



February 27, 2007

TO: All Banks
Federally Regulated Trust and Loan Companies
Federally Regulated Life Insurance Companies
Federally Regulated Property and Casualty Insurance Companies
Federally Regulated Cooperative Credit Associations
Fraternal Benefit Societies

cc: Provincial Regulators and Supervisors
Canadian Association of Direct Response Insurers
Canadian Bankers Association
Canadian Fraternal Association
Canadian Life and Health Insurance Association
Canadian Securities Administrators
Credit Union Central of Canada
Insurance Bureau of Canada
Investment Dealers Association of Canada
Trust Companies Association of Canada

RE: Regulations Implementing the United Nations Resolution on Iran (RIUNRI)

New Searching, Monitoring and Reporting Obligations

On February 22, 2007 the Governor in Council enacted the *Regulations Implementing the United Nations Resolution on Iran* (RIUNRI), P.C. 2007-235, SOR/2007-44. The RIUNRI implement, among other things, a requirement for anyone in Canada, including Canadian financial institutions, to freeze any property in their possession or control belonging to a person designated as subject to the asset freeze. In addition, sections 5 and 6 of the RIUNRI contain prohibitions with respect to certain transactions related to the products set out in section 3.

The following is a link to a press release issued by the Department of Foreign Affairs and International Trade, (DFAIT) to which is annexed a copy of the RIUNRI:

http://w01.international.gc.ca/minpub/Publication.aspx?isRedirect=True&publication_id=384880&language=E&docnumber=30

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The RIUNRI are expected to be published in the *Canada Gazette* on March 7, 2007. Please note that the annex to United Nations Security Council Resolution 1737 (2006) includes a list of designated entities. Following is a link to the UNSC resolution and the relevant annex:

http://www.un.org/Docs/sc/unsc_resolutions06.htm

You will note that the Resolution also makes reference to various other documents containing lists of items, materials, equipment, goods and technology relating to these sanctions.

Among other things, the RIUNRI impose similar prohibitions, searching obligations and monthly reporting requirements on financial institutions with respect to designated persons, as are contained in the *Regulations Establishing a List of Entities* made under subsection 83.05(1) of the *Criminal Code*, the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* (RIUNRST) and the *United Nations Al-Qaida and Taliban Regulations* (UNAQTR).

Implementation of Searching, Monitoring and Reporting Obligations

Designated Persons

OSFI is in the process of developing the formats for the various lists of names of designated individuals and entities for posting on its Web site. These lists will include searchable databases in the same format and in the same manner as the postings of Listed Persons under other *United Nations Act/Criminal Code* regulations.

OSFI will also post new or updated information on designated persons. In the meantime, federally regulated financial institutions' searches should be conducted using the list of designated entities contained in United Nations Security Council Resolution 1737 (2006), which can be viewed through the link provided on page 1.

Searching and Monitoring

OSFI expects that federally regulated financial institutions will implement the necessary measures to search for the names of individuals or entities designated under the RIUNRI.

It is recommended that federally regulated financial institutions consider the additional steps that should be taken to ensure compliance with the requirements of sections 5 and 6 of the RIUNRI including, but not necessarily limited to, the monitoring of trade-related transactions. More specifically, financial institutions need to consider how they will implement the prohibitions imposed by sections 5 and 6 with regard to the supply, sale, transfer, manufacture or use of any of the products referred to in section 3 (i.e. certain items, materials, equipment, goods and technology which could contribute to Iran's uranium enrichment-related, reprocessing or heavy water-related activities, or to the development of nuclear weapon delivery systems).

We would like to remind federally regulated financial institutions that the obligation to search for designated names is a continuing one and may not be limited to the monthly reporting obligation. For example, at a minimum, it is our expectation that federally regulated deposit-taking institutions be able to search their records for designated names at least on a weekly basis, and more frequently if need be.

Disclosure to Law Enforcement

If institutions have property in their possession or control that they have reason to believe is owned or controlled by persons covered by the RIUNRI, or they have information about a transaction or proposed transaction in respect of property covered by the RIUNRI, they are required to report such information to both the RCMP and CSIS immediately. Information may be provided to these organizations as follows:

RCMP
Anti-terrorist Financing Group
Unclassified fax: 613-993-9474

CSIS
Financing Unit
Unclassified fax: 613-231-0266

Reporting to OSFI

OSFI intends to create new reporting forms for federally regulated financial institutions to use in complying with their monthly reporting obligations. These forms will be similar to those already in use for other reporting under the *United Nations Act/Criminal Code* regulations. We anticipate that provincial authorities and other regulators may wish to adapt the new forms for their own use. We are currently in the process of finalizing these forms, along with the related instructions; they will be posted to our Web site when ready for use.

Federally regulated financial institutions are expected to file their first reports with OSFI no later than March 15, 2007. Subsequent reports are to be provided no later than on the 15th day of each month thereafter (the same timeline as for reporting under other regulations).

If you need any clarification or have questions on any of the matters outlined in this letter, please e-mail extcomm@osfi-bsif.gc.ca, or contact the Compliance Division at OSFI.

Thank you very much for your anticipated cooperation in this matter.

Robert Hanna
Acting Assistant Superintendent, Regulation Sector