

OFAC agrees that financial institutions should take a risk-based approach when considering the likelihood that they may encounter OFAC issues. The functional regulators examine financial institutions to determine the adequacy of each institution's OFAC program and the effectiveness of its risk management. The following provide areas to consider as you review your OFAC procedures:

**Section A** (corresponds to a matrix provided in the FFIEC *Bank Secrecy Act Anti-Money Laundering Examination Manual* published in 2005, Appendix M ["Quantity of Risk Matrix--OFAC Procedures"]):

Low	Moderate	High
Stable, well-known customer base in a localized environment.	Customer base changing due to branching, merger or acquisition in the domestic market.	A large, fluctuating client base in an international environment.
Few high-risk customers; these may include nonresident aliens, foreign customers (including accounts with U.S. powers of attorney) and foreign commercial customers.	A moderate number of high-risk customers.	A large number of high-risk customers.
No overseas branches and no correspondent accounts with foreign banks.	Overseas branches or correspondent accounts with foreign banks.	Overseas branches or multiple correspondent accounts with foreign banks.
No electronic banking (e-banking) services offered, or products available are purely informational or non-transactional.	The bank offers limited e-banking products and services.	The bank offers a wide array of e-banking products and services (i.e., account transfers, e-bill payment, or accounts opened via the Internet).
Limited number of funds transfers for customers and non-customers, limited third-party transactions, and no international funds transfers.	A moderate number of funds transfers, mostly for customers. Possibly, a few international funds transfers from personal or business accounts.	A high number of customer and non-customer funds transfers, including international funds transfers.
No other types of international transactions, such as trade finance, cross-border ACH, and management of sovereign debt.	Limited other types of international transactions.	A high number of other types of international transactions.
No history of OFAC actions. No evidence of apparent violation or circumstances that might lead to a violation.	A small number of recent actions (i.e., actions within the last five years) by OFAC, including notice letters, or civil money penalties, with evidence that the	Multiple recent actions by OFAC, where the bank has not addressed the issues, thus leading to an increased risk of the bank undertaking similar

bank addressed the issues and is not at risk of similar violations in the future.

violations in the future.

**Section B** (Additional factors that you might consider):

Low	Moderate	High
<p>Management has fully assessed the bank’s level of risk based on its customer base and product lines. This understanding of risk and strong commitment to OFAC compliance is satisfactorily communicated throughout the organization.</p>	<p>Management exhibits a reasonable understanding of the key aspects of OFAC compliance and its commitment is generally clear and satisfactorily communicated throughout the organization, but it may lack a program appropriately tailored to risk.</p>	<p>Management does not understand, or has chosen to ignore, key aspects of OFAC compliance risk. The importance of compliance is not emphasized or communicated throughout the organization.</p>
<p>The board of directors, or board committee, has approved an OFAC compliance program that includes policies, procedures, controls, and information systems that are adequate, and consistent with the bank’s OFAC risk profile.</p>	<p>The board has approved an OFAC compliance program that includes most of the appropriate policies, procedures, controls, and information systems necessary to ensure compliance, but some weaknesses are noted.</p>	<p>The board has not approved an OFAC compliance program, or policies, procedures, controls, and information systems are significantly deficient.</p>
<p>Staffing levels appear adequate to properly execute the OFAC compliance program.</p>	<p>Staffing levels appear generally adequate, but some deficiencies are noted.</p>	<p>Management has failed to provide appropriate staffing levels to handle workload.</p>
<p>Authority and accountability for OFAC compliance are clearly defined and enforced, including the designation of a qualified OFAC officer.</p>	<p>Authority and accountability are defined, but some refinements are needed. A qualified OFAC officer has been designated.</p>	<p>Authority and accountability for compliance have not been clearly established. No OFAC compliance officer, or an unqualified one, has been appointed. The role of the OFAC officer is unclear.</p>
<p>Training is appropriate and effective based on the bank’s risk profile, covers applicable personnel, and provides necessary up-to-date information and resources to ensure compliance.</p>	<p>Training is conducted and management provides adequate resources given the risk profile of the organization; however, some areas are not covered within the training program.</p>	<p>Training is sporadic and does not cover important regulatory and risk areas.</p>
<p>The institution employs strong</p>	<p>The institution employs limited</p>	<p>The institution does not employ</p>

quality control methods.

Compliance considerations are incorporated into all products and areas of the organization.

Effective policies for screening transactions and new accounts for Specially Designated Nationals and Blocked Persons (SDNs) and sanctioned countries is in place. These policies take into account the level of risk of the type of transaction being screened.

Compliance systems and controls effectively identify and appropriately report potential OFAC violations. Compliance systems are commensurate with risk. Records are retained that document such reporting.

On a periodic basis, determined by the bank's level of risk, all existing accounts are checked to ensure that problem accounts are properly blocked or restricted, depending on the requirements of the relevant sanctions program.

Compliance systems and controls quickly adapt to changes in the OFAC SDN list and country programs, regardless of how frequently or infrequently those changes occur.

Independent testing of a compliance program's effectiveness is in place. An independent audit function tests OFAC compliance with regard to systems, training and use.

quality control methods.

Compliance considerations were overlooked, but not in high-risk areas, and management promised corrective action when deficiencies were identified.

Policies for screening transactions and new accounts exist but are not properly aligned with the bank's level of risk.

Compliance systems and controls generally identify potential OFAC violations, but the systems are not comprehensive based on risk or have some weaknesses that allow inaccurate reporting.

Accounts are periodically checked to ensure that problem accounts are properly blocked or restricted, but this does not occur often enough based on the bank's level of risk.

Compliance systems and controls are generally adequate and adapt to changes in the OFAC SDN list and country programs.

Overall, independent testing is in place and effective, but some weaknesses are noted.

quality control methods.

Compliance considerations are not incorporated into numerous areas of the organization, or do not adequately cover high-risk areas.

Policies for screening transactions and new accounts do not exist.

Compliance systems and controls are ineffective in identifying and reporting OFAC violations and are not commensurate with the bank's level of risk.

Existing accounts are not reviewed to ensure that problem accounts are properly blocked or restricted.

Compliance systems and controls are not current and are inadequate to comply with and adapt to changes to the OFAC SDN list and country programs.

Independent testing is not in place or is ineffective. Testing performed is not considered independent.

Problems and potential problems are quickly identified, and management promptly implements meaningful corrective action.

Problems are generally corrected in the normal course of business without significant investment of money or management attention. Management is reasonably responsive when deficiencies are identified.

Errors and weaknesses are not self-identified. Management is dependent on regulatory findings or responds only when violations are cited or penalties assessed.

Overall, appropriate compliance controls and systems have been implemented to identify compliance problems and assess performance.

In general, no significant shortcomings are evident in compliance controls or systems.

Significant problems are evident. The likelihood of continued compliance violations or noncompliance is high because a corrective action program does not exist, or extended time is needed to implement such a program.