

Hoang Vinh, you correctly answered 13 of 20 questions for a score of 65%. To achieve the objectives outlined in the course description, you should review the following:

Lesson 1: The Importance of OFAC Compliance
Page 3: OFAC Sanctions

Lesson 2: Compliance Basics
Page 2: OFAC and Financial Institutions

Lesson 3: Examinations and Penalties
Page 2: OFAC Compliance and Exams
Page 3: Civil Penalties

To receive credit for this course, you need to score 80% or higher.

8141 - Complying with OFAC

COURSE DESCRIPTION

Depository institutions play an important role in protecting the United States by supporting the government's efforts to impose economic sanctions against foreign and domestic enemies of the United States. Those sanctions are administered by the U.S. Treasury's Office of Foreign Assets Control (OFAC). This course is a basic introduction to OFAC that describes what depository institutions must do to comply with its laws and regulations.

Learning objectives

Successfully meeting the requirements of this course will prepare employees to:

1. Understand the importance of OFAC and why they must comply with OFAC regulations. Topics related to objective:
 - The Purpose of OFAC
 - OFAC Sanctions
2. Take appropriate steps to ensure compliance with OFAC requirements; understand the use of interdiction software. Topics related to objective:
 - OFAC and Financial Institutions
 - Performance Simulation
 - Interdiction Software
3. Handle federal OFAC regulatory examinations and avoid civil and criminal penalties for noncompliance. Topics related to objective:
 - OFAC Compliance and Exams
 - Civil Penalties
 - Criminal Penalties

Recommended for:

- All employees

The "SDN list"

Alphabetical Listing of All Blocked Persons

Specially Designated Nationals (SDNs)

Specially Designated Terrorists (SDTs)

Specially Designated Narcotics Traffickers (SDNTs)

Those subject to OFAC regulations are prohibited from doing business with:

- Terrorists and terrorism-sponsoring organizations
- International drug smugglers
- Persons who deal in the sale and distribution of weapons of mass destruction
- Rough diamond smugglers
- Enemy governments like Cuba, Iran and North Korea and others

(1) Fin. Ins (2) Insurance (3) Securities firms

Right! OFAC stands for the *Office of Foreign Assets Control* — a division of the U.S. Treasury Department.

Continue

The Office of Foreign Assets Control (OFAC):

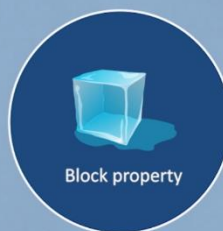
- Supports U.S. foreign policy and national security objectives
- Sanctions countries
- Sanctions individuals and entities
- Sanctions individuals and entities
 - Drug traffickers (SDNT)
 - Organizations and individuals sponsoring terrorism (SDT)
 - Individuals representing banned/suspect countries (SDN)
- Elected members of the Palestinian Legislative Council (PLC)
- Any SDT
- Foreign Terrorist Organizations (FTO)
- Specially Designated Global Terrorists (SDGT)

American financial institutions are obligated to:

- Block property
 - Negotiable instruments
 - Contracts
 - Tangible and intangible interests

Block = Freeze Property

Two Obligations



and



Subject to OFAC regulations:

- American citizens and permanent resident aliens
- Individuals/entities located in the U.S.
- Corporations organized under U.S. law and entities owned or controlled by any of the above

SUBJECT TO OFAC	SECURITIES BROKERS	TARGETS OF OFAC
SUBJECT TO OFAC	SPECIALLY DESIGNATED NATIONALS	TARGETS OF OFAC
SUBJECT TO OFAC	TERRORISTS	TARGETS OF OFAC
SUBJECT TO OFAC	TOURISM COMPANIES	TARGETS OF OFAC
SUBJECT TO OFAC	FINANCIAL INSTITUTIONS	TARGETS OF OFAC
SUBJECT TO OFAC	DRUG TRAFFICKERS	TARGETS OF OFAC

i Drag the "X" to your selection.

A	PRESIDENTIAL WARTIME AND NATIONAL EMERGENCY POWERS	B	UNITED NATIONS MANDATES
C	SPECIFIC U.S. LEGISLATION	X	ALL OF THESE

Progress Check

Use the "Blocked" stamp to indicate what happens to the title of blocked property.

i Drag the stamp to your selection.

Blocked

A IT'S TRANSFERRED TO THE U.S. GOVERNMENT. **B** IT'S HELD BY THE FINANCIAL INSTITUTION. **C** IT REMAINS WITH THE DESIGNATED COUNTRY, ENTITY OR INDIVIDUAL. **D** NONE OF THESE.

