

10) Finding an evidence and/ or signs of money laundering to indicate that an action is evidently an act of money laundering, it is essential to prove that the origin of the asset is not legal. In addition to the illegality, it is also necessary that the action of money laundering be taken in an organized fashion.

11) The operation shall accomplish in numerous, separate steps.

First is to place the illegitimate income into a financial network, through official and legal channel by placement then the effort shall be made to hide the source of the money by the act of laundering and then it shall be integration that will take place at the final stage.

The Vicious and harmful consequences of Money Laundering

The Money Laundering operation in a vast scale have harmful consequences on the economic and development of the global society as described below:

- 1) Money Laundering shall expand and spread criminal activities and as a result criminals shall continue their activities.
- 2) Flee of funds and investment for further launder
- 3) Disruption of financial markets by generating demand instability for liquidity in Money Laundering operation, and as a result unreasonable increase in interest rates, as well as parity rates and consequently causing inflation in



countries where criminals operate.

4) Accumulation of money and wealth in the hand of criminals shall threaten the national as well as international security and economic stability.

5) Reducing participation in financial, commercial and industrial projects and productive investment operations.

6) Undermining and weakening the private sector by inserting the laundered income in various types of products with devalued prices into the market, resulting in market instability and chaos. Money Laundering also leads to corruption of government structure and vulnerability and incredibility of economic and political institutions.

The Anti Money Laundering Law

In execution of Article One Hundred and Twenty Three (123) of Islamic Republic of Iran Constitution on Jan.22.2007 (02/11/1386) the Law of Anti Money Laundering was ratified by the House of Islamic Assembly (The Legislative Body) and approved by the Honorable Council of Guardians and was assigned to Judicial as well as Executive Body for



implementation and accomplishment.

The law contains twelve (12) Article and seven (7) Sub-Articles.

The most significant content of the Anti Money Laundering Law consist of the followings:

- Article II Definition of the Crime
- Organizing the Anti Money Laundering High Council
Chairman: The Minister OF Finance and Economic Affairs
Members: Ministers of Commerce, Information, Interior and the Governor of the Central Bank.
- Article 7, sub-Article 3 and 7: Reporting suspicious activities and record keeping respectively.
- Article 8: Confidentiality of information
- Article 9: Punishment

Cooperation of Judicial Body and allocation of special courts

International cooperation (Article 4 and 12) and the relevant Sub-Articles, 12:5



Bank Melli Iran

What is Money Laundering?



Bank Melli Iran considers the people's confidence as the most reliable assets and strongest support, and believes that the valued clients have the rights to maintain complete knowledge of all banking services that are rendered to them. On this basis the utmost effort has been made to present the most credible information to its reputable customers.

In this pamphlet, basic information are assembled and presented about Money Laundering for the knowledge of the general public.

What is Money Laundering?

The act of conversion and/or transferring of illegally earned capital, assets or money into any other type of capital through bank accounts or capital market is called Money Laundering. The act is the secondary crime which tends to cover a primary crime committed previously, therefore Money Laundering is any intention to disguise the illegitimate identity of an income-which is obtained through criminal activities - in such a way that would appear to be earned through legitimate sources.

According to the definition stipulated in Article 2 of Anti Money Laundering Law, as ratified on Feb.10.2007 (21/11/1386) in the Islamic Republic of Iran, the crime of Money Laundering is: procurement, ownership, keeping or using any type of income with either direct or indirect knowledge that it is earned through illegal activities. Generally, Money Laundering is a process in which dirty, illegal and illegitimate income shall be placed in the course of various transactions, where at the

end it shall appear to be earned from clean sources. In other terms, the illegal sources of earned income (Drug trafficking, Human Smuggling, Kidnapping, Extortion, Tax Evasion and Terrorism Activities) shall be hidden by several transactions and integrations.

For example: Some one who holds illegal and illegitimate funds, with the intention to conceal the commitment of the actual crime, shall attempt to diversify the fund into different types of capital such as stocks, certificates of deposits, transfers either under the name of others or her/himself and change the quality into fixed or current assets or bank letters of guarantees (B.G.) and Letter of Credits (L/C) etc. These activities and alike are called Money Laundering and banks are responsible to draw policies to prevent these actions.

The Necessity to Combat Money Laundering in Financial Institutions:

An Important factor for criminals to succeed is to utilize financial institution's channels. Therefore banks and financial institutions play a pivotal role in the process of prevention of Money Laundering. Indictment and consequently, conviction of a country, specially a bank shall have extreme damage to the credibility of the bank.

Professions Most Exposed to the Risk of Money Laundering

Any job that is directly and/or indirectly involved with money are exposed to the crime, mostly the following jobs:

- 1) Banking Industry (including: commercial banks, correspondent bank, off-shore banks)
- 2) Stock Markets
- 3) Insurance companies
- 4) Money Exchange Shops
- 5) Antique shops
- 6) Jewelry shops
- 7) Travel agencies
- 8) Transportation companies
- 9) Automobile and car sellers
- 10) Notary publics
- 11) Charity institutions

Eleven Signs of Money Laundering

The contribution of advance technology to hide the source of funds is a true sign of Money Laundering. To better understand this, the following definition of Money Laundering shall provide the knowledge:

- 1) Money Laundering is a Secondary Crime: The occurrence of a primary crime eventually results to the accomplishment of Money Laundering. Although the primary crime is devastating, the secondary crime which is Money Laundering is much more devastating and hazardous.
- 2) Money Laundering is a unique criminal subtitle

Money Laundering is not subtitled under any others criminal activity and therefore there must be a new penal code defining Money Laundering.

- 3) It doesn't include minor issues:



Money Laundering comprises a vast number of issues and hence, minor issues such as usury, burglary, etc. shall not be included within this topic. 4) Money Laundering is beyond mere act of Money Laundering

Money Laundering as a particular criminal activity is beyond the boundaries of Money Laundering as a crime: Aside from Laundering Money, crime shall embrace other types of dirty, illegal or illegitimate assets and properties.

5) Money Laundering is a continuous criminal process, where it should be finalized in order to be considered a crime.

6) It has various dimension: In addition to its criminal and judicial dimension, Money Laundering has also economic, political and ethical dimensions.

7) It is an organized crime: The crime process shall not discontinue by apprehension of one members of the criminal organization and it shall proceed by replacement of the absent members.

8) No transferring or transition is required: There is no need for a transmittal or transfer activity through financial institutions, in order to show that the illegitimate asset, which has been obtained by committing a previous crime, is legal. All is needed is to show that the source of income is legitimate.

9) The act of concealment is the goal In this crime, what is necessarily important is to conceal the source of the illegitimate income. The act of hiding the source of income which has been earned illegally.