



*CAUGHT  
UNAWARE:  
DON'T LET  
IT HAPPEN  
TO YOU!*

# OFAC Compliance

## A PERSPECTIVE FOR COMMUNITY BANKS

**Office of Foreign Assets Control  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.**

### **INSIDE:**

- A hypothetical example illustrating how a community bank unwittingly violated an OFAC sanctions requirement;
- Summary of the OFAC regulations; and
- How to avoid civil and criminal penalties.

WASHINGTON, D.C., JUNE 22, 1998 — The phone rings at the Compliance Programs Division hotline at the Office of Foreign Assets Control (OFAC) in the Treasury Department. “Office of Foreign Assets Control, may I help you?”

“Yes. I’m vice president/cashier of CommunityBank U.S.A., and we just got an angry complaint from one of our best customers, LocalImporter, that a \$100,000 funds transfer that it sent through us two weeks ago didn’t get to its Yugoslav supplier for a large shipment of widgets. As a result, the Yugoslav supplier didn’t send the shipment, and now LocalImporter may lose business because it is unable to provide the preordered widgets to its retail customers. If we don’t resolve the issue soon, LocalImporter has threatened to end its relationship with CommunityBank

U.S.A. and possibly sue us! I called our New York correspondent, MoneyCenter Bank, and was told that the Office of Foreign Assets Control froze the funds because of some sort of sanctions. What happened to the payment?"

"Well, first let me say that OFAC doesn't take possession of any frozen funds. It sounds as if your correspondent probably blocked the funds based on OFAC regulations. Let me check our database to see if MoneyCenter Bank filed a blocking report with us. Could you hold for just a minute while I check?"

"Sure. No Problem."

*Pause.*

"Okay. It looks as if we don't have a blocking report from MoneyCenter Bank. It's possible that MoneyCenter failed to file the report of blocked assets within 10 days as we require. Do you happen to have the details of the payment readily available?"

"Yes, I have a copy of the payment order in front of me. It appears that the only other foreign entity involved in the payment, other than the Yugoslav supplier, is Beogradska Banka in Cyprus. We're allowed to conduct normal business transactions with Cyprus, right?"

"Sure. Transactions with Cyprus aren't prohibited by OFAC. But the United States does have a new sanctions program against the government of Yugoslav that was implemented on June 10, 1998. This new sanctions program prohibits all U.S. banks, companies, and individuals from dealing with Yugoslav government entities located anywhere in the world, with very few exceptions. U.S. financial institutions are required to block any Yugoslavian governmental assets coming into their possession. The \$100,000 payment sent by LocalImporter was destined for a bank, Beogradska Banka, that has been determined by the U.S. government to be owned by the government of Yugoslavia, which is why your correspondent, MoneyCenter Bank, froze the funds."

"I didn't know about that! Our bank does very little international business, and we count on MoneyCenter to keep us abreast of the regulations surrounding international transactions. Why didn't they just return the funds to us instead of blocking them? I'm going to get a new correspondent bank immediately! This is really going to hurt our business if we lose LocalImporter as a customer."

"I understand your concerns. However, you can't necessarily rely on MoneyCenter Bank or any other correspondent bank to shoulder your OFAC compliance responsibilities because all U.S. financial institutions, regardless of size or international exposure, are liable for processing prohibited transactions."

"Liable! What exactly is our liability? Are we going to get penalized by the government on top of potentially losing a

valued customer? I'm not going to jail for this, am I?"

"Relax. I don't think you'll go to jail for what appears to be an honest mistake, but OFAC does have the civil penalty authority to assess both your bank and your customer fines of up to \$11,000 per transaction in violation of the Yugoslav sanctions. But don't panic. Your bank and LocalImporter will have a chance to present mitigating factors surrounding the case if it is determined that a civil penalty is warranted."

"I guess that's comforting; at least I won't be going to jail. But will LocalImporter be able to get its money back? If not, the company will be furious, and I'm sure we'll lose it as a customer!"

