significant quantities of heroin are also trafficked by maritime conveyance from Iran's Makran coast to global markets, often transiting Eastern Africa.

Iranian officials have acknowledged that domestic production and use of methamphetamine and other synthetic drugs have also developed into a significant challenge. Over the past several years, Iranian trafficking networks have expanded into major suppliers of methamphetamine across the Middle East, Southeast Asia, Central Asia, and parts of Europe. In February 2015, Iranian law enforcement officials announced that police had destroyed at least 416 methamphetamine laboratories during the previous year in the country, an increase from 350 in 2013. Comprehensive seizure data for 2015 was not available at the time of this report, but senior Iranian law enforcement officials estimated in August that seizures of all drugs were up 18 percent from the previous year.

The Iranian government claims it has devoted significant resources toward developing a static interdiction infrastructure across its eastern land borders, including roads, watchtowers, trenches, barriers, and surveillance cameras. In public remarks, Iranian authorities have emphasized the importance of international law enforcement cooperation, and the country has signed bilateral counterdrug agreements with at least 12 countries over the past three years. Iran also participates in regional coordination mechanisms organized by the UN Office on Drugs and Crime. It is unclear if these initiatives have led to effective law enforcement cooperation, however, and Iran's vigorous use of the death penalty against purported traffickers inhibits deeper cooperation with some governments.

Iran has one of the most serious drug consumption problems in the world. The most recent official government estimate from 2013 estimated the number of current drug users in the country as approximately 3.5 million. Non-governmental sources and media reports have cited higher estimates of up to six million users. In June, judicial officials estimated that 44 percent of the country's prison population was convicted for drug offenses. Iran's Drug Control Headquarters (DCHQ) – the country's national policy coordination body – expressed concern in 2015 over growing drug use in rural areas and among young women in particular. According to the DCHQ, there are approximately 1,200 NGOs operating in Iran that are active in prevention and treatment, and provide nearly 80 percent of the country's services in these fields.

US State Dept Trafficking in Persons Report 2014 (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. Iranian women, boys, and girls are purportedly subjected to sex trafficking in Iran, as well as in Pakistan, Afghanistan, the Persian Gulf—particularly the United Arab Emirates—and Europe; Iranian women and girls are reportedly forced into prostitution in the Iraqi Kurdistan Region. In previous years, there were reports that Afghan boys and girls residing in Iran were allegedly forced into prostitution within the country. In Tehran, the number of teenage girls in prostitution reportedly continues to increase, with similar reports in Tabriz and Astara. Azerbaijani nationals are reportedly subjected to sex trafficking and forced labor in Iran. Uzbek women and children are reportedly forced into prostitution in Iran, with traffickers sometimes recruiting them to the country through fraudulent offers of employment. According to estimates, there are 35,000-50,000 children—some as young as four or five years old—forced by their parents or well-organized criminal networks to beg in the streets of Tehran; some of these children are reportedly forced to sell drugs. Some children are also reportedly forced to work in sweatshops, while some are reportedly forced into prostitution in Iran and abroad. Traffickers reportedly subject Afghan migrants to forced labor in Iran, and reportedly force Afghan boys and young men under 18-years-old to work in construction and agricultural sectors. Pakistani men and women migrate voluntarily to Iran for low-skilled employment, such as domestic work and construction, and some are reportedly subjected to forced labor, including debt bondage, and experience restriction of movement, nonpayment of wages, and physical or sexual abuse. NGO reports indicate criminal organizations play a significant role in human trafficking in Iran.

The Government of Iran does not comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government did not share information on its anti-trafficking efforts during the reporting period. Publicly available information from NGOs, the media, international organizations, and other governments indicates that the Iranian government is not taking sufficient steps to address its extensive trafficking challenges, particularly with regard to the protection of trafficking victims. The government, however, hosted a regional anti-trafficking workshop in December 2013 for representatives from numerous countries and international organizations, and it held a separate anti-trafficking workshop in early 2014.

US State Dept Terrorism Report 2015

Designated as a State Sponsor of Terrorism in 1984, Iran continued its terrorist-related activity in 2015, including support for Hizballah, Palestinian terrorist groups in Gaza, and various groups in Iraq and throughout the Middle East. In 2015, Iran increased its assistance to Iraqi Shia terrorist groups, including Kata'ib Hizballah (KH), which is a U.S. designated Foreign Terrorist Organization, as part of an effort to fight the Islamic State of Iraq and the Levant (ISIL) in Iraq and bolster the Asad regime in Syria. 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. The IRGC-QF is Iran's primary mechanism for cultivating and supporting terrorists abroad.

