



MENA FCCG

Making a Collective Impact



Navigating the Changing Sanctions Regimes

Iran & Sudan

4th April 2017

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- You have been muted upon entry.
- Please submit any questions in the Q&A window. If viewing in full screen mode, please click the icon  in the floating participant panel tray.
- We will address as many questions as time permits at the end of the presentation.
- Today's webcast will be recorded. The recording and presentation deck will be made available to you within the next couple of days.

MENA Financial Crime Compliance Group

The voluntary Group comprises of senior compliance officers from 12 banks* representing eight MENA countries, including; *Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, and the UAE.*

The Group, launched in September 2016 and presided over by **Mr. Wissam H. Fattouh**, *Secretary General for the Union of Arab Banks*, seeks to bring collective action in the fight against financial crime.

Michael Matossian, *Chief Compliance Officer and EVP of Arab Bank* was nominated to act as the Deputy Chair. The Group also includes **MENAFATF** as a technical Advisor and **Thomson Reuters**, as the Strategic Partner.

The Group aims to act as a link and feedback channel between the private sector and external/ global bodies/regulators. To that end, it will arrange for financial crime seminars and invite key international bodies, financial crime specialists, and global correspondent banks as a key dialogue mechanism.

The establishment of the Group will also demonstrate that banks in the region are working together to share leading practices and to make MENA a safer and more secure place to do business.

Working documents and guidelines developed through its Working Committees will be published on Group Website, currently under development.

Further information and Contact Details

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*Abu Dhabi Commercial Bank, Arab Bank, Al Baraka Banking Group, Bank ABC, Bank Audi s.a.l, Bank Muscat, Boubyan Bank, Commercial Bank of Qatar, Emirates National Bank of Dubai, Mashreq Bank, National Bank of Egypt, National Bank of Kuwait

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Presenters Bios:

David Shepherd, *Market Development Lead, Risk (Middle East & North Africa), Thomson Reuters*

David is responsible for the market strategy for the Thomson Reuters Risk Division in MENA. He holds a Diploma in Financial Crime and Compliance and brings over 10 years experience in Risk, specializing in areas such as Ultimate Beneficial Ownership, Adverse Media, Sanctions and Watch List Data as well as legislation including FCPA, UK Bribery Act and global AML and KYC standards. David has extensive market experience having worked with prominent Financial Institutions, Governments and Multinational Companies both in Europe and across the Middle East and North Africa. He has been based in MENA in the Dubai Head Office since joining Thomson Reuters in 2013.

Mohammed M. Dabbour, *SVP and Director of Group Regulatory Compliance, and Group MLRO, Arab Bank*

Joined Arab Bank in December 2002 as Director of Group Regulatory Compliance. Mr. Dabbour has more than 21 years of experience in Regulatory Compliance Risk Management, Combatting Financial Crimes, Anti Money Laundering, Sanctions and Embargo Programs, Audit and Compliance. He spent 7 years working for a “Big Four” public accounting firm. Mr. Dabbour participated as a speaker in several national and international conferences and workshops on Regulatory Compliance, Combatting Financial Crimes, Anti Money Laundering, Combatting Terrorism Financing, and Corporate Governance. Mr. Dabbour is a Certified Public Accountant and Certified Anti-Money Laundering Specialist.

Damian O’Riordan, *Deputy General Manager, Compliance, Bank Muscat*

Damian is a CIMA qualified accountant currently employed as Deputy General Manager, Compliance, at Bank Muscat. He has 20 years financial services audit and compliance experience both in Ireland and internationally. He is a certified Anti-Money Laundering Specialist (ACAMS), a Certified Fraud Examiner (CFE), achieved a Certificate in International Treasury Management (Cert ITM) from the Association of Corporate Treasurers in the UK and holds the CIMA Diploma in Islamic Finance (CDIF). He is a qualified compliance professional with an International Diploma in Compliance from the International Compliance Association. He is also an alumnus of Harvard Business School having completed their General Management Programme in 2015. He has extensive experience in business development, project management, corporate governance, internal audit, regulatory risk, compliance and anti-money laundering across various regulated environments.

Dima Mahafzah, *Senior Vice President -Cluster Sanctions and AB & C, Citibank MENA (UAE)*

Dima is a seasoned compliance professional with more than 9 years’ experience in the field of Compliance, Sanctions, Anti- Money Laundering and Anti-Bribery and Corruption matters. Working with Citi UAE, she is currently responsible for Sanctions and Anti-Bribery & Corruption Compliance for Middle East and Africa countries. Dima joined Citi in April 2008 as the Country Compliance Head for Citi Jordan where her primary responsibilities included development and execution of Compliance and AML framework, apart from being the regulatory liaison for the local franchise. During her tenure with Citi Jordan, she was also overseeing Iraq business from Compliance and AML standpoint. She moved to Citi UAE in 2014 as the Compliance Officer to manage and oversee the Institutional Clients Group for UAE business, while continuing her responsibilities to oversee Iraq. Prior to joining Citi, Dima was the Branch Sales and Service Manager with Standard Chartered Bank in Jordan. Dima is a qualified ACAMS professional and holds Master’s Degree in the field of Economics from Yarmouk University.