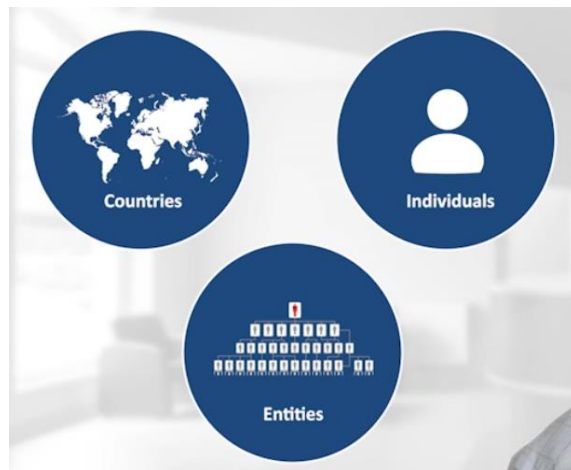
Incorrect

No, Hoang Vinh, the correct answer is C. Title is not transferred even though exercising the power and privileges of ownership is prohibited.

Continue

i Drag the stamp to your selection.

A IT'S TRANSFERRED TO THE U.S. GOVERNMENT. **B** IT'S HELD BY THE FINANCIAL INSTITUTION. **C** IT REMAINS WITH THE DESIGNATED COUNTRY, ENTITY OR INDIVIDUAL. **D** NONE OF THESE.



Progress Check

Here are some sanctions OFAC might impose. Indicate whether each may or may not be imposed on a country.

i Drag each sanction either left or right to indicate whether or not it may be imposed.

MAY BE IMPOSED	EMBARGO ALL IMPORT AND EXPORT TRADE	MAY NOT BE IMPOSED
MAY BE IMPOSED	PROHIBIT ADVISING ON LETTERS OF CREDIT	MAY NOT BE IMPOSED
MAY BE IMPOSED	PROHIBIT LOANS	MAY NOT BE IMPOSED
MAY BE IMPOSED	REQUIRE A FREEZE OF GOVERNMENT OR PRIVATE ASSETS	MAY NOT BE IMPOSED

EMBARGO ALL IMPORT AND EXPORT TRADE	MAY NOT BE IMPOSED
PROHIBIT ADVISING ON LETTERS OF CREDIT	MAY NOT BE IMPOSED
PROHIBIT LOANS	MAY NOT BE IMPOSED
REQUIRE A FREEZE OF GOVERNMENT OR PRIVATE ASSETS	MAY NOT BE IMPOSED

Complete

Good work. OFAC may require any or all of these sanctions, depending on the countries involved and the relevant foreign policy objectives.

Continue

Lesson 2

- OFAC laws application
- Interdiction software

Activity 1

Activity 2

Activity 3

Activity 4

Activity 5

Block property and transactions

- Place funds in a “blocked account” and pay a commercial rate of interest
- Return rejected funds to sending institution

Activity 1

Activity 2

Activity 3

Activity 4

Activity 5

Notify OFAC of blocked property

Within 10 business days of occurrence



Notify OFAC of blocked property

Within 10 business days of occurrence

File annual report by September 30

Penalty for failing to block can be severe

SEPTEMBER				
Sun	Mon	Tue	Wed	Th
26	27	28	29	
2	3	4	5	
9	10	11	12	
16	17	18	19	

Activity 1

Activity 2

Activity 3

Activity 4

Activity 5

File a SAR as indicated

But only if:

There's additional info not included in OFAC report

Or

Transaction would be reportable even if no SDN list match



Activity 1

Activity 2

Activity 3

Activity 4

Activity 5

Monitor internally

Recommendations for an OFAC monitoring system:

- Appoint an OFAC compliance officer
- A system that allows staff to stop suspect transactions for review
- An internal communication network
- Notifications and training tips in internal newsletters



Activity 1

Activity 2

Activity 3

Activity 4

Activity 5

File a SAR as indicated



Progress Check

Let's say a new customer wants to open a checking account and has no other accounts with your bank.

You would be required to cross-check this person's name against OFAC lists

Drag the check mark to the appropriate answer.



A

ONLY IF YOU HAVE REASON TO BE SUSPICIOUS.

B

BEFORE ANY TRANSACTION IS PROCESSED THROUGH THE ACCOUNT.

C

BEFORE THE ACCOUNT IS OPENED.

D

BEFORE THE CUSTOMER LEAVES THE BUILDING.

