

Introduction

The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury is responsible for administering a series of laws that impose economic sanctions against selected foreign countries to further U.S. foreign policy and national security objectives.

OFAC has promulgated regulations that implement the sanctions contained in these laws. In general, those regulations address two areas. First, the regulations block accounts and other assets of countries identified as being a threat to national security by the President. This always involves accounts and assets of the sanctioned countries' governments, but may also involve nationals of the sanctioned countries. Second, the regulations prohibit unlicensed trade and financial transactions with such countries.

Illustrative examples of the types of activities prohibited or severely limited include the import or export of any goods or services to or from North Korea, any transfers of Cuban funds held in U.S. bank accounts, and dealings in Libyan assets.

U.S. law requires that assets and accounts be blocked when such property is located in the U.S., is held by U.S. individuals or entities, or comes into the possession or control of U.S. individuals or entities.

Certain individuals and entities (companies) located around the world that are acting on behalf of sanctioned country governments have been identified by the U.S. Treasury and are generally referred to as "Specially Designated Nationals" or "Specially Designated Narcotics Traffickers." They are to be treated as if they are part of the sanctioned governments. That is, U.S. persons are prohibited from dealing with them just as if they were the sanctioned governments, and all their assets and accounts are blocked. The names of these individuals and entities are regularly published in the *Federal Register*.

Unlike some federal statutes, there is no specific language in any of the sanctions laws that delegate

administrative enforcement responsibility to any of the financial institution regulatory agencies. Consequently, the OTS' responsibilities fall under its general examination responsibility of ensuring that applicable laws and regulations are being followed.

The Appendix to this section lists the OFAC laws and regulations, embargoed countries and individuals, penalties and reporting procedures for complying with the OFAC economic sanctions program. The information can be accessed from OFAC's web site at <http://www.treas.gov/ofac/>.

Further information may be obtained from OFAC the U.S. Treasury Department at 1-800-540-6322 or 202-622-2490. Examiners and institutions should be cautioned that the sanctions laws change rapidly and OFAC or the OTS should be contacted if an examination raises issues concerning those laws.

Examination Objectives

To determine that the institution is aware of the Treasury regulations that impose economic sanctions against certain countries.

To determine that the institution's audit program has procedures in place to verify compliance.

Examination Procedures

1. Determine that the institution is aware of the Treasury's regulations by discussing them with senior level management.
2. Determine that the institution's internal audit or compliance program contains procedures to ascertain whether the institution is in compliance with the regulations.
3. If the internal program includes the procedures, determine whether an audit has actually included them in its scope.

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FOR THE FINANCIAL COMMUNITY**

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<http://www.treas.gov/ofac/t11facbk.pdf>

