



Iran's Terror-Tied Banks Operate Across Europe

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Recent reports show that Iranian terror groups and proliferation agents are using banks in Europe to facilitate illicit transactions. New JINSA research reveals that a network of at least 15 branches of U.S.-sanctioned Iranian banks are operating across Europe, holding at least €1.9 billion in assets. Although the United States maintains full sanctions against Iran's banking and financial sector, the European Union and United Kingdom lifted these sanctions in 2016 and continue to permit several Iranian state-linked banks to operate across their territory despite their support for Iranian terrorism and efforts to proliferate nuclear material and ballistic missiles. The United States should press Europe to shutter these terror banks, seize their funds, and re-sanction Iran's financial and banking sectors. In the interim, the United States should sanction these banks' European leadership to penalize their operations, recruiting, and finances.

What Happened?

- On February 5, the UK's *Financial Times* [reported](#) that Iran had used Santander and Lloyds banks—two of the largest banks in the United Kingdom—as part of a vast sanctions-evasion scheme that helped Iranian companies raise hundreds of millions of dollars for the Islamic Revolutionary Guard Corps' Qods Force.
 - » Both Santander and Lloyd's banks conducted internal reviews of the claims made in the FT investigation and [claim](#) that they have not found any breach of U.S. sanctions because the front company had not been targeted in sanctions, and that the amount of funds transacted were “negligible.”
 - » MP Liam Byrne [called](#) the news “a shocking failure to act in lockstep with our allies to shut down the financing of a hostile regime. It beggars belief that a business sanctioned by the US is freely trading in London.”
- On February 9, Politico EU [reported](#) that the Hamburg-based Varengold Bank AG had been used to launder the proceeds of Iranian oil sales in order to obtain hard currency. Varengold's customers included front companies of the Islamic Revolutionary Guard Corps (IRGC).
 - » Varengold claimed that all transactions were related to payments of “humanitarian goods” not subject to U.S. and EU sanctions.
- In addition to using established European banks under high regulatory scrutiny, JINSA's new research shows both Iranian and European governments and business communities use a network of 15 U.S.-sanctioned Iranian bank branches that hold substantial assets of at least €1.9 billion in assets.

Why Is It Important?

- The Iranian regime is using European banks to launder and money for its oil and petrochemical sales and transfer funds to its terror proxies, including Hezbollah and the Houthis. While lawmakers are rightly concerned about compliance failures of Western banking institutions, a network of sanctioned Iranian banks operate openly and freely in Europe under the blessing of the UK and European Union regulators.

Name of Bank	Location of Bank Branch	Assets Held (End of 2022)	U.S. Sanctions on Bank
Bank Mellī	London, UK	€320 million	WMD Proliferation
	Paris, France	<i>Unknown</i>	WMD Proliferation
	Hamburg, Germany	€616 million	WMD Proliferation
Bank Saderat	London, UK	€222 million	Terrorism
	Frankfurt, Germany	<i>Unknown</i>	Terrorism
	Hamburg, Germany	€64 million	Terrorism
	Athens, Greece	€96 million	Terrorism
Bank Sepah	London, UK	€314 million	WMD Proliferation
	Paris, France	<i>Unknown</i>	WMD Proliferation
	Rome, Italy	€58 million	WMD Proliferation
	Hamburg, Germany	<i>Unknown</i>	WMD Proliferation
EIH	Hamburg, Germany	€43 million	WMD Proliferation
Bank Saman	Rome, Italy	€32 million	Economic
	Hamburg, Germany	<i>Unknown</i>	Economic
Middle East Bank	Munich, Germany	€209 million	Economic

Source: JINSA Research, Asset figures from European financial disclosure documents

- The European Union and the United Kingdom [lifted](#) sanctions on Iran’s financial and banking sector in January 2016 as part of their commitments under the Joint Comprehensive Plan of Action (JCPOA). Accordingly, Iranian banks can freely operate inside Europe.
 - » The EU and UK had originally [pledged](#) to lift further sanctions on Iran’s ballistic missile and nuclear-related industries and officials in October 2023 (the JCPOA’s ‘Transition Day’) but [announced](#) ahead of time that it would not honor those commitments based on Iran’s repeated violations of the JCPOA.
- The United States maintains full sanctions against the Iranian banking and financial sector, with carveouts for trade in medicine and humanitarian goods. Banks are given a choice: they can do business with the United States or they can do business with Iran, but they if they seek to do both they will suffer from severe U.S. financial penalties. Most major international banks avoid transactions with Iran because they wish to avoid these significant fines.
- While most major international banks generally seek to comply with U.S. banking and financial regulations, a network of Iranian banks operating in Europe are designed to circumvent these sanctions and conduct banking business between Europe and Iran.
- Bank Mellī (National Bank of Iran) is the first national bank of Iran and the largest in Iran. Bank Mellī operates branches in London, Paris, and Hamburg despite being under U.S. weapons of mass destruction (WMD) sanctions.

