



# OFAC – Office of Foreign Assets Control

## What is it?

The Office of Foreign Assets Control (“OFAC”) of the US Department of the Treasury is a law enforcement agency, not a regulatory agency. OFAC administers and enforces laws and regulations imposing economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. **Credit unions are required to implement those economic and trade sanctions for transactions flowing through the credit union.** OFAC enforces actions authorized under Presidential wartime and national emergency powers, as well as by specific legislation, to impose controls on transactions and freeze foreign assets under US 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.

OFAC has the authority to and does impose substantial fines on financial institutions that do not meet their OFAC obligations. In this regard, if a financial institution fails to comply with an OFAC administered requirement, OFAC has complete discretion whether or not to impose a fine. In making that decision, OFAC may consider the nature of the institution’s OFAC compliance program and whether or not screening software was used in an attempt to comply with the requirements.

## Member Responsibility

Each credit union that sends a wire transfer must comply with the OFAC requirements BEFORE it sends the wire transfer. Therefore, each credit union that sends a wire transfer that is not permitted by OFAC is subject to OFAC penalties, even if the prohibited transaction was caught by a subsequent financial institution. In this regard it should be noted that the financial institution that catches the item is required to report to OFAC the identity of prior institutions handling the item before it was caught. Accordingly, it is the responsibility of each member credit union to perform due diligence in validating all transactions for OFAC related information. The OFAC screening completed by Corporate Central Credit Union does not serve as a substitute for the validation that needs to be completed by your credit union.

For members utilizing Corporate CAFE for domestic wires, OFAC screening is performed on select fields by Bridger Insight™ COM Developer Solution, powered by ChoicePoint. If a ‘hit’ is encountered, it is the responsibility of your credit union to perform OFAC validation of the wire prior to processing. An additional OFAC check will occur when we process the wire for completion of Corporate Central Credit Union’s due diligence.

If there is a potential match to the information from the OFAC list, Corporate Central Credit Union will take the following steps. It is recommended that similar steps be taken by your credit union if you encounter a potential match when initiating the wire.

- If the information is questionable, Corporate Central Credit Union will contact OFAC (800-540-6322) for approval. Acting upon instructions from OFAC, the wire will be processed as instructed, blocked, rejected or additional information will be requested. **If OFAC requests additional information, the wire cannot be cancelled without approval from OFAC.**
- If OFAC determines that there is a violation, the wire must be immediately blocked. Under the rules administered by OFAC, financial institutions are obligated to block or “freeze” property or payment of any funds, transfers or transactions involving sanctioned countries or individuals. The funds must remain in this account until they are cleared by OFAC. Financial institutions are required to report blocked transactions to OFAC within 10 calendar days of occurrence per regulation.

- On rare occasions, OFAC may instruct the financial institution to reject (vs. block) the transaction. In this case, the wire is returned to the originating member with instructions that the wire could not be processed per OFAC. Financial institutions are required to report rejected transactions to OFAC within 10 calendar days as well.
- In addition, the following fields are mandatory for any transmittal of funds of \$3,000 or more per the Travel Rule section of the Bank Secrecy Act (BSA):
  - Remitter Information
    - Name
    - Account Number, if the payment is from an account at the originating credit union
    - Address
  - Beneficiary Information (*if received*)
    - Name
    - Account Number
    - Address
  - Amount of the payment order
  - Execution date of the order
  - Identity of beneficiary financial institution
  - Either the name and address or the numeric identifier of the originating institution

### **International Wires**

As with domestic wires, each credit union that sends an international wire transfer must comply with the OFAC requirements BEFORE it sends the wire transfer. Corporate Central Credit Union requires the following information on International Wires:

- Remitter Information
  - First and Last Name
  - Account Number
  - Street Address, City and State
- Beneficiary Information
  - Name
  - Account Number
  - Street Address, City and Country

### **OFAC Wire Transfer Solution used at Corporate Central Credit Union**

While OFAC requirements pertain to all activities of a financial institution, the scope of this memo is limited to wire transfers by credit unions. To screen for prohibited wire transfers, Corporate Central Credit Union uses Bridger Insight™ COM Developer Solution, powered by ChoicePoint. This provides integration of the Bridger Insight search engine with Corporate Central Credit Union's current data processing systems. Both domestic and international wire transfers are scanned against the **Country.CDF** and **SDN.BDF** Bridger data files for names matching the OFAC list.

