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Iran Expected to Join FATF Affiliate as Observer in 2016

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Iran is in talks to begin working with an intergovernmental financial-crime watchdog as the country prepares for a potential rollback of international sanctions, an official with the organization said.

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) could grant the Islamic republic observer status as soon as May should Iranian officials implement a new legislation targeting terror financiers, the organization's executive secretary, Vladimir Nechaev, told *ACAMS moneylaundering.com*.

Iran's government expects to adopt the legislation in December and apply for observer status at the EAG's plenary meeting in May, according to an Iranian official with knowledge of the nation's financial intelligence unit. The intergovernmental organization previously discussed granting Iran observer status in 2014, according to the group's Web site.

Should EAG approve the application, Iran would become the 15th nation with observer status in the group, alongside Germany, Italy, Afghanistan, the United States and Ukraine. The organization's member-states currently include Russia, China, India and six former Soviet Union republics.

If accepted, Iran will eventually seek to become a full-fledged member of the intergovernmental group, which functions as a regional affiliate of the Financial Action Task Force (FATF), said the Iranian official, who voiced optimism about the nation's application.

"One day we hope to become a member of FATF, but this is not possible at present because of the rules that FATF has. For the time being, we can go for the [FATF-style regional body] route, and then we will work to build more activities ahead," he said.

Iran's planned submission would follow years of inclusion on FATF's blacklist of jurisdictions that have failed to comply with international standards to fight money laundering and the financing of terrorism. Since relaunching the name-and-shame document in 2010, FATF has ranked only Iran and North Korea in the list's lowest tier.

The intergovernmental group last month reiterated a call for all jurisdictions to give special attention to business relationships and financial transactions linked to Iranian companies, and cited a "continuing terrorist financing threat emanating" from the nation.

An Iranian bill currently under consideration would obligate banks, charities, non-profit organizations and other companies to adopt counterterrorism controls, require covered businesses to report suspected instances of terrorist funding and make financing militant groups a predicate offense to money laundering.

In July, members of Iran's Guardian Council raised concerns that the measure would not meet constitutional standards and asked lawmakers for revisions.

“We are in the hope that by the end of 2015, the end of next month, it will be approved by Parliament, and then after that by the Guardian Council, because the problem or issue that was brought to their attention has been removed,” said the Iranian official, who did not specify the contested provision.