"LocalImporter will have to apply to OFAC for a license, or authorization, to have the blocked funds released from MoneyCenter Bank. The application is informal in format but should include all relevant information, including a complete explanation of the underlying transaction, with the names and addresses of all of the parties involved. We also recommend including a copy of the original payment instructions. These applications are processed on a first-in, first-out basis, so LocalImporter should send its application as soon as possible. Given the current situation in the former Yugoslavia and the present state of U.S. relations with that region, I can't be too encouraging about the likelihood that OFAC will be in a position any time soon to license the release of the funds that LocalImporter sent."

"Are you serious? This situation seems to be getting worse and worse. What do you suggest that I do to avoid this sort of predicament in the future?"

"First of all, you should educate yourself about a bank's responsibilities regarding OFAC regulations and begin to think about what sort of OFAC compliance procedures your bank can put into place. Do you have the most recent copy of OFAC's list of Specially Designated Nationals (SDNs) and Blocked Persons?"

"Our head teller told me that we have some kind of a list from Treasury, dated June 1997. Would that be it?"

"Could be the right list but the wrong date. Our most recent SDN list is dated June 18, 1998."

"But she never got any other list. Don't you guys have a mailing list to distribute annual updates?"

"No. Our information changes on an as-needed, not on a regular, basis. Sanctions programs change, based on U.S. national security and foreign policy concerns and on the outcome of investigations to add or eliminate SDNs. We do, however, make our information instantaneously available through numerous sources. Do you have access to the Internet?"

"Yes. Do you have a Web site?"

"Yes. Our home page address is <http://www.treas.gov/ofac>. At the top of the home page, you'll find the date of OFAC's last change to our information. I recommend that

you bookmark the Web site and check it frequently.”

“O.K. I’ll try it this afternoon and begin to formulate a compliance program for our bank to prevent this from happening again. You’ll be hearing from me again soon.”

“Once you get a chance to review the OFAC information on the Internet, particularly our brochure for banks and the master SDN list, and you begin to implement a compliance program, please feel free to call us on the OFAC Compliance Hotline at (800) 540-6322 if you have any questions. We’re here to assist you.”

“Thanks for all your help. Now I’m going to try to salvage our relationship with LocalImporter and, I hope, persuade it to stay with CommunityBank U.S.A. Good-bye.”

*Click.*

This scenario is an example of a worst-case conversation between OFAC’s Compliance Programs Division and a community banking officer. The vice president of CommunityBank U.S.A. just learned the hard way why all banks, regardless of size or international exposure, should take OFAC compliance seriously and develop a compliance program to prevent these types of situations from occurring.

The conversation also highlights a number of the most common misperceptions about OFAC regulations that exist in the community banking sector. How many did you catch? If you found at least eight, then you are on the right track. If you did not find them all (or even if you did), let’s explore and address these issues so you will not encounter some of the same problems in your institution.

## **PROBLEM 1: What Happened to the Funds and Why?**



The vice president of CommunityBank U.S.A. seemed to have very little understanding of what OFAC is or what laws it enforces. He also seemed to be completely unaware of what happened to the funds and why. He seemed to think that OFAC took possession of the money and didn’t understand why his correspondent could not simply send the funds back to him.

### **Background on OFAC**

OFAC administers economic sanctions and trade embargoes against hostile targets under a number of different statutes. Sanctions are imposed based on U.S. foreign policy and national security concerns and have been used since the earliest days of the republic. They can involve prohibiting trade, blocking assets, prohibiting certain types of commercial and financial transactions, or a combination of these measures. Al-

## **Examiners Are Checking OFAC Compliance**

The federal regulators routinely check financial institutions to ensure that they have policies and procedures in place for complying with OFAC regulations. The Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration examiners are charged with making sure that —

- banks have current listings of SDNs and Blocked Persons;
- new accounts (such as fiduciary, discount, or other securities brokerage transactions), new loan customers, wire transfers, and other new bank transactions are compared to OFAC’s listings prior to opening accounts or conducting transactions; and
- established accounts and other customer transactions are regularly checked against the current OFAC listings.

