Introduction to the panel discussion: An overview of the current state of the banking sector in Iran

Joost Melis
Partner
Philip Sidney

www.iransymposium.com

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risk & reputation

Iranian Banks re-establish international correspondent banking relationships,

Joost L. Melis

Joost L. Melis, who is this guy?

Since Feb 2016: Associate Partner Philip Sidney

25 years of experience in the financial industry

15 years as a board member of banks

INSEAD certified Independent director. Specialist in corporate governance

In depth knowledge of BIS and FATF regulations

Structured Finance specialist. Raised >€5B funding with structured finance programs

Established new risk frameworks within banks with a clear division in financial and non-financial risks

Chairman of the Dutch association of certified mortgage planners

Philip Sidney is a specialized consultant in 4 main areas:

- Financial economic crime
- Compliance
- Sanctions regulations
- Export controls

- Philip Sidney started to work together with CBC Oil and Gas
- Build a network in the Financial Industry in Iran
- July 2016 conducted an extensive workshop **compliance risk management** for 24 banks in Tehran
- Training courses for Tejarat Bank, Refah Bank and Mellat Bank
- Design and enhance Compliance frameworks for Iranian banks
- Engage with Central Bank of IR of Iran and all main banks

The World after Implementation Day (16 January 2016)

Compliance Management Workshop

11th-13th 2016-Tehran Grand Hotel

تیر1395-ه تل بگرز تهنار 21-23

CBC

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Royal Netherlands Embassy

WELCOME

بانک مرکزی جمهوری اسلامی ایران

بانک گردشگری TOURISM BANK

بانک کشاورزی

ICC

بانک ملت bank mellat

بانک تجارت

بانک ملی ایران

بانک کارآفرین

بانک سامان

بانک اقتصاد نوین

بانک سینا

بانک رفاه کارگران

بانک حکمت ایرانیان Bank Hekmat Iranian

بانک آینده AYANDEH BANK

بانک توسعه صادرات ایران EXPORT DEVELOPMENT BANK OF IRAN

بانک صنعت و معدن

جمهوری اسلامی ایران وزارت امور خارجه

بانک توسعه تعاون

بانک صادرات ایران

بانک انصار

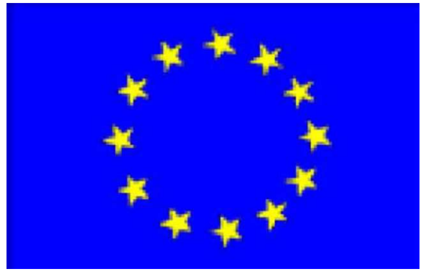
بانک پاسارگاد

بانک پارسیان

Amsterdam 1606. The first publicly traded company in the history

- The first joint stock company
- Motivated by risk pooling
- 4.785 ships chartered
- 1 million people sent
- 2.5M tons shipped
- Paid an average dividend of 18%
- Went bankrupt in the year 1800 due to corruption

EU Sanctions relief



Lifting of certain nuclear related sanctions (EU Reg 267/2012):

- Finance, banking, insurance
- Oil, Gas, Petrochemicals
- Asset freezes (partial)
- Shipping, shipbuilding and transport
- Gold, precious metals, banknotes, coinage
- Other metals
- Software

Bridge the information gap

Why international banks are still reluctant to do business with Iran?

- Wall of fear. Do they use the same KYC, ongoing CDD, software tools? Fear of making mistakes. No front runner ambitions;
- Political risk;
- Legacy of mega penalties, need for more OFAC clarity

Main Agenda points 17-20 for Iranian Banks

- International qualifying Compliance Control Frameworks;
- Basel II (increase of RWA);
- IFRS;
- Basel III, sale of non core assets;
- E-banking, cost reduction.

Two most important AML/CFT duties of every bank in the world

1. Client investigation. KYC and ongoing CDD

2. Report unusual Transactions to the FIU

Correspondent Banking KYC is a vital and challenging business process

Correspondent Bank KYC Menu Card

Entity	Parent Tree	Directors	UBOs
ID & Verification	ID & Verification	ID & Verification	ID & Verification
IAV	IAV	IAV	IAV
Sanctions	Sanctions	Sanctions	Sanctions
PEP	Bad Press	PEP	PEP
Bad Press		Bad Press	Bad Press

AML Questionnaires	Other CB Risk Criteria
Sourcing	Country
Consistency	Regulators
Verification	Stock Exchange
	Shell Bank Indicators

Bad Press Monitoring	Event Monitoring	Document Repository	Sharia KYC	Sustainability Screening

BIS Committee on payments and Market Infrastructures: correspondent banking, July 2016

Main banks are cutting back the number of relationships and establish few new ones;

The risk-based approach requires financial institutions to identify, assess and understand their money laundering and terrorist financing risks, and implement AML/CFT measures that are commensurate with the risks identified. The June 2015 public statement on "de-risking" provides additional clarification on customer due diligence for correspondent banking relationships: "[…]When establishing correspondent banking relationships, banks are required to perform normal customer due diligence on the respondent bank. Additionally, banks are required to gather sufficient information about the respondent bank to understand the respondent bank's business, reputation and the quality of its supervision, including whether it has been subject to a money laundering or terrorist financing investigation or regulatory action, and to assess the respondent bank's AML/CFT controls.
Although there will be exceptions in high risk scenarios, the FATF Recommendations do not require banks to perform, as a matter of course, normal customer due diligence on the customers of their respondent banks when establishing and maintaining correspondent banking relationships[…]".

BANK FOR INTERNATIONAL SETTLEMENTS

Transaction due diligence in a trade finance environment

How to assess transactions and what to take into account?

- End user check (UBO), PEP’s, logistics
- Product classification (civil, dual use or military)
- EU export controls
- U.S. Nexus / U.S. export controls
- Other relevant local regulations worldwide

Who, What, Where and what for?

Key Takeaways

- New correspondent banking relationships are required (with main banks)
- Building trust by establishing comprehensive compliance frameworks
- Keep Bridging the information gap
- No blocking issues for restoring banking relationships between Iran and EU

Thanks for your attention!

Joost Melis
Associate partner Philip Sidney
joost.melis@philip-sidney.com Tel: +31-6-57536787

Hogehilweg 16
1101 CD
Amsterdam The Netherlands