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Iran Sanctions Relief

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The Relief in Brief:



- Ceasing application of most U.S. “secondary*” sanctions
- Lifting the majority of EU trade and finance-related restrictive measures
- Authorizing non-U.S. persons owned or controlled by U.S. persons to engage in most Iran-related transactions
- Removing many Iranian entities from the EU asset freeze list and U.S. sanctions list
- Authorizing U.S. persons to engage in civilian aircraft sales and support and import of Iranian-origin carpets and foodstuff

****Secondary sanctions are directed toward non-U.S. persons for specified conduct involving Iran that occurs entirely outside of U.S. jurisdiction.***

Iran Sanctions Relief – US

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Primary Sanctions

Remain in effect, with some exceptions

- US persons, including US financial institutions, will continue to be prohibited from engaging in transactions or dealings in, or with, Iran, with the exception of narrow licenses granted by OFAC, such as licenses for exportation of medical supplies to Iran or the importation of rugs and pistachios

Secondary Sanctions - *suspended*

Most secondary sanctions, which seek to restrict non-US companies from trading with Iran, **are now waived**

- Remaining secondary sanctions target transactions with:
 - Iranian persons on the SDN List
 - The Islamic Revolutionary Guard Corps (IRGC)
 - Persons placed on the SDN List in connection with Iran's proliferation of weapons of mass destruction or their means of delivery
 - Persons placed on the SDN List in connection with Iran's support for international terrorism

*Further, transaction must **NOT** involve any US nexus*

Iran Sanctions Relief – US

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Secondary Sanctions that have been lifted:

- Financial and banking-related sanctions
- Provision of underwriting services, insurance, or re-insurance in connection with activities that are consistent with the JCPOA
- Energy and petrochemical sectors
- Shipping and shipbuilding sectors and port operators
- Gold and other precious metals
- Graphite, raw or semi-finished metals
- Automotive sector

However, need to avoid US Nexus:

- No US person involved in transaction (unless covered by license)
- No US content that is controlled for export to Iran and of sufficient quantity (i.e. more than *de minimis*) that would trigger restrictions under US law
- No transaction in denominated in US dollars **and** involving US bank/branch office*
- No transaction with designated entities (e.g. SDNs)
- No transaction in support of restricted activity (e.g., human rights abuses, WMD and terrorism)

* Foreign financial institutions may process transactions denominated in U.S. dollars that involve Iran or persons ordinarily resident in Iran. However they need to continue to ensure they do not process U.S. dollar-denominated transactions involving Iran through the U.S. financial system or otherwise involve U.S. financial institutions.

Iran Sanctions Relief – EU

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Scope of allowable activities:

- Oil and Gas industry and naval equipment
- Iranian oil, petroleum products, petrochemical products and natural gas
- Gold, precious metals and diamonds
- Iranian currency: Selling, supplying, transferring or exporting newly printed Iranian currency for the benefit of the Central Bank of Iran
- Oil and Gas project and petrochemical industry investment
- Transferring funds to or from Iran
- Opening bank accounts or establishing correspondent banking relationships with Iranian financial institutions
- Providing insurance for Iranian legal persons
- Public bonds, purchasing or selling public or public-guaranteed bonds to the GOI, Iranian companies or Iranian financial institutions
- Shipping services
- Oil transport and storage vessels

EU sanction measures that remain in place:

- the E.U. sanctions legislation relating to human rights violations and certain sanctions relating to terrorism
 - arms embargo
 - certain limited restrictions on software and rare metals related to nuclear proliferation
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Iran Sanctions Relief – UN

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Termination of *UN Security Council Resolution 1929* - a critical development

Under Resolution 1929:

- prohibition of the opening of new Iranian bank branches or subsidiaries outside Iran
- core elements of the Iranian economy were subject to significant restrictions including intrusive inspections of Iran Air and Iran's state-owned shipping line ("IRISL")
- Substantial limitations on the provision of insurance and reinsurance to Iranian parties
- limiting UN member states from doing the same inside Iran

These restrictions have all been terminated.

- ***UN arms embargo on Iran continues to be in force for another five years***
- ***UN sanctions on individuals previously designated for participating in Iran nuclear and ballistic missile programs will remain in place unless such persons are explicitly removed from the list by the UN Security Council.***

Sudan Sanctions Relief

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In one of his final acts as President, President Obama signed a new Executive Order to ease comprehensive sanctions against Sudan. To give effect to the Order, OFAC issued a general license authorizing all transactions previously prohibited by the Sudanese Sanctions Regulations (SSR)

The new general License:

1. authorizes all trade between the US, US persons and Sudan that the SSR previously prohibited, leaving in place only those Sudan-related sanctions applicable under sanctions programs other than the SSR, such as the blocking sanctions against Darfur-related SDNs.
 - However, in connection with exports of agricultural commodities, medicine, or medical devices to Sudan, OFAC requires that all such exports be shipped within 12 months of the date of the signing of the contract for the relevant export.
2. authorizes all transactions by US persons relating to the oil and gas sectors of Sudan
3. US persons are no longer prohibited from facilitating transactions between Sudan and third countries, if such transactions do not involve Darfur-related SDNs or other prohibited activities

Transactions that involve export or re-export of export-controlled US-origin goods or foreign made goods that incorporate more than **10% of US origin** controlled content to Sudan should continue to be carefully monitored and authorizations from the Department of Commerce sought where necessary.