If OFAC compliance hasn’t come up in one of your audits, it is likely that it will in the near future.

though, historically, sanctions have been imposed mainly against countries (many times multilaterally), recently sanctions have been used frequently against dangerous groups, such as narcotics traffickers and terrorists. Economic sanctions are powerful weapons in the fight to safeguard our economy and security, but their success requires the active participation and support of every financial institution.

OFAC is responsible for enforcing sanctions under eight basic statutes, as outlined in *Exhibit 1* on page 42. It receives foreign policy guidance from the National Security Council and the U.S. Department of State and carries out its enforcement responsibilities in close cooperation with other government agencies, including the bank regulators and law enforcement agencies. The complex web of government agencies involved in the formulation and enforcement of economic sanctions is displayed graphically in *Exhibit 2* on page 43.

### **Why Were the Funds Blocked?**

The funds were blocked by MoneyCenter Bank because of U.S. sanctions against the government of the Federal Republic

of Yugoslavia (Serbia and Montenegro) (the FRY(S&M)) related to Kosovo. It is important to note that OFAC does not take possession of any funds that are frozen; in our hypothetical scenario, the funds remained at MoneyCenter Bank.

The sanctions against the FRY(S&M) require that any property within the control of a U.S. bank that involves an interest of the government of the FRY(S&M) be blocked. Beogradska Banka in Cyprus is an entity of the government of the FRY(S&M) and appears on OFAC's list of SDNs and Blocked Persons. Because the funds were going to this bank,

there was a blockable interest in the "property"—the funds transfer. A number of other OFAC-administered sanctions programs, such as those targeted at Cuba, North Korea, Libya, Iraq, Sudan, narcotics traffickers, and terrorists, have similar blocking requirements.

### Blocked Accounts

The funds blocked by MoneyCenter Bank were put into a "blocked account" on its books. A blocked account is a separate interest-bearing account that is established by a U.S. financial institution whenever property is blocked under a U.S. sanctions program. Interest is supposed to be paid at a "commercially reasonable" rate.

### Blocking Versus Rejecting Transactions

The vice president at CommunityBank wondered why MoneyCenter Bank did not simply return the funds to his bank. In a blocking program, any bank that comes into possession of blocked property must block the funds and cannot refuse to accept them. On the other hand, not all OFAC-administered sanctions programs require banks to block property. Each OFAC sanctions program is different because it is based on unique foreign policy and national security goals.

A funds transfer may be stopped because the underlying transaction is prohibited under a sanctions program. In those cases, the transfer is simply "rejected" instead of being blocked by a U.S. bank, and the funds are returned to the sending institution. Overviews of blocking and reject criteria are provided in *Exhibit 3* on page 44.

### PROBLEM 2: Blocking Reports?



The second OFAC-related problem encountered in the scenario was the fact that MoneyCenter Bank did not file a blocking report with OFAC's Compliance Programs Division within 10 days after freezing the funds sent by CommunityBank U.S.A.

### Reporting Procedures and Requirements

Whenever a bank blocks or rejects a prohibited transaction, that bank must report its action to OFAC within 10 days, describing the action taken and including a copy of the payment order or other relevant documentation. In addition to this periodic report, all holders of blocked property must file a comprehensive annual report of blocked property (form TDF 90-22.50) by September 30 each year.

#### EXHIBIT 1

#### OFAC Laws

- 1 *Trading With the Enemy Act (TWEA)*, 50 U.S.C. App 1-44 — applies to North Korea, Cuba, Transaction Control Regulations
- 2 *International Emergency Economic Powers Act (IEEPA)*, 50 U.S.C. 1701-06 — applies to Libya, Iraq, Serbia & Montenegro and Bosnia, UNITA, Sudan, Iran, terrorism, narcotics, and Burma
- 3 *Iraqi Sanctions Act (ISA)*, Pub.L. 101-513, 104 Stat. 2047-55 — applies to Iraq
- 4 *United Nations Participation Act (UNPA)*, 22 U.S.C. 287c — applies to Iraq, Libya (part), UNITA, Serbia & Montenegro and Bosnia
- 5 *International Security and Development Cooperation Act (ISDCA)*, codified at 22 U.S.C. 2349 aa-9 — applies to Iran
- 6 *The Cuban Democracy Act (CDA)*, 22 U.S.C. 6001-10 — applies to Cuba
- 7 *The Cuban Liberty and Democratic Solidarity (LIBERTAD) Act*, 22 U.S.C. 6021-91 — applies to Cuba
- 8 *The Antiterrorism and Effective Death Penalty Act (AEDPA)*, enacting 8 U.S.C. 219, 18 U.S.C. 2332d, and 18 U.S.C. 2339b — applies to Cuba, North Korea, Iran, Iraq, Libya, Syria, and Sudan