Correct

That's right, Hoang Vinh, the name must be checked before any transactions are processed through the account. Cross-checking your new accounts list against OFAC lists at the end of the day is sufficient.

Continue

A

ONLY IF YOU HAVE REASON TO BE SUSPICIOUS.

B

BEFORE ANY TRANSACTION IS PROCESSED THROUGH THE ACCOUNT.

C

BEFORE THE ACCOUNT IS OPENED.

D

BEFORE THE CUSTOMER LEAVES THE BUILDING.

Progress Check

Which of the following is *not* an OFAC-required activity?
Shred It in the shredder.

Drag your selection to the shredder.

Monitor internally for OFAC infractions

The creation of policies/procedures for OFAC compliance

Notifying OFAC of blocked property

Filing a SAR with every suspicious activity reported to OFAC



Progress Check Which of the following is *not* an OFAC-required activity? *Shred It* in the shredder.

1 Drag your selection to the shredder.

Monitor internally for OFAC infractions

The creation of policies/procedures for OFAC compliance

Notifying OFAC of blocked property

Filing a SAR with every suspicious activity reported to OFAC

Correct

You are correct. A SAR need only be added to the OFAC report *if* you have additional information *or* the transaction would be reportable to FinCEN even without an SDN match.

Continue

U.S. DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control - Sanctions Programs and Information

treas.gov/ofac

OFAC Sanctions Lists

News & Frequently Updated Content

Clearing House Interbank Payments System

800-540-OFAC (6322)

B. By September 30.

"By September 30" is when you have to file an annual report of blocked property.

Don't make me look bad, now. Within how many days of doing so must you notify OFAC that you've blocked a transaction?

Try Again

A Within 7 calendar days of having blocked the transaction.

B By September 30.

C Within 10 business days of the transaction's blockage.

© 10 business days

Performance Simulation

You got this, too. When must the names on newly opened accounts be checked against the SDN list?

REPLAY PREVIOUS SCENE

INTERACTION 2 Click on A, B or C to indicate the best response.

A He got it right. Before opening any new account.

B Not before you open an account. But definitely before the first transaction.

C By the end of the day on which the new account was opened.

(b)

Performance Simulation

What's your answer to this one?

REPLAY PREVIOUS SCENE

INTERACTION 3 Click on A, B or C to indicate the best response.

A We need to file a Suspicious Activity Report with FinCEN within 30 calendar days of the transaction.

B Nothing, just make sure the blocked property appears in the annual report by September 30.

C Nothing, except to continue monitoring the entity's activities.

C. Nothing, except to continue monitoring the entity's activities.

Think, now. She's hinting at filing a suspicious activity report, and there are only two conditions under which you would do that.

Try Again

A We need to file a Suspicious Activity Report with FinCEN within 30 calendar days of the transaction.

B Nothing, just make sure the blocked property appears in the annual report by September 30.

C Nothing, except to continue monitoring the entity's activities.

INTERDICTION SOFTWARE



Just a couple of interdiction software questions before moving on to Lesson 3.

OFAC laws require the use of interdiction software in order to effectively block payments or freeze accounts.

Drag the check mark to the correct response.

Correct

You're right, Hoang Vinh, OFAC does not require the use of interdiction software.

[Continue](#)

TRUE



OFAC CONSIDERS A FINANCIAL INSTITUTION'S DECISION TO USE INTERDICTION SOFTWARE FAVORABLY WHEN DETERMINING MITIGATION IN CIVIL PENALTY PROCEEDINGS.

OFAC AND FINANCIAL INSTITUTIONS

5 compliance activities:

- Block property and transactions
- Notify OFAC of blocked property
- Create policies and procedures
- Monitor internally
- File a SAR as indicated



Lobby staff make up the first line of defense against reportable transactions or individuals who are targeted by OFAC.

Before any transactions can be processed on a new account, employees must first determine if the account owner, guarantor or beneficiary is on the OFAC list.

Both obligations and assets need to be reviewed for matches with OFAC-named countries, individuals or entities.

While credits to blocked accounts are authorized — debits other than normal service charges are prohibited without OFAC authorization.

Wire transfer operations play a central role in OFAC compliance. All wire transfers should be screened to determine if they are prohibited under OFAC.

Staff members who handle letters of credit, must be particularly vigilant for possible OFAC violations involving trade transactions.

All credits must be carefully examined for potential OFAC violations whenever letters of credit are issued, confirmed, amended or advised.

