



**OFAC**

OFFICE OF FOREIGN ASSETS CONTROL

## **Iranian Transactions and Sanctions Regulations**

**Issued: January 10, 2013**

**Subject: The Use of Exchange Houses and Trading Companies to Evade U.S. Economic Sanctions Against Iran**

As the international community has increasingly barred or restricted Iranian financial institutions from accessing the international financial system, Iran is relying more heavily on third-country exchange houses and trading companies to move funds.<sup>1</sup> The Office of Foreign Assets Control (“OFAC”) is issuing this Advisory to highlight some of the practices used to circumvent U.S. and international economic sanctions concerning Iran. The practices involve the use of third-country exchange houses or trading companies that are acting as money transmitters to process funds transfers through the United States in support of business with Iran that is not exempt or otherwise authorized by OFAC.<sup>2, 3</sup> Such entities frequently lack their own U.S. correspondent accounts and instead rely on their banks’ correspondent accounts to access the U.S. financial system; often are located in jurisdictions considered to be high-risk for transactions implicating OFAC sanctions; and appear to process primarily commercial transactions rather than personal remittances.

The evasive practices identified by OFAC involve transactions omitting references to Iranian addresses; omitting the names of Iranian persons or entities in the originator or beneficiary fields; and transmitting funds from an exchange house or trading company located in a third country to or through the United States on behalf of an individual or company located in Iran or on behalf of a U.S.-designated person without referencing the involvement of Iran or the designated persons.

---

<sup>1</sup> Third-country exchange houses are financial institutions licensed to deal in foreign exchange and transmit funds on behalf of individuals and companies. Trading companies are entities that are not licensed to transmit funds, but in practice operate as exchange houses and rely upon their bank accounts to transmit funds on behalf of third parties.

<sup>2</sup> The Iranian Transactions and Sanctions Regulations (the “Regulations”), 31 C.F.R. part 560, generally prohibit most direct or indirect transactions involving Iran or the Government of Iran by U.S. persons or with a nexus to the United States, unless otherwise authorized by OFAC or exempted by statute. In addition, the Regulations require the blocking of property and interests in property of the Government of Iran, including the Central Bank of Iran, and of Iranian financial institutions unless the dealing in such property is exempted by statute or authorized by OFAC.

<sup>3</sup> Under Executive Order 13608 of May 1, 2012, “Prohibiting Certain Transactions With and Suspending Entry Into the United States of Foreign Sanctions Evaders With Respect to Iran and Syria,” the U.S. Department of the Treasury is charged with identifying foreign parties that evade U.S. sanctions against Iran or Syria and bar those parties’ access to U.S. markets. For more information on E.O. 13608, please visit [www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120501.aspx](http://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20120501.aspx).

Some examples of fact patterns U.S. financial institutions might encounter include:

- A trading company attempts to send a payment through the United States on behalf of Company Z with an address in Iran. The payment is stopped for review by the U.S. financial institution's filter due to the Iranian address on the payment, and is ultimately blocked or rejected in accordance with U.S. sanctions. The trading company later resends the funds in a payment of identical or similar value on behalf of Company Z, only this time the company's address has been altered to reflect a non-sanctioned jurisdiction.
- A specific exchange house or trading company repeatedly attempts to send payments through the United States in apparent violation of U.S. sanctions against Iran, and/or repeatedly conceals or obscures the involvement of individuals or companies located in Iran or U.S.-designated persons in payments routed to or through the United States.
- The volume or frequency of payments involving an individual exchange house or trading company indicates an uncharacteristic spike in activity, or is inconsistent with the type of business and/or anticipated volume of sales the exchange house or trading company generally conducts.

U.S. financial institutions can mitigate the risk of processing such transactions by taking the following measures with respect to an exchange house or trading company that appears to have engaged in transactions related to Iran:

- Monitoring payments involving the third-country exchange house or trading company that given their risk profile may be processing commercial transactions related to Iran and/or Iranian persons, and requesting, as appropriate, additional information from correspondents on the nature of such transactions and the parties involved; and
- Conducting account and/or transaction reviews for individual exchange houses or trading companies that have repeatedly violated or attempted to violate U.S. sanctions against Iran; and
- Contacting their correspondents that maintain accounts for, or facilitate transactions on behalf of, a third-country exchange house or trading company that engages in one of the above-referenced examples in order to request additional information and/or to alert them to the use of these practices.

The purpose of this Advisory is to alert U.S. financial institutions to practices being used to evade U.S. sanctions against Iran and, accordingly, to suggest enhanced due diligence. The Advisory is not intended to suggest that U.S. financial institutions close accounts they hold for third-country exchange houses and/or trading companies. Additionally, the Advisory should not be interpreted to signal that third-country exchange houses and/or trading companies are necessarily facilitating illicit finance. If you have any questions or concerns regarding specific activities or the Advisory, or regarding OFAC sanctions involving Iran, please contact OFAC's Compliance Hotline at 1-800-540-6322 or 202-622-2490.