



AUSTRAC Information Circular No. 47

U.S. Department of the Treasury Media Release Designation of Iranian Banks and Entities

The US Department of Treasury has designated a number of Iranian entities, including two Iranian banks, for facilitating WMD proliferation and terrorist activities.

On 9 January 2007, the US Department of the Treasury issued a media release indicating it had designated Iran's Bank Sepah and related entities for providing support and services to designated Iranian proliferation firms. The designation prohibits all financial transactions between US persons and Bank Sepah and related entities.

On 8 September 2006, the US Department of Treasury issued a media release indicating that it had designated Iran's Bank Saderat for facilitating the financing of terrorist activities. The designation prohibits all financial transactions between US persons and Bank Saderat and related entities.

Copies of the US Department of the Treasury's media releases are attached. The original media releases are available on the US Department of Treasury's website at: www.ustreas.gov/press/releases/hp219.htm and www.treas.gov/press/releases/hp87.htm.

Cash dealers/reporting entities should take the attached document into account when considering whether particular transactions should be reported to AUSTRAC as suspicious. Where a transaction is reportable under the *Financial Transaction Reports Act 1988* as a significant cash transaction and/or an international funds transfer instruction, cash dealers/reporting entities should remember that a suspect transaction report may be required in addition to the other report type(s) where grounds for suspicion exist.

Suspect transaction reports (SUSTRs) should be made via EDDWeb, or on Suspect Transaction Report Form 16. For urgent SUSTR reporting, for EDDWeb logon information, or to order report form supplies, contact the AUSTRAC Help Desk (details below).

Further Information

AUSTRAC officers are able to provide general information relating to the *Financial Transaction Reports Act 1988* and the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. Enquiries can be directed to the AUSTRAC Help Desk via:

- e-mail to help_desk@austrac.gov.au
- telephone (02) 9950 0827 or 1300 021 037 (a local call within Australia).

The information contained in this document is intended only to provide a summary and general overview on these matters. It is not intended to be comprehensive. It does not constitute, nor should it be treated as, legal advice or opinions. This document may contain statements of policy which reflect AUSTRAC's administration of the legislation in carrying out its statutory functions. The Commonwealth accepts no liability for any loss suffered as a result of reliance on this publication. AUSTRAC recommends that independent professional advice be sought.

The information contained herein is current as at the date of this document.

Cash dealers/reporting entities should also keep in mind that they may have obligations under the *Privacy Act 1988*. To determine whether you are covered by this Act and what your obligations might be, please go to <http://www.privacy.gov.au> or call 1300 363 992 for further information.

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Australian Transaction Reports and Analysis Centre (AUSTRAC)
PO Box 5516
West Chatswood NSW 1515

Telephone: 1300 021 037 **Facsimile:** (02) 9950 0071
internet address: www.austrac.gov.au **e-mail address:** help_desk@austrac.gov.au

US DEPARTMENT OF THE TREASURY

January 9, 2007
HP-219

Iran's Bank Sepah Designated by Treasury Sepah Facilitating Iran's Weapons Program

The Department of the Treasury today designated Bank Sepah, a state-owned Iranian financial institution for providing support and services to designated Iranian proliferation firms. Bank Sepah International Plc, a wholly-owned subsidiary of Bank Sepah in the United Kingdom, and Ahmad Derakhshandeh, Bank Sepah's Chairman and Director, were also designated today.

"Bank Sepah is the financial linchpin of Iran's missile procurement network and has actively assisted Iran's pursuit of missiles capable of carrying weapons of mass destruction," said Stuart Levey, Treasury's Under Secretary for Terrorism and Financial Intelligence (TFI). "Our action today gives effect to the United Nation's call on all nations to deny financial assistance to Iran's nuclear and missile programs, and we urge other countries likewise to fulfill this serious obligation."

Treasury's Office of Foreign Assets Control (OFAC) took this action pursuant to Executive Order 13382, an authority aimed at freezing the assets of proliferators of weapons of mass destruction (WMD) and their supporters and isolating them financially. Designations under E.O. 13382 prohibit all transactions between the designees and any U.S. person and freeze any assets the designees may have under U.S. jurisdiction.

Additionally, the United Nation Security Council unanimously passed Resolution 1737 on December 23, 2006, requiring governments worldwide to take steps to combat Iran's illicit conduct, including freezing the assets of named entities and individuals associated with Iran's nuclear and missile programs, as well as the assets of entities owned or controlled by them. The resolution also requires states to prevent the provision to Iran of any financial assistance, or the transfer of any financial resources or services, related to the supply, sale, transfer, manufacture, or use of prohibited items associated with Iran's nuclear and missile programs.

Bank Sepah provides financial support and services to Iran's Aerospace Industries Organization (AIO), Shahid Hemmat Industries Group (SHIG), and the Shahid Bakeri Industries Group (SBIG), which were designated by President George W. Bush on June 29, 2005, in the Annex to E.O. 13382.

