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Anti-Money-Laundering Watchdog Gives Iran Until June to Tighten Rules

The organization warned of increased oversight if legal changes aren't enacted



Tehran has passed some legal changes addressing money laundering and terrorism financing, but the bills haven't come into force. PHOTO: BEHROUZ MEHRI/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Samuel Rubinfeld

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A global anti-money-laundering watchdog again extended a deadline for Iran to complete legal changes. This time it came with a warning.

The Financial Action Task Force, a Paris-based body that sets standards for anti-money-laundering and counterterrorism financing rules, said Friday it would require increased supervisory exams for financial institutions in Iran if the nation doesn't enact the necessary measures by June.

Observers have closely watched the FATF's statements on Iran, especially since 2016, when the organization began suspending some of its restrictions as Tehran promised to overhaul its laws.

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Outsourcing customers are beginning to demand the more inclusive and flexible third-party assurance report known as System and Organization Control 2+ (SOC 2+). This integrated approach to examinations and reporting can benefit outsourcing service providers as well, but it will take additional effort for these vendors and partners to become proficient in SOC 2+ processes.

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Iran has passed some legal changes addressing money laundering and terrorism financing but the bills ratifying them haven't come into force yet, the FATF said, adding that the body only considers fully enacted legislation when reviewing a country's efforts.

The FATF initially gave Iran a year to complete its overhaul but it has pushed back the deadline a number of times, and did so again Friday.

The watchdog expressed its disappointment that there remain outstanding issues and "expects Iran to proceed swiftly in the reform path" to address the remaining deficiencies in its legal regime, it

said.

"Until Iran implements the measures required to address the deficiencies...the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system," the FATF said.

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Representatives at the Iranian United Nations mission didn't immediately

y reply to a message seeking comment.

The FATF told its members to, for now, apply enhanced due diligence concerning business relationships and transactions with people and companies based in Iran.

Analysts at the Eurasia Group, a political risk consultancy, said in a note that the latest missive from the FATF indicates that Iran is making progress, but that it still “is far from receiving a clean bill of health” on its legal regime against financial crime.

The group called the warning to comply by June mild, and said: “Iran’s return to the [FATF’s] blacklist is very likely off the table for the foreseeable future.”

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