Examiners will also look at:

- Source for current OFAC listings
- How new accounts are checked against OFAC lists
- How established accounts are checked against OFAC lists

OFAC risk assessments should be made for:


- Account openings
- Existing accounts
- Trade finance
- Wire transfers — including NACHA International ACH Transaction compliance

Progress Check It's time for a little quiz.

OFAC laws and regulations are very specific about how financial institutions establish and implement OFAC compliance programs.

1 Drag the check mark to the correct response.

Correct
Good answer, Hoang Vinh. OFAC says simply that compliance procedures should fit the needs, resources and structure of each institution.
Continue

TRUE 

Progress Check What do regulatory examiners check when they investigate an institution for OFAC compliance?

1 Drag left or right to indicate whether each item will be checked or not.

THEY CHECK ...	YOUR SOURCE FOR CURRENT OFAC LISTS.	THEY WON'T CHECK ...
THEY CHECK ...	HOW LOBBY STAFF GREET CUSTOMERS.	THEY WON'T CHECK ...
THEY CHECK ...	HOW NEW ACCOUNTS ARE COMPARED WITH OFAC LISTINGS.	THEY WON'T CHECK ...
THEY CHECK ...	HOW ESTABLISHED ACCOUNTS ARE CHECKED AGAINST CURRENT OFAC LISTINGS.	THEY WON'T CHECK ...

Complete
Good job, Hoang Vinh.
Continue

Progress Check What do regulatory examiners check when they investigate an institution for OFAC compliance?

1 Drag left or right to indicate whether each item will be checked or not.

YOUR SOURCE FOR CURRENT OFAC LISTS.	THEY WON'T CHECK ...
THEY CHECK ...	HOW LOBBY STAFF GREET CUSTOMERS.
HOW NEW ACCOUNTS ARE COMPARED WITH OFAC LISTINGS.	THEY WON'T CHECK ...
HOW ESTABLISHED ACCOUNTS ARE CHECKED AGAINST CURRENT OFAC LISTINGS.	THEY WON'T CHECK ...

Complete
Nicely done. Now let's talk about penalties.
Continue

1 Drag the words/phrases that correctly complete the sentence to the blank lines.

INCOMING CREDITS TO BLOCKED ACCOUNTS ARE **AUTHORIZED**. **NORMAL SERVICE CHARGES** MAY GO THROUGH WITHOUT OFAC AUTHORIZATION.

COMPLIANT CHARGES **NOT AUTHORIZED**
THOROUGHLY EXAMINED **ALSO BLOCKED**

Most infractions or offenses were an institution's failure to block illegal transfers when an identified targeted country, individual or entity was involved.

"602 letter" = prepenalty notice

Respond within 30 calendar days to a 602 letter or face the maximum penalty.




Factors that mitigate civil penalties:

- Self-disclosure
- Use of interdiction software
- Other OFAC compliance initiatives

Progress Check Those were just the civil penalty considerations. So, before we cover criminal penalties ...

Which of the following are true of an institution receiving an OFAC prepenalty notice?

1 Slide each statement's check mark into its True or False column.

PENALTY MAY BE MITIGATED BY FACTORS SUCH AS USE OF INTERDICTION SOFTWARE.	TRUE		FALSE
INSTITUTION MUST RESPOND TO 602 LETTER IN WRITING WITHIN 30 CALENDAR DAYS.	TRUE		FALSE
INSTITUTION MAY EXPLAIN WHY PROPOSED PENALTY SHOULD BE REDUCED, IF IMPOSED AT ALL.	TRUE		FALSE

All are true

Statutes providing for these penalties consist of time in prison, forfeiture of funds or other property involved in the violations, with separate fine levels for corporations and individuals.

"OFAC Regulations for the Financial Community" available at treasury.gov/resource-center/sanctions

Currently Under OFAC Sanctions



Cuba
North Korea
Iran
Iraq
Syria
Sudan
etc.



Drug traffickers
Weapons traffickers
etc.

Progress Check

Let's complete a *Crossword Puzzle* for our final exercise.

What document can you review to learn the most current fines and specific penalties under various OFAC-related acts?

Drag the letters to complete the words in the puzzle.

Complete

Way to go, Hoang Vinh! *OFAC Regulations for the Financial Community* is the brochure you can reference to learn the latest fines and penalties for violating OFAC sanctions.

Continue

1. THE OFFICE OF FOREIGN ASSETS CONTROL
2. ANOTHER WORD FOR "MONETARY" OR "COMMERCIAL"

ACROSS

3. A 9-LETTER WORD FOR "ASSOCIATION" OR "NEIGHBORHOOD"
4. A 10-LETTER WORD FOR "GOVERNANCE"