- » The bank was first [sanctioned](#) by the United States in 2007 for its provision of banking services to the IRGC and its Qods Force, as well as its role facilitating the purchase of numerous materials for the regime’s nuclear and ballistic missile program.
- » The Treasury Department has noted that “[w]hen handling financial transactions on behalf of the IRGC, Bank Melli has employed deceptive banking practices to obscure its involvement from the international banking system.”
- » Bank Melli was removed from U.S. sanctions in October 2015 as part of the JCPOA, despite its role supporting Iranian terrorism, and was placed back on U.S. sanctions in November 2018 after the United States ceased participation in the JCPOA.
- » Bank Melli was sanctioned by the European Union from June 2008 to January 2016 for being linked to Iran’s nuclear proliferation activities.
- » Bank Melli’s London branch [noted](#) in a 2023 report to British regulators its assets had remained constant around £320 million pounds, and that its revenue had increased from £3.7 million to £9.2 million pounds from 2021-2022, but reported the bank’s concerns it may not be able to sustain operations due to pressure from the ongoing political environment.
- » Bank Melli’s Hamburg branch reported 40 local employees and €700 million in business volume in 2022.
- Bank Saderat is one of Iran’s largest banks with over 3,000 local branches. They currently operate branches in London, Frankfurt, and Hamburg despite being under U.S. terrorism sanctions.
 - » Bank Saderat has been [sanctioned](#) by the United States since September 2006 for their support for terrorism. The Treasury Department noted that Bank Saderat was one of the principal facilitators of Iranian funding to Hamas, Hezbollah, Palestinian Islamic Jihad, and other Iranian terror efforts.
 - » The European Union [sanctioned](#) Bank Saderat in July 2010 for providing services to various entities involved in Iran’s nuclear and ballistic missile programs. However, litigation from Iran as well as a political [intervention](#) by Greece led to the delisting of Bank Saderat in 2016, ahead of the originally planned de-listing in 2023 pursuant to the JCPOA’s ‘Transition Day’ commitments the EU has since reneged on.
 - » In 2016, Senior European Union officials also admitted that the early de-listing of Bank Saderat was “a political decision of the member-states taken at the time.” The Bank’s behavior since 2016, as well as the EU’s decision not to honor its ‘Transition Day’ commitments should provide an impetus for the EU and UK to now place Bank Saderat under renewed sanctions.
- Bank Sepah is one of Iran’s largest banks and was the first Iranian bank ever sanctioned by the United States due to its support for the regime’s ballistic missile program. Bank Sepah currently [operates](#) branches in Frankfurt, Rome, Paris, and London.
 - » The United States [sanctioned](#) Bank Sepah in 2007, noting that it served as the “financial linchpin” for Iran’s missile procurement network and that it had facilitate transactions with China and North Korea’s missile programs.
 - » The European Union as well as the United Nations sanctioned Bank Sepah in 2007, and the United Kingdom sanctioned the bank in 2015, but all these sanctions were lifted as part of the JCPOA. The United States also lifted its sanction as part of the JCPOA but re-imposed them in 2018.

