Controversial Topics

John J. Byrne  ACAMS
Jim Richards  Wells Fargo Bank
Tim White  Banker’s Toolbox, Inc.
Controversial Topics

- Current Sanction Issues
- De-Risking
- Model Validation \ Data Integrity
- Personal Liability
- AML policy requiring all persons depositing cash in a personal account to be listed on the account.
- Media portrayal of banks as part of “the problem” when Ponzi scheme or account takeovers occur.
- CTR filing for Safe Vault real time crediting of cash.
- Q\A
Current Sanction Issues Overview

- Iran and P5+1 reach interim agreement.
- Foreign Sanctions Evaders Lists
- Foreign correspondent banking and SWIFT transactions
  - Screening, Sampling, Due-Diligence, Rejecting & Policies?
- Cuban population is increasing mobile
- Enforcement of Close Matches or information is not on the list.
- Processing humanitarian relief transactions.
  - “Perceptions and reality”
Iran Sanctions Relief?

- **Nov. 23, 2013** – **Iran and P5+1 reach interim agreement.** In exchange for Iran’s agreement to halt aspects of its nuclear program, P5+1 agreed to provide limited, temporary, and reversible sanctions relief to Iran:
  - No new nuclear-related sanctions for six months
  - Suspension of measures targeting Iranian precious metals, auto, and petrochemical sectors
  - Authorized safety-related repairs and inspections on Iranian aircraft
  - Purchases of Iranian oil by allowed to remain at reduced levels
  - Limited funds outside US released to allow the provision of tuition assistance to Iranian students studying abroad

- **Jan. 20, 2014** – **Joint Plan of Action implemented by US and EU**
  - Limited pause in use of secondary sanctions
  - **US assets remain blocked**
  - **Vigorous enforcement continues**
New Sanction Programs
(FSE)

Foreign Sanctions Evaders Lists
2/6/2014 (FSE–IR & FSE-SY)
“Prohibiting Certain Transactions With and Suspending Entry Into the United States of Foreign Sanctions Evaders With Respect to Iran and Syria.”

• In general this a rejecting program (not a blocking program)

• If it is an account you don’t block the account – “… however, it is restricted and you cannot allow it to be operated without authorization from OFAC”

• A convergence in government controls on international transactions
  – Treasury OFAC & Commerce’s Export Administration Regulations (Denied parties list)
C. CROSS-BORDER WIRE TRANSFERS (SWIFT)

6. All qualifying Cross boarder wire transfers should always contain:
(a) name of the originator;
(b) originator account number
(c) originator’s address, or national identity number, or customer identification number, or date and place of birth;
(d) name of the beneficiary; and the beneficiary account number where such an account is used to process the transaction.
A beneficiary financial institution should have effective risk-based policies and procedures for determining:

(i) **when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information**; and
(ii) **the appropriate follow-up action**.
Policy for “SWIFT” Transaction Review

1. Is the correct Messaging Format being used? Yes\No
2. Does the Message contain all appropriate Information? Yes\No
3. If the answer to either # 1 or # 2 is “No” Is it a LOW risk item? Yes\No
4. What other evident Sanctions Risk factors would be cause for Rejection?

- A concerted effort to monitor and reject SWIFT transactions that may have been Stripped of information to circumvent Sanctions Restrictions can substantially reinforce your institution’s frontline defense as your correspondent customers start to contemplate their own SWIFT policies.
Other sanctions concerns

• Cuban population is increasing mobile
  • *Trying to open accounts in the United States*

• Enforcement of Close Matches or Info is not on the list.

• Processing humanitarian relief transactions.
  • General Licenses
  • “Perceptions and reality”
  • Resources, Due-diligence and examiners response
Controversial Topics

✓ Sanction Overview
  • De-Risking
  • Model Validation
  • Personal Liability
  • AML policy requiring all persons depositing cash in a personal account to be listed on the account.
  • Media portrayal of banks as part of “the problem” when Ponzi scheme or account take overs occur.
  • CTR filing for Safe Vault real time crediting of cash.
  • Q/A – Other Controversial Topics