

(3) *Special due diligence of correspondent accounts to prohibit use.* (i) A covered financial institution shall apply special due diligence to its foreign correspondent accounts that is reasonably designed to guard against their use to process transactions involving Bank of Dandong. At a minimum, that special due diligence must include:

(A) Notifying those foreign correspondent account holders that the covered financial institution knows or has reason to believe provide services to Bank of Dandong that such correspondents may not provide Bank of Dandong with access to the correspondent account maintained at the covered financial institution; and

(B) Taking reasonable steps to identify any use of its foreign correspondent accounts by Bank of Dandong, to the extent that such use can be determined from transactional records maintained in the covered financial institution's normal course of business.

(ii) A covered financial institution shall take a risk-based approach when deciding what, if any, other due diligence measures it reasonably must adopt to guard against the use of its foreign correspondent accounts to process transactions involving Bank of Dandong.

(iii) A covered financial institution that knows or has reason to believe that a foreign bank's correspondent account has been or is being used to process transactions involving Bank of Dandong shall take all appropriate steps to further investigate and prevent such access, including the notification of its correspondent account holder under paragraph (b)(3)(i)(A) of this section and, where necessary, termination of the correspondent account.

(4) *Recordkeeping and reporting.* (i) A covered financial institution is required to document its compliance with the notice requirement set forth in paragraph (b)(3)(i)(A) of this section.

(ii) Nothing in this paragraph (b) shall require a covered financial institution to report any information not otherwise required to be reported by law or regulation.

[82 FR 51765, Nov. 8, 2017]

§ 1010.661 Special measures against Iran.

(a) *Definitions.* For purposes of this section:

(1) *Iranian financial institution* means any foreign financial institution, as defined at §1010.605(f), organized under Iranian law wherever located, including any agency, branch, office, or subsidiary of such a financial institution operating in any jurisdiction, and any branch or office within Iran of any foreign financial institution.

(2) *Correspondent account* has the same meaning as provided in §1010.605(c).

(3) *Covered financial institution* has the same meaning as provided in §1010.605(e)(1).

(4) *Foreign bank* has the same meaning as provided in §1010.100.

(5) *Subsidiary* means a company of which more than 50 percent of the voting stock or analogous equity interest is owned by another company.

(b) *Prohibition on accounts and due diligence requirements for covered financial institutions*—(1) *Opening or maintaining correspondent accounts for Iranian financial institutions.* A covered financial institution shall not open or maintain in the United States a correspondent account for, or on behalf of, an Iranian financial institution, unless such account is authorized by United States Department of the Treasury's Office of Foreign Assets Control (OFAC).

NOTE 1 TO PARAGRAPH (b)(1): *Note that covered financial institutions should block and report to OFAC any accounts that are blocked pursuant to any OFAC sanctions authority and therefore should continue to maintain such accounts in accordance with the Reporting Procedures and Penalties Regulations, 31 CFR part 501.*

(2) *Prohibition on use of correspondent accounts.* A covered financial institution shall take reasonable steps to not process a transaction for the correspondent account of a foreign bank in the United States if such a transaction involves an Iranian financial institution, unless the transaction is authorized by, exempt from, or not prohibited under the International Emergency Economic Powers Act (IEEPA) (50 U.S.C. 1701 *et seq.*), any regulation,

§ 1010.670

31 CFR Ch. X (7–1–23 Edition)

order, directive, or license issued pursuant thereto, or any other sanctions program administered by the Department of the Treasury's Office of Foreign Asset Control.

(3) *Special due diligence of correspondent accounts to prohibit use.* (i) A covered financial institution shall apply special due diligence to the correspondent accounts of a foreign bank that is reasonably designed to guard against their use to process transactions involving Iranian financial institutions that are prohibited, and not authorized or exempt, pursuant to the IEEPA, any regulation, order, directive, or license issued pursuant thereto, or any other sanctions program administered by the Department of the Treasury's Office of Foreign Asset Control ("prohibited transactions"). At a minimum, that special due diligence must include:

(A) Notifying those foreign correspondent account holders that the covered financial institution knows or has reason to believe the correspondent account is being used to process transactions involving Iranian financial institutions that such prohibited transactions may not take place; and

(B) Taking reasonable steps to identify any use of its foreign correspondent accounts for prohibited transactions involving Iranian financial institutions, to the extent that such use can be determined from transactional records maintained in the covered financial institution's normal course of business.

(ii) A covered financial institution shall take a risk-based approach when deciding what, if any, other due diligence measures it reasonably must adopt to guard against the use of its foreign correspondent accounts to process prohibited transactions involving Iranian financial institutions.

(iii) A covered financial institution that knows or has reason to believe that a foreign bank's correspondent account has been or is being used to process prohibited transactions involving Iranian financial institutions shall take all appropriate steps to further investigate and prevent such access, including the notification of its correspondent account holder under paragraph (b)(3)(i)(A) of this section and,

where necessary, termination of the correspondent account.

(4) *Recordkeeping and reporting.* (i) A covered financial institution is required to document its compliance with the notice requirement set forth in this section.

(ii) Nothing in this section shall require a covered financial institution to report any information not otherwise required to be reported by law or regulation.

[84 FR 59313, Nov. 14, 2019]

§ 1010.670 Summons or subpoena of foreign bank records; termination of correspondent relationship.

(a) *Definitions.* The definitions in § 1010.605 apply to this section.

(b) *Issuance to foreign banks.* The Secretary or the Attorney General may issue a summons or subpoena to any foreign bank that maintains a correspondent account in the United States and may request records related to such correspondent account, including records maintained outside of the United States relating to the deposit of funds into the foreign bank. The summons or subpoena may be served on the foreign bank in the United States if the foreign bank has a representative in the United States, or in a foreign country pursuant to any mutual legal assistance treaty, multilateral agreement, or other request for international law enforcement assistance.

(c) *Issuance to covered financial institutions.* Upon receipt of a written request from a Federal law enforcement officer for information required to be maintained by a covered financial institution under paragraph (a)(2) of § 1010.630, the covered financial institution shall provide the information to the requesting officer not later than 7 days after receipt of the request.

(d) *Termination upon receipt of notice.* A covered financial institution shall terminate any correspondent relationship with a foreign bank not later than 10 business days after receipt of written notice from the Secretary or the Attorney General (in each case, after consultation with the other) that the foreign bank has failed:

(1) To comply with a summons or subpoena issued under paragraph (b) of this section; or