- » Germany [imposed](#) a credit ban on Bank Sepah in 2017 for violating Germany’s credit laws, but the Bank’s Frankfurt branch remains in operation.
- » According to [data](#) from European banking reports, the London branch of Bank Sepah employed 33 staff and held around €314 million euros as of the end of 2022. The Rome branch held €58 million euros in assets as of the end of 2022.
- On its website, the German-based Europäisch-Iranische Handelsbank (EIH) advertises that: “Since our early days we have assumed the role as a specialized bank for international business with the Islamic Republic of Iran and the world.” EIH primarily operates out of Hamburg, Germany.
 - » The United States sanctioned EIH in 2010 for its facilitation of transactions related to the WMD proliferation, including facilitating a nearly \$1 million transaction with an Iranian WMD proliferator in 2007. The United States dropped these sanctions as part of the JCPOA in 2015, then re-imposed them in November 2018.
 - » EIH continues to employ 67 employees as of the end of 2022 - 10 of whom work in Iran and the remaining 57 work in the Hamburg branch in Germany.
 - » EIH’s revenues have [fallen](#) from 4.85 million euros in 2018 to 2.03 million euros in 2022. However, their operating surplus increased over the past four years from half a million euros in 2019 to 4.3 million euros in 2022.
- Bank Saman is a privately owned Iranian bank with nearly 200 local branches in Iran. They have [branches](#) in Hamburg and Rome despite being under U.S. economic sanctions.
 - » Bank Saman was first partially sanctioned by the United States in 2012 for their ties to Iran’s financial sector. They had partial U.S. sanctions relief in 2015 as part of the JCPOA, but this was rescinded in November 2018. In October 2020, they were fully [sanctioned](#) under a new U.S. executive order targeting Iran’s financial sector.
 - » According to Iranian state media, Bank Saman is one of six Iranian banks able to access the \$6 billion in funds in Qatar made available as a ransom payment in the Fall of 2023.
 - » Bank Saman is not sanctioned by the European Union. It was targeted as part of the United States’ “status-based” sanctions rather than “conduct-based” sanctions, reflecting a lower risk of providing support for the Iranian regime’s malign behavior.
 - » Another small Iranian bank, Khavarmianeh Bank (also known as Middle East Bank) operates in Munich and has been subjected to U.S. status-based economic sanctions but remains connected to the SWIFT financial system.
- Iranian banks have encountered growing difficulty of doing business with the international community because the Islamic Republic of Iran has been placed on the Financial Action Task Force’s ‘blacklist’ along with North Korea and Myanmar.
 - » Since February 2020, FATF had imposed its maximum 12 banking countermeasures against Iran, making business with Iranian banks very difficult. There have been years of [debates](#) inside the Iranian government whether to comply with international banking standards in order to gain relief, with hardliners consistently succeeding in their efforts to quash any reform.
 - » FATF recently [removed](#) one of its countermeasures relating to non-proliferation, likely in response to the expiration of UN sanctions against Iran’s ballistic missile and drone programs in October 2023.

What Should the United States Do Next?

- U.S. financial regulators should closely scrutinize the actions taken by Santander, Lloyds Bank, and Varingold Bank to determine whether they took all appropriate actions to identify whether their customers were on U.S. sanctions lists and whether they appropriately identified and disrupted transactions with other sanctioned individuals and entities.
 - » There is no excuse for the United States not to issue large fines for companies that knowingly facilitated business with sanctioned Iranian businesses and individuals advancing the regime's terrorism or proliferation of WMDs.
- The Biden administration and Congress should press the European Union to formally cease its participation in the JCPOA and reimpose full sanctions on the Iranian banking and financial sector.
 - » As European leaders repeatedly pressure the U.S. Congress to pass an aid package for Ukraine, Congress should request that European governments take the threats from Iranian seriously and adopt U.S. policy positions against Iran, such as sanctioning the IRGC, [blocking](#) Iranian terror-linked airlines from operating in Europe, sanctioning Iran's financial/banking sector, and [restoring](#) UN sanctions against Iranian arms transfers.
- The Treasury Department should sanction the European-based leadership of Iranian banks, and Congress should ensure procedures are in place to mandate these sanctions.
 - » Treasury should sanction [Arash Onori](#) and [Ralf Vollmering](#) who serve as the Chairman and the other member of EIH's Board of Management in Hamburg.
 - » Treasury should sanction Bank Melli's local leadership in Europe, including the Paris branch's [leadership](#), the current UK-based [leadership](#), and [management](#) in Hamburg.
 - » Treasury should sanction Bank Saderat's local leadership in Europe, including the London [leadership](#) team, and its [team](#) in Hamburg.
 - » Treasury should sanction Bank Sepah's local leadership in Europe.
- The Department of Justice, in coordination with the Departments of Treasury and State should seek to seize the funds held in sanctioned Iranian banks to pay out the remaining legal judgments against victims of Iranian-backed terrorism.
- The United States should maintain pressure on FATF to keep all banking countermeasures on Iran until it fully reforms its financial transparency, anti-money laundering, and countering terror-financing policies by adopting the Palermo and Terror Financing Conventions.