In addition, the Criminal Code at 18 U.S.C. 1001, knowingly making false statements or falsifying or concealing material facts when dealing with OFAC in connection with matters under its jurisdiction, applies to all programs.

**PROBLEM 3:  
Who Is Sanctioned and  
What Are SDNs?**



The third misperception the vice president of CommunityBank U.S.A. had about OFAC regarded the geographical scope of sanctions and prohibitions.

**Blocked Persons and SDNs**

As stated earlier, LocalImporter's funds were blocked because of the involvement of Beogradska Banka, an entity owned and controlled by the government of a sanctioned country (the FRY (S&M)). As such, it is referred to as a "Blocked Person." Specially Designated Nationals, or SDNs, are individuals and entities located anywhere in the world that are blocked, not because they are obviously subject to the terms of the governing sanctions program but because OFAC has made a determination that they are owned or controlled by, or acting

for or on behalf of, a government of a sanctioned country or are designated international narcotics traffickers or terrorists targeted by the United States government.

All property and interests in property of an SDN that come into the possession of a U.S. bank must be blocked. Many of the SDNs would not normally raise suspicions based solely on their names and locations. It is important to carefully screen transactions using OFAC's SDN list. As a practical matter, the likelihood of encountering an SDN is greatest in international transactions, but some domestic transactions could be affected as well.

**PROBLEM 4:  
Who Is Responsible for  
OFAC Compliance?**



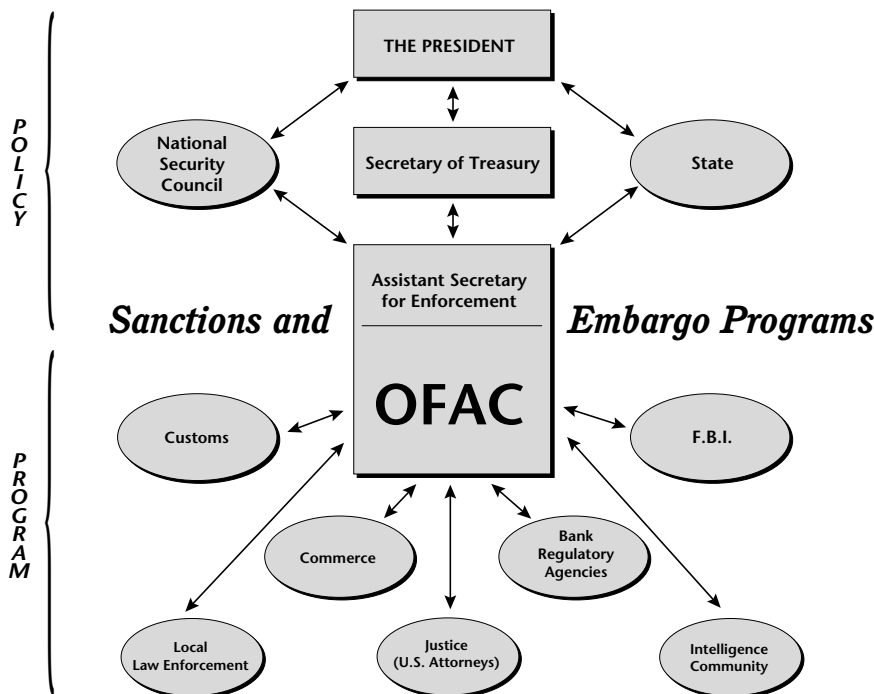
The vice president of CommunityBank U.S.A. wrongly assumed that, because of the bank's low level of international

business, it could rely on its U.S. correspondent bank, MoneyCenter Bank, to keep it informed of OFAC regulations.

