

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Notice to Financial Services Licence Holders

Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (USA) (CISADA)

The MFSA wishes to bring to the attention of all financial services licence holders, in particular credit institutions, the **Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 (CISADA)**. This is a law of the USA amending the Iran Sanctions Act of 1996 of the USA.

Unlike the United Nations and European Union sanctions, CISADA and other US sanctions against Iran are not binding on Maltese licence holders. Nevertheless licence holders are encouraged to take them in consideration when conducting their business activities.

CISADA adds new types of sanctions that can be imposed by the US Government and contains a number of very significant financial provisions. These include measures targeted at foreign banks that knowingly carry out transactions in breach of Iran-related United Nations Security Council Resolutions (UNSCR) and of the Iranian Financial Sanctions Regulations (IFSR) issued by OFAC within the US Treasury Department.

It is understood that under CISADA, the US Treasury may require US banks to request specified non-US banks for whom they maintain correspondent accounts, to certify whether they maintain correspondent accounts in any currency with Iranian-linked financial institutions designated by OFAC or whether they have processed fund transfers in any currency related to any financial institution or any person or entity designated by OFAC, even if such fund transfers do not involve US correspondent accounts. US banks would then submit a report to the US Treasury on the information obtained thus facilitating the US Treasury's access to information on Iranian-related activities of non-US banks that maintain US correspondent accounts. Furthermore a US bank, on the basis of the information received, may decide to terminate its correspondent relationship or file a suspicious activity report in accordance with its anti-money laundering and sanctions compliance obligations.

It is further understood that in terms of the provisions of CISADA, the US Treasury would be able to investigate the activities of non-US banks that have disclosed or refused to disclose UNSCR and IFSR prohibited (Iranian-related) transactions. This may lead to OFAC imposing sanctions against any non-US bank which it determines having engaged in prohibited transactions such as providing financial services to UNSCR and IFSR designated persons or entities, even if such transactions do not involve the use of US correspondent accounts. **Sanctions include directing US banks to terminate US correspondent banking relations with such non-US banks, blocking their access to the US financial system.**

Financial services licence holders, particularly credit institutions, are therefore strongly advised to consider carefully the provisions of CISADA, which although not directly binding, may have serious implications on their business activities.

For ease of reference, the full text of CISADA and other related legislation can be obtained as follows:

- Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010
<http://www.treasury.gov/resource-center/sanctions/Documents/hr2194.pdf>
- Iran Sanctions Act of 1996, as Amended 50 U.S.C. § 1701 note
http://www.treasury.gov/resource-center/sanctions/Programs/Documents/isa_1996.pdf
- Iranian Financial Sanctions Regulations
http://www.treasury.gov/resource-center/sanctions/Programs/Documents/fr75_49836.pdf

This notice is being published for information purposes only. It does not contain or purport to contain a complete description or analysis of the provisions of CISADA or any form of advice thereon. Accordingly licence holders are invited to review in detail and to fully understand the relevant provisions of CISADA and to obtain proper advice on the implications and impact this law may have on their business activities.

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