Iran views the Asad regime in Syria as a crucial ally, a pillar in its "resistance" front together with sub-national groups aligned with Iran, and a key link to Hizballah, Iran's primary beneficiary and terrorist partner. In addition to its ongoing support for Hizballah in Syria, Iran continued to provide arms, financing, training, and the facilitation of primarily Iraqi, Afghan,

and Pakistani Shia fighters to support the Asad regime's brutal crackdown that has resulted in the deaths of more than 250,000 people in Syria. Iran more openly acknowledged the deaths of Iranian personnel in Syria in 2015, including several senior commanders, and increased Iranian troop levels, while continuing to claim publicly that Iranian forces had only deployed in an advisory role.

In Iraq, Iranian combat forces employed rockets, artillery, and drones against ISIL. Iran also increased its arming and funding of Iraqi Shia terrorist groups in an effort to reverse ISIL gains in Iraq. Many of these groups, such as KH, have exacerbated sectarian tensions in Iraq and have committed serious human rights abuses against primarily Sunni civilians. The IRGC-QF, in concert with Hizballah, provided training outside of Iraq, as well as advisors inside Iraq for Shia militants in the construction and use of advanced weaponry. Similar to Hizballah fighters, many of these trained Shia militants have used these skills to fight for the Asad regime in Syria or against ISIL in Iraq.

Iran has also provided weapons, funding, and training to Shia militants in Bahrain. In 2015, the Government of Bahrain raided, interdicted, and rounded up numerous Iran-sponsored weapons caches, arms transfers, and militants. This includes the Bahraini government's discovery of a bomb-making facility with 1.5 tons of high-grade explosives in September.

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 deaths from attacks originating in Gaza and the West Bank. Although Hamas's ties to Tehran have been strained due to the Syrian civil war, both sides took steps in 2015 to repair relations. Iran continued to declare its vocal support for Palestinian terrorist groups and its hostility to Israel in 2015. Supreme National Security Council Secretary Admiral Ali Shamkhani sought to frame a series of individual Palestinian attacks on Israeli security forces in the West Bank as a new "Intifada" in a speech on November 25.

Since the end of the 2006 Israeli-Hizballah conflict in 2006, Iran has also assisted in rearming Hizballah, in direct violation of UNSCR 1701. Iran has provided hundreds of millions of dollars in support of Hizballah in Lebanon and has trained thousands of its fighters at camps in Iran. These trained fighters have used these skills in direct support of the Asad regime in Syria and, to a lesser extent, in support of operations against ISIL in Iraq. They have also carried out isolated attacks along the Lebanese border with Israel.

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

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

US Sanctions

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:

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	29
World Governance Indicator – Control of Corruption	32

Section 3 - Economy

Iran's economy is marked by statist policies, an inefficient state sector, and reliance on oil, a major source of government revenues. Price controls, subsidies, and other distortions weigh down the economy, undermining the potential for private-sector-led growth. Private sector activity is typically limited to small-scale workshops, farming, some manufacturing, and services. Significant informal market activity flourishes and corruption is widespread. New fiscal and monetary constraints on Tehran, following the expansion of international sanctions in 2012 against Iran's Central Bank and oil exports, significantly reduced Iran's oil revenue, forced government spending cuts, and fueled a 60% currency depreciation. Economic growth turned negative in 2012 and 2013, for the first time in two decades. Iran continues to suffer from double-digit unemployment and underemployment. Lack of job opportunities has convinced many educated Iranian youth to seek jobs overseas, resulting in a significant "brain drain." However, the election of President Hasan RUHANI in June 2013 brought about widespread expectations of economic improvements and greater international engagement among the Iranian public, and early in Ruhani's term the country saw a strengthened national currency and a historic boost to market values at the Tehran Stock Exchange.

Agriculture - products:

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

Industries:

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

Exports - commodities:

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

Exports - partners:

China 22.1%, India 11.9%, Turkey 10.6%, South Korea 7.6%, Japan 7.1% (2012)

Imports - commodities:

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

Imports - partners:

UAE 33.2%, China 13.8%, Turkey 11.8%, South Korea 7.4% (2012)

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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