**OFAC Compliance**

All "U.S. persons" or "persons subject to the jurisdiction of the United States," depending on the sanctions program, must comply with OFAC regulations. All U.S. banks, whether large or small, are covered by these terms and are responsible for complying with OFAC regulations. Remember, if a U.S. bank comes into the possession of funds in which a Blocked Person or an SDN has an interest, those funds must be blocked. If a bank passes the funds on, it has transferred blocked property and is potentially liable for having done so. A bank cannot fully rely on its upstream correspondent for its compliance program.

**EXHIBIT 2  
OFAC Sanctions Formulation and Enforcement**



**PROBLEM 5:  
Will the Bank Be  
Penalized?  
Am I Going to Jail?**



Panic truly set in once the vice president at CommunityBank realized that a serious error had been made in processing the \$100,000 transfer and that he or the bank could be penalized for having transferred the funds, as opposed to the bank having blocked them itself. Awareness of the substantial civil and criminal penalties, as well as the negative publicity, resulting from a bank's violation of U.S. sanctions can be a strong motivation to devote the appropriate time and resources to implementing appropriate and well-managed OFAC compliance procedures.

**Civil Penalties**

Over the past several years, OFAC has had to impose millions of dollars in civil penalties involving U.S. banks. The majority of the fines resulted from banks' failures to block illicit transfers when there was a reference to a targeted country, Blocked Person, or SDN, as was the case with our hypothetical CommunityBank U.S.A.

In our example, CommunityBank may incur a civil penalty for processing the \$100,000 transfer from LocalImporter in violation of the sanctions against the FRY (S&M). LocalImporter could also incur a civil penalty for attempting to send funds to a blocked institution, Beogradska Banka. The civil penalty may be up to \$11,000 for both CommunityBank and LocalImporter. Potential fines are even higher under some programs. *Exhibit 4* on page 45 displays the possible penalties that could be imposed under the various OFAC regulations.

Depending on the circumstances involved, OFAC's Civil Penalties Division may issue a Prepenalty Notice to a bank, citing the violation and stating the amount of the proposed penalty. The bank then has 30 days to respond. It is critical for banks to answer such Prepenalty Notices because failure to respond may result in default judgments that levy the maximum fines.

It is at the prepenalty stage that the bank should make its case as to why a penalty should not be imposed — or if imposed, why it should be in a lesser amount than proposed — by presenting any mitigating factors, such as the sophistication of its compliance program. CommunityBank's compliance program would probably not earn it major mitigation in a penalty proceeding.

**Criminal Penalties**

Criminal penalties will probably not be imposed on CommunityBank U.S.A. for processing this prohibited transaction, nor will its vice president go to jail, because there was no

**EXHIBIT 3**

**An Overview of Current OFAC Profiles for Blocking Transactions**

**☛ All banks must block transactions involving the following:**

**Individuals**

- individuals appearing on OFAC's SDN list;
- Cuban and North Korean citizens, except U.S. residents, wherever located; and
- individuals, regardless of citizenship, currently residing in Cuba or North Korea

**Commercial Enterprises**

- entities on OFAC's SDN list; and
- companies located in North Korea and Cuba

**Governmental Entities**

- governmental entities and officials of Libya, Iraq, North Korea, Cuba, Sudan, Serbia, and the Federal Republic of Yugoslavia, including those entities and individuals appearing on OFAC's list of SDNs and Blocked Persons. All banks in Libya, Iraq, and Serbia are government-controlled banks.

**An Overview of Current OFAC Profiles for Rejecting Transactions**

**☛ All banks must reject transactions involving the following:**

- commercial activity in Libya, Iraq, or Sudan, not involving a Libyan, Iraqi, or Sudanese governmental entity;
- commercial activity between a customer and a person in Iran or the government of Iran;
- accounts belonging to persons or entities in Iran or the government of Iran;
- direct transfers of funds to any person in Iraq; and
- an SDN vessel.

