

# COMPLIANCE ALERT

## "Specially Designated Who?"

### A Primer on OFAC Compliance

**“**Office of Foreign Assets Control, Compliance Programs Division—may I help you?”

“Yes. I’m calling from AnyBank, U.S.A. My supervisor asked me to call to get the latest list of blocked countries...you know, the countries we can’t send money to. Is Cambodia still on the list? How about Vietnam and Haiti?”

*from the:*

*Office of Foreign Assets Control  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220*

“No. The U.S. government lifted those programs quite some time ago. I could easily list the countries that are

the targets of current U.S. blocking restrictions—Libya, Iraq, Cuba, North Korea, and Serb-controlled Bosnia—but there is really more to it than just a list of blocked countries. Are you aware that we have new programs blocking assets of terrorists and narcotics traffickers and that you can’t service Iranian accounts? Did you know that we publish an extensive list of Specially Designated Nationals and Blocked Persons? The SDN list is about 30 pages long and includes thousands of individuals and entities that are primarily located outside of the blocked countries.”

“Specially Designated who? All my boss asked for was the blocked country list. That’s all I need. Thanks.”

*Click.*

Two months later...

“Office of Foreign Assets Control, Compliance Programs Division. May I help you?”

#### **In this article, you will find information on—**

- ▶ **OFAC’s sanctions programs and enforcement authority;**
- ▶ **areas of the bank affected by OFAC compliance responsibilities;**
- ▶ **procedures for a comprehensive compliance program;**
- ▶ **suggestions for blocked account maintenance; and**
- ▶ **how to access OFAC information.**

“Yes. This is the vice president for compliance at AnyBank, U.S.A.”

“How may I help you?”

“I just received a letter from your office. It says here that you want me to provide details regarding AnyBank’s handling of a \$1M transfer we recently wired to the Arab Bank for Investment and Foreign Trade (ARBIFT) in Abu Dhabi. I’ve been trying to track that wire down for days. Hometown Exports, one of our best customers, is frantic! His supplier in the U.A.E. is threatening to sue if they don’t receive that payment soon. What’s the story?”

“Your New York correspondent bank appropriately blocked that payment because your telex instructions listed ARBIFT as the beneficiary bank.”

“The U.A.E. is blocked! When did that happen? I had a clerk update the blocked country list just two months ago! He didn’t say anything about the U.A.E.”

“You’re right. We don’t have sanctions against the U.A.E. However, the U.S. government designated ARBIFT as a Specially Designated National under the Libyan sanctions because it was fronting for the Libyan government. Companies and individuals in any country can be designated under our programs. Some SDNs have addresses in London, Paris, and Switzerland.”

“So when does my customer get his money back?”

“May not.... Conceivably, release of the funds won’t be authorized until the U.S. lifts the sanctions against Libya.”

“When will that be?”

“Hard to say. Even if a decision is made now to release the money, license applications are processed on a first-in first-out basis, and there is currently a backlog of requests.”

“How did you know our bank was involved in the transfer?”

“Your New York correspondent filed a blocking report with our office. As required, the report included a copy of the wire transfer instructions, which clearly showed that AnyBank originated the transfer.”

“Darn that New York correspondent! Why didn’t they warn us about ARBIFT? We don’t do much international business, and we count on them to keep up with all these regulations!”

“Don’t blame your New York correspondent. Treasury regulations

## Exhibit 1

### Current Blocking Profiles

#### Individuals

- ▶ individuals appearing on OFAC’s SDN list;
- ▶ Cuban and North Korean citizens, wherever located; and
- ▶ individuals, regardless of citizenship, currently residing in North Korea or Cuba.

#### Commercial Enterprises

- ▶ entities on OFAC’s SDN list;
- ▶ companies located in North Korea, Cuba, and areas of Bosnia and Herzegovina controlled by Bosnian Serb forces; and
- ▶ companies (including banks), wherever located, organized in or controlled from North Korea, Cuba, or areas of Bosnia and Herzegovina controlled by Bosnian Serb forces.

#### Governmental

- ▶ Governmental entities and officials of Libya, Iraq, North Korea, and Cuba, and authorities in areas of Bosnia and Herzegovina controlled by Bosnian Serb forces, including those entities and individuals appearing on OFAC’s SDN list. All banks in Libya and Iraq are government banks.

on the Libyan sanctions prohibit them from cancelling or rejecting blocked payments. Small and mid-size banks cannot delegate their compliance responsibilities to larger international correspondent banks. All U.S. banks are liable for processing blocked payments.”