*The Country.CDF file is the OFAC Sanctioned Countries Watch List. The definition from ChoicePoint is as follows: "OFAC's list of Sanctioned Countries contains several countries with whom financial transactions, imports and/or exports, and travel are fiercely controlled. The basic goal of sanctioning is to isolate governments, individuals, or entities within these countries and prevent or control their access to money, especially via the United States financial market. Entities included in OFAC's Sanctions Programs are believed to be a threat to the national security or foreign policy of the United States. Actions that warrant sanctions may include support of international terrorist activity, support of hostile aggression, a prevalence of human rights violations, and/or support of efforts to destabilize other governments."*

The SDN.BDF file is the OFAC Specially Designated Nationals and Blocked Persons list. The definition from ChoicePoint is as follows: "The SDN list contains thousands of entries, including variations on names and aliases of individuals, organizations, companies, shipping vessels and banks that are blocked from engaging in transactions within the U.S. financial system or economic markets. Terrorists, drug traffickers, foreign countries, or nationals who pose a threat to our national security, or any individual or organization determined by OFAC to be owned by, controlled by, or acting for or on behalf of the above can be included. The SDN list is updated frequently, but not according to a timetable. Rather, names are added or removed as information changes.

Entities subject to OFAC are required to "block" any transaction by SDNs, which effectively freezes the associated funds by placing them in a separate interest-bearing account. Ownership remains with SDN, but access to the funds is granted only through OFAC. A report regarding each blocked transaction must be filed with OFAC within 10 days.

All U.S. persons and organizations must comply with OFAC, including organizations' foreign subsidiaries. Both U.S. citizens and permanent resident aliens are subject to OFAC no matter where they are located. Certain OFAC programs also require the compliance of foreign persons in possession of U.S. origin goods."

The Bridger Insight application is set at a minimum sensitivity search score for the OFAC list. At this time, the score is set at 75. The sensitivity setting determines how many transactions produce "hits" that require manual intervention before processing the wire transfer. These "hits" may be either false positives or an actual identification of a prohibited transaction. However, an analysis of any "hit" must be made before the transaction can be processed.

The following fields are validated against the OFAC database for Domestic Wires:

Field	Comments
Originator	Includes originator's name and address
Intermediary FI	Includes intermediary's institution name and address
Beneficiary FI	Includes beneficiary FI's name and address
Beneficiary	Includes beneficiary name and address
Reference for Beneficiary	
Originator to Beneficiary	
FI to FI Information	
Receiver FI	
Sender FI	

The following fields are validated against the OFAC database for International Wires:

Remitter Information	Includes the following fields: <ul style="list-style-type: none"> <li>- First/Last Name</li> <li>- Street Address</li> <li>- City, State</li> </ul>
Beneficiary Information	Includes the following fields: <ul style="list-style-type: none"> <li>- Beneficiary Name</li> <li>- Street Address</li> <li>- City</li> <li>- Country</li> </ul>
Beneficiary Bank Information	Includes the following fields: <ul style="list-style-type: none"> <li>- Beneficiary Bank Name</li> <li>- Address 1, Address 2</li> <li>- City</li> <li>- Country</li> </ul>
Remitter Reference Reference Information Branch Information	

## Corporate Central Credit Union's Process for Verifying OFAC Related Wire Transactions

### Reviewing Hit Information

Corporate Central Credit Union will review the wire information and determine if the wire is a potential match to the information from the OFAC list. If a false hit is determined, Corporate Central Credit Union will process the payment as instructed. If the information is questionable, a call will be placed to OFAC **(800-540-6322)** to validate the information. Based on the information received from OFAC, Corporate Central Credit Union will either process the payment as instructed or request additional information from the member. **If OFAC has requested additional information, the wire cannot be cancelled without approval from OFAC.**

Once information is received from the member, Corporate Central Credit Union will contact OFAC. Based on the information received from OFAC, Corporate Central Credit Union will either process the payment as instructed, block, or reject the funds.