**EXHIBIT 4**

**Maximum OFAC Penalties Per Transactions Violation**

<i>OFAC Laws</i>	<i>Civil Penalties</i>		<i>Criminal Penalties</i>	
	<i>Individual</i>	<i>Corporate</i>	<i>Individual</i>	<i>Corporate</i>
<b>Trading With the Enemy Act (TWEA)</b>	\$55,000 in fines	\$55,000 in fines	10 years imprisonment and \$250,000 in fines	10 years imprisonment and \$1 million in fines
<b>International Emergency Economic Powers Act (IEEPA)</b>	\$11,000 in fines	\$11,000 in fines	10 years imprisonment and \$250,000 in fines	10 years imprisonment and \$500,000 in fines
<b>Iraqi Sanctions Act (ISA)</b>	\$275,000 in fines	\$275,000 in fines	12 years imprisonment and \$1 million in fines	2 years imprisonment and \$1 million in fines
<b>United Nations Participation Act (UNPA)</b>	None	None	10 years imprisonment and \$250,000 in fines	10 years imprisonment and \$500,000 in fines
<b>International Security and Development Cooperation Act (ISDCA)</b>	None	None	None	None
<b>Cuban Democracy Act (CDA)</b>	None	None	10 years imprisonment and \$250,000 in fines	10 years imprisonment and \$1 million in fines
<b>Cuban Liberty and Democratic Solidarity Act (LIBERTAD)</b>	\$55,000 in fines	\$55,000 in fines	10 years imprisonment and \$250,000 in fines	10 years imprisonment and \$1 million in fines
<b>Antiterrorism and Effective Death Penalty Act (AEDPA)</b>	N/A	the greater of \$50,000 or 2 times amount that should have been blocked	10 years imprisonment and \$250,000 in fines	\$500,000 in fines
<b>Criminal Code</b>	None	None	5 years imprisonment	\$10,000 in fines

evidence of criminal intent. In cases where intent is present, however, criminal penalties can be imposed against violators. Criminal penalties provide for imprisonment and fines that are more severe than the civil penalties (see *Exhibit 4*).

**PROBLEM 6:  
Will My Customer Ever  
Get Its Money Back?**



CommunityBank’s vice president was rightfully worried that LocalImporter would be furious that its funds were blocked, but as you have now learned, LocalImporter is not

entirely innocent in this transaction either and may itself be subject to penalties. Once CommunityBank informs LocalImporter of the situation, LocalImporter, or CommunityBank on its behalf, may attempt to get the funds returned through OFAC’s licensing procedures.

**Licensing**

OFAC has the authority to license, or authorize, transactions that would otherwise be prohibited (such as debiting a blocked account to repay LocalImporter). OFAC’s Licensing Division reviews all license applications on a case-by-case basis and issues or denies licenses based on U.S. for-

eign policy.

Filing a complete application will expedite the process, but there are no guarantees that a license will be issued just because one is requested. See *Exhibit 5* for an overview of OFAC guidelines for license applications requesting the release of blocked funds. Applications are processed on a first-in, first-out basis.

## **PROBLEM 7: How Can I Implement OFAC Compliance Procedures at My Bank?**



The most critical mistake the vice president at CommunityBank made was not having OFAC compliance procedures in place to prevent violating U.S. sanctions regulations. CommunityBank's lack of an OFAC compliance program could cost it \$11,000 in civil penalties, the loss of a valued and profitable customer, and the probable loss of future business stemming from negative publicity it might receive because of its error.

### **Establishing an OFAC Compliance Program**

OFAC is not a bank regulator, and it cannot require your bank to establish any internal compliance procedures, but the example of CommunityBank should bring home to you the importance of establishing a compliance program and developing internal audit procedures. Although all financial institutions under U.S. jurisdiction must comply with the same laws and regulations, no one compliance program can be prepackaged for every bank. The establishment of an OFAC compliance program is a business decision, and any program should be tailored to meet the needs, resources, and structure of your own bank.