“Liable! Are you going to fine us for this?”

“OFAC does have civil penalty authority. Under the Libyan program, we can assess both you and your customer civil fines of up to \$10,000 each.”

“Oh—great. My customer is already furious that he is out the \$1M. My review is coming up. This is going to look very bad.”

“You will have a chance to present mitigating factors after you receive a pre-penalty notice. Make sure you include a detailed description of AnyBank’s compliance program. Do you use any electronic screening software?”

“No. We just call once in awhile to update our list of blocked countries.”

“Not so good.”

“This is definitely not my day. I guess you’d better mail me that SDN list of yours and any other information you think I need. ‘Sigh...’”



Be honest. How did you react to this scenario? Does the state of AnyBank’s compliance program seem preposterous, or could you all too easily see yourself in this Compliance V.P.’s predicament? Don’t let your first contact with Treasury’s Office of Foreign Assets Control (OFAC) be about your bank’s inadvertent violation of U.S. law. If you found this dialog more disturbing than amusing, maybe it’s time you implemented a comprehensive compliance program to ensure that your bank does not run afoul of sanctions and embargo programs.

#### Fostering Corporate Commitment

Your first hurdle in developing a comprehensive compliance program might be to convince top-level manage-

ment that your bank ought to be devoting more resources to OFAC compliance. Though OFAC is not a bank regulator and it cannot require you to establish any set internal procedures, it does work closely with state and federal regulators. Don't be surprised if your regulator asks to see your OFAC compliance manual during your next examination.

You still haven't convinced upper management that OFAC compliance is in the bank's best interest? Make sure they understand the full range of OFAC's enforcement authority. All U.S. citizens and permanent resident aliens, companies located in the United States, overseas branches of U.S. companies, and in some cases, overseas subsidiaries of U.S. companies come under OFAC jurisdiction. This means that all U.S. banks and U.S. citizens and permanent resident aliens in their employ need to be aware that they may be held accountable for sanctions violations.

Depending on the program involved, criminal violations of the statutes administered by OFAC can result in corporate fines of up to \$1 million, personal fines of up to \$250,000, and 12 years in jail. OFAC also has independent authority to impose civil penalties. In the case of Iraq, civil penalties can range up to \$250,000 per count.

Is your cost/benefit analysis not winning any converts because OFAC has never fined your bank or even contacted you about a possible violation? It may just be a matter of time. Most major money center banks have paid substantial fines and, as a result, have installed sophisticated and highly effective "interdict" software to block questionable funds transfers and other transactions automatically.

Some filters contain every name on OFAC's master list of "Specially Designated Nationals and Blocked Persons" (SDN list) along with geographical names for embargoed countries and cities. As depicted in the AnyBank scenario, it is more likely now than ever that violations by smaller banks will come to the attention of OFAC through blocking reports it receives from larger money center banks. Your international correspondent has probably already come to the conclusion that OFAC compliance is simply a good business decision.

<i>Exhibit 2</i>
<i>Rejection Criteria</i>
<p><i>Banks must reject all business associated with:</i></p> <ul style="list-style-type: none"> <li>▶ commercial activity in Libya or Iraq not involving a Libyan or Iraqi governmental entity;</li> <li>▶ direct or indirect transfers of funds to any person in Iraq;</li> <li>▶ commercial activity between a customer and a person in Iran or the government of Iran;</li> <li>▶ exports of arms or petroleum products to the territory of Angola other than through certain designated ports of entry; and</li> <li>▶ accounts belonging to persons or entities in Iran or the government of Iran.</li> </ul>

Have you concluded that your small bank would simply not be exposed to the kind of transactions OFAC would be interested in? Think again. Small banks all over the country are being drawn into illegal transactions by their customers: individuals wiring family remittances to relatives in Cuba and Iraq, local exporters utilizing bank financing to cover prohibited shipments from Iran, and individuals routing financial contributions to terrorists and terrorist organizations, for example.

### *Getting Started*

Call OFAC's Compliance Hotline toll-free at 1-800-540-OFAC (6322) and ask for a starter kit containing:

- ▶ Foreign Assets Control Regulations for the Financial Community—This handy resource for banking professionals provides a complete explanation of OFAC's statutory authority and detailed summaries of each sanctions program.
- ▶ OFAC Public Information Available Via Computer—Everything you need to know to access updates from OFAC via your PC.
- ▶ Master List of Specially Designated Nationals and Blocked Persons—An alphabetical list of all entities and individuals that are blocked under OFAC sanctions programs.

