

The West Coast Anti-Money Laundering Forum

-

Presents



What Has Changed on the Sanctions
Compliance Landscape?

Crimea, Cuba, North Korea & SSI to Name a Few!

**WC
AML
Forum**



Presenters

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Agenda

- The gap between actual sanctions and press reports about sanctions
- Cuba
- SSI and its implications
 - Sectorial Sanctions Identification List
- Enforcement;
 - Changes, Lessons Learned, Fines and Penalties
- What's next on the sanctions front?
- Q & A



The gap between actual sanctions and press reports about sanctions

- Cuba
- Iran
- Russia
- Others?





Cuba and USA

The U.S. embargo on Cuba is still being enforced.

- The reforms are carefully crafted openings (General Licenses)
- Companies wishing to take advantage of business opportunities in Cuba will need to understand U.S. sanctions and export rules, plan strategically and prepare compliance policies to manage legal risks.

Cuba -Travel Restrictions

Exceptions via General licenses (in the past these required Special Licenses)

General Licenses are Self Executing:

- Persons visiting a “close relative” who is a Cuban national and “persons traveling with them who share a common dwelling as a family with them.” Obama authorized this in 2009.
- Government business.
- Journalists regularly employed at a news organization.
- Certain researchers and professionals.
- Certain college faculty, students and staff.
- Certain religious activities.
- Telecommunications providers. Mr. Obama authorized telecommunications providers to pursue licensing agreements in 2009.
- Producers or distributors of agricultural or medical goods.

Other-Specific Licenses to travel are granted on a case by case basis



Cuba

New General license to travel will be granted for:

- Public performances, workshops and athletic competitions.
- Support for the Cuban people, including human rights work.
- Humanitarian work.
- Private foundations and institutes.
- Information dissemination.
- Travel related to export of authorized products

Lifting all restrictions on travel, including for tourism, would require congressional action.



Cuba & US -Banking

No transactions involving the property of a Cuban national (including purchasing Cuban cigars in third countries or signing a Cuba-related contract with a foreign firm).

- **NEW** - US institutions will be able to open accounts at Cuban financial institutions.
- **NEW** - Travelers to Cuba will be allowed to use American credit and debit cards.
- **NEW** - US entities in third countries will be allowed to engage in transactions and meetings with Cuban individuals in third countries.



Cuba - Transfer of Money

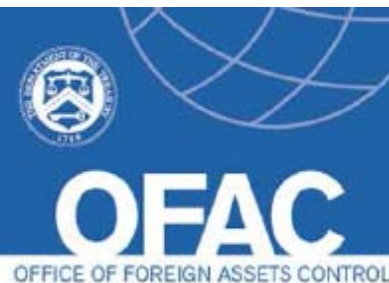
- Authorized travelers are now permitted to carry \$3,000 in remittances to Cuba.
- There are no limits on remittances to religious organizations.
- No limits on sending remittances to close relatives. Mr. Obama authorized this in 2009.
- **NEW** - Remittances of up to \$2,000 per quarter may be made to any Cuban national for humanitarian needs. *(That limit was raised from \$500 a quarter).*
- **NEW** - No License requirements for people who provide remittance forwarding services
 - Previous regulations only allowed a depository institution to transfer funds by general license



North Korea: DPRK

- Prohibitions imposed under IEEPA not TWEA
- Several EOs in force
- No broad blocking of the Government of NK
- All EOs are “list-based”
 - Section 1. (a) All property and interests in property that are in the United States...of the following persons are blocked ... any person determined by the Secretary of State, in consultation with the Department of State...
- Importation of NK-Origin goods

Traditional Sanctions - Targets



Nearly 90 individuals and entities

ЧЕРНОМОРНЕФТЕГАЗ
ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО
CHERNOMORNEFTEGAZ
CLOSED JOINT-STOCK COMPANY



AQUANIKA



The Policy Response



OFAC

OFFICE OF FOREIGN ASSETS CONTROL

The U.S. Response



- President has issued three Executive Orders to Respond to the Crisis
 - E.O. 13660 – Focused on those undermining Ukraine’s territorial integrity, democracy, institutions and sovereignty (focus on Crimea)
 - E.O. 13661 – Focused more broadly on Russia, and those officials and entities providing support to the Kremlin’s Ukraine efforts
 - E.O. 13662 – “Sectoral Sanctions”