### Suspending Wires

As mentioned above, if a transaction is questionable, an attempt will be made to contact OFAC for approval. If Corporate Central Credit Union is unable to reach OFAC by the end of day, the wire will remain in process (not completed) until OFAC can be reached to approve the transfer. If OFAC has requested additional information in order to approve the wire and this information is not obtained by the end of day, the wire will remain in process until the information is received and approved by OFAC. After the additional information is received and acting upon direction from OFAC, Corporate Central Credit Union will either process the wire as originally instructed or block or reject the transaction.

### Blocked Wires

When a transaction has been identified as a potential violation, a call is placed to OFAC. Once OFAC determines that there is a violation, the wire is immediately blocked and funds are placed in a segregated account. **Under the rules administered by OFAC, financial institutions are obligated to block or "freeze" property or payment of any funds transfers or transactions involving sanctioned countries or individuals. The funds will remain in this account until they are cleared by OFAC.** Corporate Central Credit Union is required to report blocked transactions to OFAC within 10 calendar days of occurrence per regulation.

According to OFAC, "An institution may notify its customer that it has blocked funds in accordance with OFAC's instructions. The customer has the right to apply for the unblocking and release of the funds. Information on OFAC's licensing procedures is available on the website."

The member will be notified that the wire transaction could not be processed and that the blocked funds were taken from the member's account and the funds are **no longer available for return to either the member or to its natural person member**. There are no exceptions within the regulation but a license may be acquired directly from OFAC. The member may call **(202) 622-2490** to inquire about the licensing process.

### Notification of blocked funds by an upstream vendor

If an upstream vendor blocks a wire, the affected member will be notified by Corporate Central Credit Union.

### Rejected Wires

On rare occasions, OFAC may instruct Corporate Central Credit Union to reject (vs. block) a transaction. When a rejection occurs, Corporate Central Credit Union will send the wire back to the originating member and instruct the member that the current transaction could not be processed per OFAC. Corporate Central Credit Union will share with the member the information received from OFAC regarding the reason for the rejection. Corporate Central Credit Union is required to report rejected transactions to OFAC within 10 calendar days of occurrence per regulation.

## **Release of a Blocked Transaction**

***Corporate Central Credit Union will not release funds previously blocked without receiving written notice from the U.S. Dept of Treasury that a specific, general, or phone license has been granted or is available.***

The member must submit **new** wire instruction, with appropriate reference to the type of license (either general, specific, or phone) which now makes the transaction legitimate.

For ***specific licenses*** – the wire transfer instructions must specifically reference the control number that has been issued with the specific license and a copy of this license must be faxed to Corporate Central Credit Union. Corporate Central Credit Union wire room personnel will verify this number by calling OFAC Licensing at **(202) 622-2480** prior to the release of the wire.

For ***general licenses*** – the wire transfer instructions must be accompanied by a faxed copy of a signed, notarized affidavit by the originator stating the purpose of the transaction and identifying the general license applicable to the transaction. Corporate Central Credit Union will review the general license to confirm that the purpose, as described in the affidavit is consistent with the general license.

For ***phone licenses*** – the wire transfer instructions must specifically reference the license number that has been issued. A copy of this license must be faxed to Corporate Central Credit Union. Corporate Central Credit Union wire room personnel will verify this number by calling OFAC Licensing at **(202)622- 2480** prior to the release of the wire.

## **Paying Accrued Interest on Blocked Funds**

Per OFAC regulations, the financial institution that freezes OFAC related funds must pay “interest at commercially reasonable rates” on those blocked funds. Corporate Central Credit Union will pay interest equivalent to the Plateau or Premier rate for the period of time the funds were blocked.

## **Contact Information**

treas.gov/ofac

A link from the OFAC home page under Resources – “Using OFAC’s Hotline” provides a guideline for the question “When should I call the OFAC Hotline?”

Office of Foreign Assets Control

## **OFAC Bank Compliance Inquiries 800-540-OFAC (6322)**

Compliance Hotline (202) 622-2490

Licensing Division (202) 622-2480

## **OFAC Fax-on-Demand Service (202) 622-0077**

### *Mailing Address for License Applications*

Office of Foreign Asset Control  
U.S. Department of the Treasury  
Treasury Annex  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220  
Attn: Licensing Division