Sudan Sanctions Relief

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The New Executive Order

The New General License follows President Obama's issuance of a new EO "*Recognizing Positive Actions by the Government of Sudan and Providing for the Revocation of Certain Sudan-Related Sanctions.*" (the January 2017 EO).

The January 2017 EO provides that:

- *on or before 12 July 2017 and annually thereafter, various US regulators, including the Secretary of State and the Secretary of the Treasury shall provide to the President a report on whether the Government of Sudan has sustained its positive developments, including ceasing hostilities in conflict areas in Sudan, improving its human rights record and cooperating with the United States on addressing regional conflicts and the threat of terrorism; and*
- *provided the July 2017 report confirms such positive developments, sections 1 and 2 of EO 13067 will be revoked and EO 13412 revoked in its entirety, effective 12 July 2017. This will keep in place only the Sudanese national emergency declared under EO 13067 and subsequently expanded under EO 13400 in connection with the conflict in Darfur.*

Key Concerns and Challenges

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Iran

- Managing stakeholders expectations – Correspondents, Regulators, Customers, etc
- EU and US sanctions regimes no longer broadly in sync, need to ensure understanding/ compliance with both regimes
- Identification of “those owned and controlled” by designated persons and entities including the Islamic Revolutionary Guards Corp (IRGC)*
- Concerns over Iran AML compliance with FATF Recommendations (i.e. brings other risks such as difficulty in identifying beneficial ownership)
- “Snap back” of sanctions remains a possibility despite sanctions relief. Need to incorporate “right to exit” contractual provisions

Sudan

- Policy of exports to Sudan remains somehow unchanged – Bureau of Industry and Security (BIS) expected to continue changes
 - Complexities in navigating BIS regulations
- The continuation of relief is dependent on a progress report to be issued in July 2017 - Trump presidency may not agree with the former President approach

Risk Mitigation

I II III *Sanctions Relief = more complex compliance*

Key Compliance Actions for Consideration



- Revise AML/CTF Policy to clearly articulate risk appetite in relation to re-entering the Iran /Sudan market;
- Ensure you have front line staff and compliance officials who “properly understand” sanctions;
- Closely monitor changes **in sanctions / sanction circumvention methods**;
- Deliver “Face to Face” training to Line of business /RMs / trade finance staff on how to distinguish sanction-able elements from seemingly legitimate transactions;
- Consider obtaining updated beneficial ownership declarations;
- Assign clear roles and ownership for RMs to identify customers who are considering Iran/Sudan business (visits, monitoring, and discussion with customers);
- Establish regular discussion channels between Line of business /RMs, trade finance staff, as well as Compliance (where activity pattern may signal possible violations);
- As compliance officers, do not be afraid to meet customers;
- Ensure Compliance and Operations departments are aligned in relation to USD / EURO / Other foreign currency payments.

Risk Mitigation



Each Transaction Level

All the following must be assessed

- Who are the contractual parties? consider charterers, related companies, shippers, suppliers, receivers, end users, insurers, paying agents, and vessels
- Who are their shareholders?
- On whose behalf are they acting?
- Who else will be receiving payment?
- What is the cargo?
- What form of bill of lading will be issued?
- Can insurance be obtained?

Checks on beneficial ownership - Ensure that counterparts are not owned (or controlled) by blocked persons

Ensure no US nexus, Iran sanctions

Examples:

- Seller has a office or subsidiary in the US
- US natural or legal person involved in making or receiving the payment or providing the service
- US nationals are shareholders in the company making or receiving the payment or providing the service

Expectations of MENA Banks – US Perspective

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Reality/Perception: US institutions fear that impermissible transactions may be nestled within seemingly permissible ones.



Requires regular dialogue with Correspondent U.S. Banks and full transparency regarding bank's risk appetite towards conducting Iran / Sudan transactions

- Initiate a new dimension of KYC / higher level of Line of Business understanding of its customers and increased levels of control
- Establish regular conference calls with US Correspondent Banks and provide relevant information and data
- Be clear and transparent about the organization's risk appetite and applicable controls
 - Can you detect customers acting with front companies?
 - How can you ensure your customer is not dealing with a listed entity?
 - How can you ensure that funds linked to sanctioned entities don't go through a U.S. Correspondent Bank?

Panel Discussion

Questions



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Thank you