AIO, a subsidiary of the Iranian Ministry of Defense and Armed Forces Logistics, oversees all of Iran's missile industries and is the overall manager and coordinator of Iran's missile program.

Bank Sepah is AIO's bank of choice, and since at least 2000, Sepah has provided a variety of critical financial services to Iran's missile industry, arranging financing and processing dozens of multi-million dollar transactions for AIO and its subordinates, including SBIG and SHIG.

Through its role as a financial conduit, Bank Sepah has facilitated Iran's international purchases of sensitive material for its missile program. In 2005, Bank Sepah financed a Chinese firm's sale of missile related items to Iran. Also in that year, AIO directed Sepah to transfer well over half of a million dollars to a North Korean firm associated with Komid, a North Korean entity designated for providing Iran with missile technology.

SHIG is responsible for Iran's ballistic missile program, most notably the Shahab series of medium range ballistic missiles based on the North Korean-designed No Dong missile. The Shahab is believed to be capable of carrying unconventional warheads and has a range of at least 1500 kilometers. SHIG has received help from China and North Korea in the development of this missile.

SBIG, an affiliate of Iran's AIO, is also involved in Iran's missile program. Among the weapons SBIG produces is the Fateh-110 missile, with a range of 200 kilometers, and the Fajr rocket systems, a series of North Korean-designed rockets produced under license by SBIG with ranges of between 40 and 100 kilometers. Both systems are capable of being armed with at least chemical warheads.

Bank Sepah is the fifth largest Iranian state-owned bank with more than 290 domestic branches and a presence in Rome, Paris, Frankfurt, and a wholly-owned subsidiary in London. According to the Banker's Almanac, Bank Sepah's total branch assets were USD 13.9 billion as of early 2005.

Background on E.O. 13382

Today's action builds on President Bush's issuance of E.O. 13382 on June 29, 2005. Recognizing the need for additional tools to combat the proliferation of WMD, the President signed the E.O. authorizing the imposition of strong financial sanctions against not only WMD proliferators, but also entities and individuals providing support or services to them.

In the Annex to E.O. 13382, the President identified eight entities operating in North Korea, Iran, and Syria for their support of WMD proliferation. E.O. 13382 authorizes the Secretary of the Treasury, in consultation with the Secretary of State, the Attorney General, and other relevant agencies, to designate additional entities and individuals providing support or services to the entities identified in the Annex to the Order.

In addition to the entities identified in the annex of E.O. 13382, the Treasury Department has designated 23 entities and two individuals as proliferators of WMD, specifically:

- Eight North Korean entities on October 21, 2005;
- Two Iranian entities on January 4, 2006;
- One Swiss individual and one Swiss entity tied to North Korean proliferation activity on March 30, 2006; and
- Four Chinese entities and one U.S. entity tied to Iranian proliferation activity on June 8, 2006.
- Two Iranian entities on July 18, 2006;
- Three Syrian entities on January 4, 2007; and

- One Iranian entity, one UK entity, and one individual tied to Iranian proliferation activity on January 9, 2007.

US DEPARTMENT OF THE TREASURY

September 8, 2006

HP-87

Iran's Bank Saderat Designated by Treasury Treasury Cuts Iran's Bank Saderat Off From U.S. Financial System

In a move to counter Iran's support for terrorism, the U.S. Department of the Treasury today announced that Iran's Bank Saderat is being cut off from all access to the U.S. financial system, direct or indirect.

"Bank Saderat facilitates Iran's transfer of hundreds of millions of dollars to Hizballah and other terrorist organizations each year. We will no longer allow a bank like Saderat to do business in the American financial system, even indirectly," said Stuart Levey, Under Secretary for Terrorism and Financial Intelligence (TFI).

Bank Saderat is one of the largest Iranian-owned banks, with roughly 3400 branch offices. The bank is used by the Government of Iran to transfer money to terrorist organizations, including Hizballah, Hamas, the Popular Front for the Liberation of Palestine-General Command and Palestinian Islamic Jihad. A notable example of this is a Hizballah-controlled organization that has received \$50 million directly from Iran through Bank Saderat since 2001.

Under the current Iranian Transactions Regulations (31 CFR Part 560), U.S. banks may process certain funds transfers involving an Iranian bank, such as transfers for authorized or exempt transactions and "U-turn" transactions. U-turn transactions allow U.S. banks to process payments involving Iran that begin and end with a non-Iranian foreign bank. Bank Saderat will not be able to participate in any transfers involving U.S. banks, effective from the date that the amendment to the regulations is filed with the Federal Register early next week.

By prohibiting U-turn and all other transactions with Bank Saderat, the bank is denied all direct and indirect access to the U.S. financial system.