### *Overall OFAC Compliance Objectives*

Because each sanctions program is based on a unique set of foreign policy imperatives, no two are exactly alike. However, in developing OFAC compliance procedures, you should focus on one overriding objective: to provide enough information to key staff members in all operations to enable them to recognize and stop suspect transactions for further review by the individual ultimately responsible for OFAC compliance at your bank.

Valid OFAC "hits" may need to be blocked or rejected, depending on the nature of the transaction and the applicable regulations. Deciding whether to block or reject can be difficult. Your bank's main compliance responsibility is to ensure that suspect items are interdicted. OFAC will help you determine whether an interdicted transaction ought to be processed, blocked, or rejected.

### *Blocking*

If your bank is organized or located in the United States, virtually all property that comes within your bank's possession or control and in which there is an interest of a blocked individual or entity is blocked by operation of law. What is meant by "interest"? Any interest whatsoever, direct or indirect, present, future, or contingent.

How do you spot an interest of a blocked person or individual? Current

blocking targets are defined in *Exhibit 1*.

### Rejecting

Certain transactions need to be interdicted because the underlying transaction is prohibited (see *Exhibit 2*). Such transactions are typically rejected, cancelled, or returned after consultation with OFAC. If you process such a transaction, your bank may be liable for facilitating a prohibited transaction, just as it would be held accountable for processing a blocked transfer.

### Who Plays a Role in OFAC Compliance?

Because of the broad definition of “property,” “interest,” and “transactions,” all of your operations areas will have a role to play in OFAC compliance.

### Tellers

Your counter and platform staff will be your first line of defense against violative personal remittances. If a customer gives instructions to wire \$300 from his account to a relative in Cuba, the customer’s account should be debited and a blocked account established in the amount of \$300.

Or suppose another customer attempts to cash a draft drawn on the account of an individual on the books of Rafidain Bank, Jordan. Though neither Jordanian nor Iraqi non-SDN nationals are blocked, the draft itself is blocked because it is drawn on a blocked bank (a branch of Rafidain Bank, Baghdad).

### Account Officers

Know your customers! OFAC’s definition of property includes both assets and obligations. Both sides of the bank’s balance sheet should be reviewed for blocked deposit and loan account parties. A Chicago savings and loan paid a \$23,000+ penalty for failing to block a government of Haiti account following the issuance of an Executive Order blocking government of Haiti property. The bank allowed numerous debits to the account, and the penalty was tied to the number and amounts of the debits.

Deposit accounts, loan facilities, and credit card accounts should be reviewed for any type of blocked interest.

Does the owner, obligor, co-owner, guarantor, signatory, or beneficiary on the account fit a blocking profile? If so, the account should be blocked immediately. Credits to blocked deposit accounts are authorized, but debits, other than normal service charges, are prohibited without authorization from OFAC. Payments on blocked loans or credit cards should be credited to a blocked account and may not be applied against blocked loan balances without a license.

### Letter of Credit Department

Because letters of credit (L/Cs) are often used to finance international trade transactions, the L/C department must be particularly vigilant with respect to OFAC compliance. A small bank in Utah was fined \$5,000 for merely advising a letter of credit involving commercial activity in Libya. (For an explanation as to what it means to advise a letter of credit, see U.C.P. 500 Article 7.) Before your bank issues, confirms, amends, or advises an L/C, the face of the credit should be examined for OFAC issues:

▶ Does the account party, beneficiary, issuing bank, or paying bank fit one of the blocking profiles? (See *Exhibit 1*.)

▶ Is the underlying trade transaction prohibited? (See *Exhibit 2*.)

Don’t be complacent just because, on its face, an L/C appears to be in compliance with OFAC’s programs. During the time when there were sanctions against Vietnam, a Washington State bank violated the sanctions by processing import paperwork containing a “Cites” certificate indicating that shoes being imported by a major U.S. department store contained leather from Vietnamese reptile skins. Therefore, when examining documents presented under a letter of credit, look for evidence of an OFAC violation that may not appear on the face of the L/C:

▶ Does the bill of lading indicate that goods were shipped by a blocked shipping company or aboard a blocked merchant vessel appearing on the SDN list?

▶ Does the certificate of origin reveal that the goods originated from a target country?

▶ Does the invoice indicate that a

blocked company supplied goods to the seller?

If there is reason to believe that a letter of credit involves an interest of a blocked party, the L/C contract itself and all related documents should be

### OFAC Compliance Differs from BSA Compliance

OFAC compliance objectives and procedures should not be confused with Bank Secrecy Act (BSA)/money laundering policies. They differ in fundamental ways.