### **Objectives and Screening**

The most fundamental objective of OFAC compliance procedures is to provide enough information to key staff members in all relevant operations to enable them to recognize and stop, or "interdict," suspect transactions for further review before they are processed. An effective internal communication network is critical to OFAC regulatory compliance. Banks might consider including regulatory notices and explanations in staff newsletters.

Compliance training programs also should be initiated. Such training initiatives can range from mentioning regula-

#### **EXHIBIT 5**

### **Guidelines for License Applications for the Release of Blocked Funds**

For OFAC to consider any application requesting the release of funds that have been blocked at a U.S. financial institution pursuant to regulations administered by OFAC, the following information should be provided:

1. The amount of the payment.
2. The date of the payment.
3. The name and address of the remitter.
4. The name of the remitting bank.
5. The name of the U.S. bank that blocked the funds.
6. The name of the beneficiary bank.
7. The name and address of the beneficiary.
8. A copy of the original transfer instructions given to the remitting or receiving bank.
9. A complete description of the underlying transaction, including copies of related documentation (invoices, bills of lading, etc.).
10. An English translation for any foreign language documents.
11. The nature of the applicant's interest in the funds and a statement of the reasons why the applicant believes the funds should be unblocked.
12. The name, address, telephone number, and (if available) fax number of the party seeking the release of the funds. The inclusion of a social security number is recommended but not required.
13. For corporations or other entities, the application should include a principal place of business, the state of incorporation or organization, and if a U.S. entity, a taxpayer identification number.

Applications should be sent in hard copy to:

Office of Foreign Assets Control  
Licensing Division



tions in staff meetings and incorporating compliance requirements into operating procedures to joining with other banks to sponsor seminars.

Relevant operational areas of every bank should receive, at a minimum, a listing of sanctioned countries and continuously updated SDN lists. There is no shortcut to screening transactions, particularly international transactions, against these lists. However, if your bank has the resources, you may consider purchasing name-recognition software to automatically screen account and transaction information for SDNs and geographical references to targeted countries. Some banks have created their own programs, and others have purchased the software from private vendors.

### Internal Compliance Responsibilities

Every bank should consider designating a compliance officer responsible for overseeing OFAC compliance, monitoring its implementation, and maintaining blocked funds. Formal compliance responsibilities may also be assigned to all operations and systems managers. Internal auditing departments could be charged with assisting in the development of compliance policies and verifying that procedures, once established, are being followed.

An in-depth audit of each department in the bank should probably be conducted at least once a year. The compliance audit may be either incorporated into a bank's standard auditing program or conducted separately. Internal auditing departments should not be surprised if they are questioned by federal and state bank examiners about their bank's procedures for complying with OFAC regulations.

### OFAC Compliance Hotline

In your efforts to establish an OFAC compliance program or once your bank's program is already established, if you have any questions about the constantly changing and complex world of sanctions, call OFAC's Compliance Hotline toll-free at (800) 540-OFAC (6322) or (202) 622-2490.

Compliance officers are available to help you on weekdays from 7:30 a.m. to 6:00 p.m. eastern time. Calls to the hotline are confidential. Because of time constraints, written confirmations of hotline advice are not usually provided, but OFAC recommends that your bank keep records of hotline conversations. OFAC also has a Miami branch office (address: 909 Southeast First Avenue, Suite 735A, Miami, FL 33131) and a special bilingual hotline specializing in information on the Cuban embargo; the hotline number is (305) 536-6769.

## PROBLEM 8: How Do I Get a Listing of SDNs and Blocked Persons and Stay Current?



The final error the vice president of CommunityBank U.S.A. made was that he did not have current OFAC information and did not know where to find it.

### OFAC Information Retrieval

All of OFAC's public information documents are updated whenever there is a change to an existing program or when a new one is announced. Major developments are also announced via a Fedwire notice to on-line institutions. Although OFAC does not maintain a mailing list, a one-time "starter kit" of essential OFAC information can be sent to a bank when it is in the initial stages of developing an OFAC compliance program. After that, it is strongly recommended that the officer in charge of your bank's OFAC compliance program stay up-to-date through one of the following electronic resources.

