

SCHWARTZ & BALLEN LLP
1990 M STREET, N.W. • SUITE 500
WASHINGTON, DC 20036-3465
WWW.SCHWARTZANDBALLEN.COM

TELEPHONE
(202) 776-0700

FACSIMILE
(202) 776-0720

MEMORANDUM

April 28, 2011

To Our Clients and Friends

Re: FinCEN Proposal to Require Reports from
Foreign Correspondent Banks on Certain Iranian Transactions

The Financial Crimes Enforcement Network (“FinCEN”) has proposed a rule that requires U.S. banks to ask foreign banks that maintain accounts with them whether the foreign banks maintain accounts for, or have processed funds transfers within the previous 90 days relating to, financial institutions designated by the U.S. in connection with Iran’s proliferation of weapons of mass destruction or support of international terrorism. U.S. banks will be required to report such information when requested to do so by FinCEN. Comments are due 30 days after publication in the *Federal Register*.

The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (the “Act”) prohibits U.S. banks from opening or maintaining correspondent accounts for foreign financial institutions that engage in activities that facilitate Iran’s efforts to develop weapons of mass destruction, to provide support for terrorist organizations and certain other activities. The Act also authorizes the Secretary of Treasury to adopt rules to require U.S. depository institutions to certify to the best of their knowledge that foreign financial institutions that maintain accounts with them do not engage in such activities.

To implement these provisions, the proposed rule requires a U.S. bank upon FinCEN’s request, to report the following information about foreign banks for which the U.S. bank maintains a correspondent account:

- Whether the foreign bank maintains a correspondent account for an Iranian-linked financial institution designated under the International Emergency Economic Powers Act (“IEEPA”)
- Whether the foreign bank has processed one or more transfers of funds within the preceding 90 days related to an Iranian-linked financial

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institution designated under IEEPA, other than through a correspondent account

- Whether the foreign bank has processed one or more transfers of funds within the preceding 90 days related to Iran's Revolutionary Guard Corps or any of its agents or affiliates designated under IEEPA

FinCEN also proposes model certifications that U.S. depository institutions may use to provide the information they obtain regarding the nature of foreign bank activities to FinCEN.

A copy of the proposed rule can be found at our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker or Lauren Bianchini at (202) 776-0700.