While criminally derived assets are subject to forfeiture and seizure under the money laundering statutes, OFAC’s programs have historically emphasized “freezing” rather than “seizing” assets to achieve foreign policy goals. Blocking provisions are often “protective,” as when Kuwaiti assets were preserved from Iraqi aggression or Norwegian and Danish assets were shielded from the Nazi’s invasion of those countries.

OFAC blocking is often used to apply political pressure on hostile governments, such as those in Tripoli or Havana. Freezing may also be used to create and preserve a “pool” of assets to satisfy the interests of injured claimants and creditors against parties under sanctions.

While “knowing your customer” is still important, many compliance officers find OFAC’s targeting approach easier to implement than BSA because OFAC does not generally require banks to develop “profiles” for illegal activities. The criteria for taking action are relatively straightforward and objective—with nationality groups, such as Cubans or North Koreans being identified or specific names being “designated” and listed in the *Federal Register*.

treated as blocked property. Drafts and other negotiable documents should be secured. Depending on the status of the L/C, you may be required to debit your customer's account and block the L/C payment.

### *The Wire Room*

The wire room obviously plays a critical role in OFAC compliance. A savings and loan in the Midwest took direct instructions from a customer whose own name actually included the word "Serbian." The S&L paid a civil monetary penalty of \$9,000 after another U.S. bank caught the transfer and correctly blocked the funds before sanctions were suspended against the Federal Republic of Yugoslavia.

A federal savings bank in California was fined \$5,000 for attempting to transfer funds for a customer through the Arab Bank for Investment and Foreign Trade (ARBIFT) in Abu Dhabi; a credit union in Washington paid \$9,000 for a similar transaction involving Arab Turkish Bank (ATB) in Istanbul.

Before they are relayed to your international correspondent, all fields of outgoing wire transfer instructions should be reviewed to ensure that:

- ▶ neither intermediary bank nor banks of beneficiaries appear on OFAC's SDN list or otherwise fit a blocking profile (see *Exhibit 1*); and
- ▶ the transfer does not appear to be in support of a prohibited transaction (see *Exhibit 2*).

Transfers referencing a blocked interest should be debited from the customer's account and credited to a blocked account.

### *Compliance Procedures*

Don't expect all operations areas to be comfortable with all of the nuances of the varied and frequently changing sanctions programs. Remember, the object is to stop OFAC-related transactions before they are processed. You can sort out the blocked items from the reject items with assistance from OFAC's Compliance Hotline after they are referred to you by your operations areas.

What information should be provided to operations areas to ensure that possible OFAC hits are interdicted without unduly burdening front-line

## *Exhibit 3*

### *Sample OFAC Awareness Poster*

# UNITED STATES GOVERNMENT SANCTIONS

**CUBA  
IRAN  
IRAQ  
LIBYA  
NORTH KOREA  
SERB BOSNIA\*  
SDN, SDT, SDNT\*\***

### **U.S. Sanctions**

If you see any reference in any document to these countries (including in an address), an SDN, SDT or SDNT -- STOP and immediately notify your supervisor. Take no further action without GCO or Global Compliance approval.

Please note: This list of sanctioned countries, SDNs, SDTs and SDNTs may change from time to time. Please contact your LCO, GCO or Global Compliance for any changes.

Violation of the U.S. Sanctions can involve fines and imprisonment.

\*Defined as Bosnian Serb-controlled territories of Bosnia and Herzegovina.

\*\*Defined as Specially Designated National, Terrorist and Narcotics Trafficker.

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**AMERICAN  
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personnel? At a minimum, be sure they know about the sanctions programs. One large money center bank developed a simple, yet effective OFAC awareness poster (see *Exhibit 3*).

There is no real shortcut to screening for an SDN other than to check all international transactions against the SDN list. Do you think you could spot a suspicious company name without checking the list? Before you rely on intuition, take a look at an overhead used by an interdict software vendor in its training sessions (see *Exhibit 4*). None of the company names shown seem suspicious on the surface.

Comprehensive OFAC compliance requires that all operations areas have, at the very least, a list of key target countries and an updated SDN list at all times. Both of these lists should be consulted before any international transaction is processed.

### *Blocked Account Maintenance*

All blocking actions must be reported to OFAC Compliance by fax at 202/622-1657 within 10 days. No special forms are needed. A letter on your letterhead will suffice. Your report should indicate that a blocked account has been established in the name of the blocked party and should indicate the amount of funds blocked and the name, phone number, and fax number of the individual responsible for maintaining blocked accounts at your bank.