### OFAC Fax-on-Demand Service

OFAC operates a free automated fax-on-demand service, which can be accessed 24 hours a day, 7 days a week, by dialing (202) 622-0077 from any touch-tone phone and following voice prompts. The Index lists all of the documents OFAC makes available by fax, and indicates the date each document was last updated.

### Web Page on the Internet

All of OFAC's program "brochures," as well as SDN information, are available free in downloadable, camera-ready, PDF format (may be read with the Adobe Acrobat reader) over the Treasury Department's World Wide Web Server. At the top of the home page, the date of OFAC's last change is displayed.

OFAC recommends that users bookmark the Web site and check it frequently. OFAC's home page site is <http://www.treas.gov/ofac>. In addition to explanatory brochures, industry overviews, and OFAC's SDN list, the site provides access to the actual texts of *Federal Register* notices, the entire Code of Federal Regulations dealing with OFAC, and pertinent executive orders, United Nations resolutions, and statutes.



### U.S. Treasury's Electronic Library (TEL)

The Treasury Department maintains a free "electronic library" called "TEL" on the FedWorld bulletin board network. FedWorld is a service of the National Technical Information Service (NTIS). It can be reached 24 hours a day, 7 days a week, using standard communications software and a modem by directly dialing (703) 321-3339.

### U.S. Government Printing Office's The Federal Bulletin Board

The U.S. Government Printing Office operates a free bulletin board called "The Federal Bulletin Board," which can be accessed 24 hours a day, 7 days per week, by direct dialing (202) 512-1387 from a modem using any communications software or by using the Internet to connect to fedbbs.access.gpo.gov.

### U.S. Commerce's Economic Bulletin Board (EBB)

The U.S. Department of Commerce operates an electronic bulletin board (the EBB), which can be reached by directly di-

aling from a modem using any communications software by dialing (202) 482-3870 (for 2400bps connections), (202) 482-2584 (for 9600bps connections), or (202) 482- 2167 (for 14,400bps connections).

### Office of the Comptroller of the Currency's Information Line

The Office of the Comptroller of the Currency (OCC) operates a special 24-hour a day fax-on-demand service for national banks and examiners. The computer-based system provides copies of documents from any touch-tone phone by calling (202) 479-0141 and following voice prompts. OCC's Communications Division may be reached at (202) 874-4960.

### U.S. Commerce's STAT-USA/FAX

The U.S. Department of Commerce operates an automated fax-on-demand service that includes OFAC data. Users may call (202) 482-0005 from a fax machine's handset 24 hours a day, 7 days a week.

### Bank Regulators in General

OFAC provides electronic notice regarding all major sanction actions to some 5,000 on-line Fedwire depository institutions through the Federal Reserve Bank of New York. OFAC does the same for members of the New York Clearing House Interbank Payments System. When you receive one of these electronic notices, you should know to check the OFAC Web site, fax-on-demand service, or one of the other electronic media that it uses to disseminate OFAC information.

### Conclusion

A few simple procedures put into place will help ensure a community bank's compliance with OFAC requirements. *Exhibit 6* is a checklist of the basic elements of compliance; keep it handy and distribute it to those in your bank who need it. Above all, avoid penalties and embarrassment and don't be caught unaware! ■

#### EXHIBIT 6

### A Quick OFAC Checklist

- Make OFAC compliance a priority at your bank.
- Be careful with your international transactions in particular.
- Don't open your doors to sanctioned individuals and entities.
- Stay current on OFAC regulations and issuances by using the various sources of electronic retrieval of OFAC information.
- Make sure all relevant operations areas of your bank at least have a current listing of sanctioned countries and an up-to-date SDN list.
- Always remember, when in doubt, contact the OFAC Compliance Hotline toll-free at (800) 540-OFAC (6322).



**For more information on ABA Bank Compliance or to subscribe, call (800) 338-0626.**