Plus 1

E.O. 13685 Crimea Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to the Crimea Region of Ukraine



Russia:

Sectorial Sanctions Identification List

- **Identified & Targeted Sectors**

- **Energy,**
- **Finance**
- **Defense**

70% of Russia's Foreign Exchange Economy is Energy

Russia:

Sectorial Sanctions Identification List

- “Smart Sanctions”
- *OFAC Official* “Narrow Prohibition Incredibly Hard & Complicated” October 7th, 2014
- Russian Economy 9th largest in world
- Russia is 3rd in Oil and 2nd in Gas Productions
- Russia is a Major Trade Partner with the EU
- EU economy Very Fragile
- G- 7 Supported Uniform Sanctions
- *Goal - Rapid Deflation of the Ruble -*
“Make Russians question their ability to Grow”



BNP Paribas

- Pleads Guilty to a Felony!

- BNP's Chief Operating Officer sign off on illicit transaction
- Deliberately hid thousands of transactions with Iran, Sudan, Myanmar and Cuba, countries that were sanctioned for terrorism and human rights violations.
- BNP's Swiss Office provided Letters of credit equal to 1/4 of Sudan's annual exports and 1/5 of their imports
- Concealed \$180 Billion in Transaction Between "02 & 12"
- \$8.9 Billion fine is greater than their previous years profits
- A 1 Year Mandatory Exclusion from US\$ Clearing Transactions.



Lessons Learned from Major Enforcement Actions

- Understand what “stripping” is, and have procedures for returning suspect transactions (FATF Recommendation 16 and footnotes notes).
- Make sure Iranian, Syrian, Sudanese and Cuban SWIFT \ BIC are in your filters.
- Review DOBs on “Hits”
- Be on the alert for nonsense names (SWIFT) and name deviations (first name, last name transpositions).
- Make note of common account numbers from OFAC hits.
- Risks within nested correspondent accounts
- Adequate OFAC training is a must
- Be responsive to OFAC’s requests - (Promptly and Completely).
- Disseminate OFAC knowledge to your ACH originators.



The 2014 FFIEC Manual

- **Automated Clearing House Transactions Overview**

Under International ACH Payments, the manual states that NACHA has issued a number of modifications and refinements to their IAT operating rules.

- IAT Format, there is a change stating that: a Gateway must **identify** within the inbound IAT, **the ultimate foreign beneficiary** of the transfers when the proceeds are for further credit to an ultimate beneficiary that is other than the originator of the debit IAT entry or the **foreign party funding a credit inbound IAT** entry when that party is not the originator of the credit IAT entry.



The 2014 FFIEC Manual

Foreign Correspondent Account Recordkeeping, Reporting, and Due Diligence Overview

CISADA Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 **Reporting Requirements.**

- When a written request is received from FinCEN, banks must report whether the foreign bank maintains any correspondent accounts for an Iranian-linked financial institution designated under (IEEPA),
- whether the foreign bank has processed one or more transfers of funds within the proceeding 90 calendar days for the IEEPA bank, and
- whether any transfers were made by the foreign bank within 90 days for the IEEPA's agents or affiliates.
- The U.S. bank must report to FinCEN within 45 calendar days regardless of the foreign banks' response. If information is received by the foreign bank within the 45 day deadline, the U.S. Bank must report to FinCEN within 10 days of its receipt.



What's Next?

- Increasing pressure for more EDD related to Sanction Compliance and overall KYC
- Increased usage of Sanctions in General
- Increased usage of Smart Sanctions - i.e. SSI
- Filtering Beneficial Ownership Information
- Continuing convergence between OFAC & Commerce
- Pressure for Criminal Prosecution
- Advancements in Technology
(utilizing the new UN approved format)



Q & A