With respect to fund transfers, your report should include a copy of the transfer instructions. Blocked accounts are to be interest-bearing, earning interest at commercially reasonable rates in instruments with maturities of less than 90 days.

### *Electronic Access to OFAC Updates*

Once you have established OFAC compliance procedures, your next challenge will be to stay up-to-date. OFAC updates can easily be accessed electronically. While Treasury is willing to mail you a hard-copy starter kit to help you get your compliance program off the ground—it is strongly recommended that you access updates from one of the services listed in *OFAC Public Information Available Via Computer*.

## *Exhibit 4*

### *Sample Training Overhead*

**Atlas Air Conditioning, London**

**Fartrade Holdings, Switzerland**

**SIRM Holding, Rome**

**Vinales Tours, Cancun**

**Reality:**

**All of the above are SDNs. Which ones look suspicious to you?**

Joseph Madison & Associates

### *Computer Bulletin Boards*

There are several computer bulletin boards from which you can download all of OFAC's brochures and SDN list material directly to your PC. The U.S. Treasury's Electronic Library on the FedWorld Bulletin Board is free to the public and can be accessed using standard communications software or via Telnet, FTP, or the World Wide Web.

The U.S. Commerce Department's Economic Bulletin Board is a subscription service that can be reached using standard communications software. The Government Printing Office's Federal Bulletin Board is free to the public, though fees are charged per download. The Federal Bulletin Board can be reached using any communications software or via Telnet.

Is your bank a member of the U.S. Council on International Banking (USCIB), headquartered in New York? If so, your membership privileges include access to USCIB's INTERCOM bulletin board. Hundreds of banks nationwide access all of their

OFAC information via INTERCOM. The International Banking Operations Association (IBOA), headquartered in Florida, also carries OFAC files on its "Wildcat" bulletin board.

It is strongly recommended that you select access to one of these bulletin boards on a regular basis to find out whether there have been any urgent bulletins from OFAC. There is no set interval for changes to the SDN list—it is revised as needed. Check the date of the master SDN list. If it is later than the date of the SDN list you are currently using, download the new file, along with the "SDNEW" file. The SDNEW file will highlight the additions, deletions, and corrections to the previous list.

OFAC files are currently available in ASCII, WordPerfect, and \*.PDF format. Both ASCII and WordPerfect files can be read into most word processing programs where they can then be manipulated, edited, searched, and printed. \*.PDF files are graphical images that can be read and printed with an Adobe Acrobat Reader, available as shareware on the various



# OFFICE OF FOREIGN ASSETS CONTROL

**MISSION:** The Office of Foreign Assets Control of the U.S. Department of the Treasury administers and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations, and international narcotics traffickers based on U.S. foreign policy and national security goals. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.



PLEASE BE AWARE THAT NEW INFORMATION IS AVAILABLE AS OF



An overview of O.F.A.C. Regulations involving Sanctions against Iran in \*.PDF format



An overview of the Iraqi Sanctions Regulations in \*.PDF format



An overview of the Libyan Sanctions Regulations in \*.PDF format



A summary of the Federal Republic of Yugoslavia Sanctions Regulations (involving Serbia, Montenegro, and Serb-controlled Bosnia) in \*.PDF format



An overview of the Cuban Assets Control Regulations in \*.PDF format



An overview of the Foreign Assets Control Regulations as they relate to North Korean in \*.PDF format



A summary of the UNITA (Angola) Sanctions Regulations in \*.PDF format



A summary of sanctions against terrorists who threaten to disrupt the Middle East peace process



A summary of sanctions against international Narcotics Traffickers

FOREIGN ASSETS CONTROL REGULATIONS FOR BANKS

FOR SECURITIES INDUSTRY

FOR EXPORTERS & IMPORTERS

## SPECIAL INFORMATION ON DESIGNATED NATIONALS AND BLOCKED PERSONS:



Alphabetical Master list of Specially Designated Nationals and Blocked Persons in \*.PDF format



Recent changes to Master list of Specially Designated Nationals and Blocked Persons in \*.PDF format



DOS, delimited, and fixed-field versions of Master list of Specially Designated Nationals and Blocked Persons for downloading in self-expanding ASCII\*.exe file

(Users needing an Acrobat Adobe Reader to view or print \*.PDF files may download the appropriate software by...)

boards where the files are maintained.

