



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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OFFICE OF FOREIGN ASSETS CONTROL

Treasury Revokes Iran's "U-Turn" License

Summary: The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) amended the Iranian Transactions Regulations (ITR), effective November 10, 2008, by revoking an authorization previously granted to U.S. depository institutions to process "U-Turn" transfers.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

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Related Topics:

Office of Foreign Assets Control

Attachment:

Iranian Transactions Regulations Amended
<http://www.treas.gov/offices/enforcement/ofac/actions/20081110.shtml>

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Note:

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Highlights:

- Effective November 10, 2008, OFAC will no longer allow U.S. depository institutions to process "U-Turn" transfers under the ITR.
- A "U-turn" transfer consists of:
 - (1) Initiating a dollar-denominated transaction offshore by order of a foreign bank's customer;
 - (2) Transferring the dollar-denominated amount from a correspondent account held by a domestic bank for the foreign bank to a correspondent account held by another domestic bank for a different foreign bank; and
 - (3) Ultimately transferring the funds offshore as a dollar-denominated account of the second foreign bank's customer.
- Prohibiting "U-Turn" transfers eliminates the financial benefit to Iranian banks or other persons in Iran or the Government of Iran.
- This amendment does not revoke existing authorizations under the ITR for transactions relating to humanitarian aid and other legitimate activities.
- OFAC information is available at <http://www.treas.gov/offices/enforcement/ofac>.
- If you have questions, please call OFAC's Compliance Programs Division at 1-800-540-6322.

11/10/2008

The U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) amended the Iranian Transactions Regulations, 31 C.F.R. part 560 (the ITR), effective November 10, 2008, by [revoking an authorization previously granted to U.S. depository institutions to process "U-turn" transfers](#), and making certain other conforming and technical changes.

A "U-turn" transfer is initiated offshore as a dollar-denominated transaction by order of a foreign bank's customer. The transaction then becomes a transfer from a correspondent account held by a domestic bank for the foreign bank to a correspondent account held by a domestic bank for another foreign bank. The transaction eventually ends up offshore as a transfer to a dollar-denominated account of the second foreign bank's customer.

As a result of this amendment, U.S. depository institutions no longer will be allowed to process "U-turn" transfers involving Iran, thereby precluding transfers that dollarize transactions through the U.S. financial system for the benefit of Iranian banks or other persons in Iran or the Government of Iran. This amendment does not revoke the existing authorization in the ITR for funds transfers by U.S. depository institutions, through intermediary third-country banks, to or from Iran or for the benefit of the Government of Iran or a person in Iran arising from underlying transactions authorized by a specific or general license issued pursuant to the ITR (e.g., payments arising from authorized sales of agricultural products, medicine, and medical devices to Iran), are not prohibited by the ITR.¹

¹ 1. (e.g., a family remittance not related to a family-owned enterprise)
2. (e.g., payment for the shipment of a donation of articles to relieve human suffering; the exportation or importation of information and informational materials; or travel-related remittances)