These files, when printed, are identical to hard copy brochures distributed by OFAC. The SDN list \*.PDF file is in small-print, three-column format, convenient for xeroxing and distributing in hard-copy to operations areas. If your bank has a local area network, you might consider making the SDN list available on the network in ASCII or WordPerfect format.

Entities all over the world have direct access to OFAC information and updates via Treasury's World Wide Web Server. A user-friendly home page highlights recent changes and provides access to publications with a click of the mouse (see *Exhibit 5*).

If you cannot convince management to invest in a modem and communications software, there are fax-on-demand services and a CD-ROM option to consider. However, the disadvantages of such services include their cost, tying up your fax machine for lengthy publications if you are using fax-on-demand, and only monthly updates if you are using CD-ROM.

### *Interdict Software*

To reduce the risk of human error in high-volume areas, many banks have installed name-recognition software to automatically screen account information, funds transfers, and so forth for names of SDNs and geographical references to target countries. Some banks have written their own programs; others have purchased packages now available through several different vendors.

In the past, banks and private vendors have had to manually input changes to OFAC's SDN list in order to update search term databases. In response to suggestions by the banking industry, the SDN list is being made available in "delimited" and "fixed field" formats, which can be read automatically into any database program.

### *OFAC's Bank Compliance Hotline*

OFAC sanctions are constantly changing and complex. To assist compliance officers, OFAC has established a toll-free Bank Compli-

ance Hotline—1-800-540-OFAC (6322), which banks are encouraged to use. When in doubt about an interdicted account or transaction, don't hesitate to pick up the phone. The following guidelines will help maximize the benefits of using the Hotline.

DON'T delegate final OFAC review authority by distributing the OFAC hotline number to operations personnel. One compliance officer at a large bank has given standing orders to each clerk in the wire room to call OFAC each and every time the word "Angola" appears in a payment instruction. This bank is never going to get off its learning curve. If OFAC had had the opportunity to speak with a central compliance officer, we would have explained that there are no blocking provisions under the UNITA (Angola) program. Future items involving Angola could then be handled internally, saving valuable time for wire room personnel.

If you choose to install interdict software, DON'T call OFAC before you have done an initial review of each interdict hit. Name recognition software inevitably flags a large number of transactions for further review based on "false hits." Before you call OFAC's hotline, you should do an initial review of interdicted items to sort out the obvious bad name matches. You shouldn't have to consult with OFAC to determine whether your payment to Ace Painting in New Jersey is blocked because it was flagged by your computer based on partial recognition of the SDN name "Ace Indic Navigation Co., Ltd."

DO accumulate notes on repetitive false-hits. One large New York bank flagged numerous transactions generated by one customer referencing LAFB, a term that appears on OFAC's SDN list as an a.k.a. for Libyan Arab Foreign Bank. The bank appropriately suspended the transactions while the bank's compliance officer questioned the customer about the reference. It was discovered that LAFB was simply an acronym for the commonly used banking phrase "loans against foreign bills." The bank was able to write an algorithm into its screening software that would allow payments for this particular customer to be processed regardless of the appearance of LAFB in the payment details.

DO rely on OFAC phone advice. Many hotline inquiries come down to judgment calls that can be made only by OFAC compliance officers. Because of time constraints, written confirmation of hotline advice can rarely be provided. However, OFAC maintains a written record of telephone guidance it gives on specific transactions and recommends that banks do the same. If you are told by an OFAC compliance officer to process a payment you've thoroughly described over the phone, you will not be penalized for processing that payment.

### *Ongoing OFAC Compliance*

What other steps can be taken toward comprehensive, sustainable OFAC compliance? Internal auditing departments can assist in the development of "corporate compliance memoranda" and verification that the procedures, once established, are being followed. An effective internal communication network is critical for regulatory compliance. You might consider including special OFAC bulletins in staff newsletters.

Compliance training programs will help raise general awareness. Other useful measures include reviewing regulations in staff meetings, incorporating compliance requirements into operating procedures, and joining with other banks to sponsor compliance seminars.

The economic sanctions programs of the U.S. government are powerful foreign policy tools. Their success requires the active participation and support of every U.S. citizen. OFAC urges you to be careful. Protect your firm from losses and civil penalty exposure. Don't open your doors to OFAC targets; stay abreast of U.S. sanctions law. Make OFAC compliance a corporate priority. Access OFAC updates electronically on a regular basis. Make sure all operations areas have access to a short "stop" list as well as the latest SDN list. And when in doubt, call 1-800-540-OFAC (6322). ●

For more information on ABA Bank Compliance or to subscribe, call 1-800-338-0626.