**Policy 2145: Office of Foreign Assets Control**

**Model Policy Revised Date: 1/3/2024**

**General Policy Statement:**

Office of Foreign Assets Control (OFAC), Department of the Treasury, is responsible for administering and enforcing a series of laws that impose economic and trade sanctions against targeted foreign governments, individuals, groups and entities in accordance with national security and foreign policy goals and objectives. Any transactions, such as transfers of funds, to or from these countries or to blocked persons are prohibited. [[CUname]] (Credit Union) is required to block such transfers and accounts and to furnish reports on all blocked accounts and rejected funds transfers to OFAC. This policy is adopted in order to ensure compliance with applicable OFAC requirements. The Credit Union employs a risk-based approach to their OFAC Sanctions Compliance Program. It has developed, implemented, and routinely updates the sanctions compliance program which is based on the Credit Union’s size and complexity, products and services, customers and geographic locations.

1. **COMPREHENSIVE OFAC SANCTIONS COMPLIANCE PROGRAM.**Management and members of the Board of Directors of the Credit Union support the Credit Union’s commitment to the success of its OFAC Sanctions Compliance Program. Adequate resources and support will be provided to ensure the Credit Union creates and administers a comprehensive compliance program that is routinely updated based on the Credit Union’s size and complexity, products and services, customers, and geographic locations.In addition to Management’s commitment under the Culture of Compliance, the program will consist of the following:  
   1. **Designate a Compliance Officer.** The Credit Union will designate a “Compliance Officer” who will be responsible for monitoring OFAC compliance, overseeing blocked funds, and ensuring that appropriate staff training is provided. The Compliance Officer will also be responsible for ensuring that the names of persons and entities will be compared to the OFAC Sanctions Lists on a [[2145-1]] basis.
   2. **Operations and Systems Managers.** The Credit Union may assign formal compliance responsibilities to operations and systems managers. The Credit Union’s internal auditing department will assist in the development of systems and audits to verify that OFAC policies and procedures, once established, are followed.
   3. **Disseminate Information and Provide Training.** The Credit Union will provide sufficient information to key staff members in all operations to enable them to recognize and stop suspect transactions. The account representatives and platform staff are the Credit Union’s first line of defense. Thus, account officers and those individuals responsible for letters of credit and wire transfers will receive special training. These key staff will be trained to remain aware of the persons and entities on the Sanctions List so that accounts and transactions with regards to those persons are blocked and reported to OFAC. Staff will be trained to effectively identify, interdict, escalate, and report to appropriate personnel within the organization transactions and activity that may be prohibited by OFAC.
   4. **Risk Assessment – Initial Review.** The Credit Union will conduct a comprehensive initial review of its operation in order to ensure that OFAC requirements are being met. This will include, but not be limited to, a review of the following procedures:  
      1. Processing electronic fund transfers;
      2. Processing Automated Clearinghouse (ACH) transactions;
      3. Cashing or depositing share drafts or checks;
      4. Opening new accounts;
      5. Issuing of money orders, traveler’s checks and cashier’s checks;
      6. Disbursing loan proceeds;
      7. Accepting of loan payments;
      8. Reviewing the names of co-signors, guarantors, collateral owners and other parties to each transaction;
      9. Sending and accepting wire transfers;
      10. Opening and allowing access to safe deposit boxes;
      11. Issuing credit cards;
      12. Reviewing the names of joint account owners, beneficiaries and other parties who have an interest in property (i.e., personal representatives and those granted power of attorney).
   5. **Risk Assessment – Ongoing Review.** The Credit Union will review new products and services offered by the Credit Union to ensure that OFAC requirements are met.
   6. **Annual Audit.** The Compliance Officer will work with the Credit Union’s internal and/or external auditors to develop appropriate systems and audits to test the Credit Union is in compliance with this policy.
   7. **Internal Controls.** The Credit Union will outline clear expectations, define policies, procedures and processes pertaining to OFAC compliance and to minimize risks identified by the Credit Union’s risk assessments.
2. **DETECTION AND VERIFICATION OF PROHIBITED TRANSACTIONS.**
   1. **OFAC Sanctions Lists.** The Credit Union will comply with all FinCEN requirements to review potential members, current members, new accounts, existing accounts, and all transactions against all OFAC Sanctions Lists. These lists change regularly in response to changes in foreign policy. The Credit Union’s staff shall be aware of the persons and entities on the lists and ensure that such accounts and transactions are blocked or rejected as required and reported to OFAC in compliance with OFAC regulations.
   2. **Software.** The Credit Union will purchase available software to screen and “interdict” illicit funds transfers. Such software may filter and contain every name on OFAC lists along with generic words for countries and cities. If feasible, the Credit Union will use such software. If interdiction software is not purchased, the Credit Union will use good faith manual and electronic compliance efforts to comply with OFAC requirements.
   3. **Verification**. Prior to blocking or rejecting a transaction, the Credit Union will take reasonable steps to verify that the individual, country or organization detected is in fact the individual, country or organization subject to OFAC restriction, including contacting the OFAC Compliance Hotline ((800) 540-6322 or (202) 622-2490) to verify that blocking or rejecting the transaction of an individual, country or organization is appropriate.
3. **BLOCKING AND REJECTING TRANSACTIONS.** The Credit Union will create a system whereby all blocked and rejected transactions will be reported to OFAC.  
   1. **Blocked Accounts and Transactions.**On reasonable assurance that a transaction or account should be blocked, the Credit Union staff will place a block on the transaction or account. Credit Union staff who places such a block will immediately notify the Compliance Officer of the facts and circumstances surrounding the placement of the block.
      1. **Holding Blocked Funds.** All blocked funds will be placed in a segregated, interest-bearing account, which will be subject to any routine service charges assessed to accounts of a similar type.
      2. **Releasing Blocked Funds.** The Credit Union will not release blocked funds to any individual or third party unless the appropriate license is obtained by OFAC.
   2. **Rejected Transactions.** On reasonable assurance that a transaction should be rejected, the Credit Union will reject it. Credit Union staff that rejects a transaction will immediately notify the Compliance Officer of the facts and circumstances surrounding the rejection.
4. **REPORTING.**
   1. **Blocked Property.**
      1. **Initial Report.**An initial report is required to be filed within ten (10) business days from the date that the property becomes blocked. The initial report will include the following information:  
         1. The owner of the account;
         2. A description of the property that is the subject of the blocking;
         3. The location of the property;
         4. Any account number or other identifying information (check numbers, reference numbers, dates, or other information necessary to identify the property);
         5. The actual or estimated value in U.S. Dollars;
         6. The date the block was placed;
         7. A description of any transaction associated with the blocking, including: the type of transaction; any persons, including financial institutions, participating in the transaction and their respective locations (relevant members, beneficiaries, originators, letter of credit applicants, and their banks; intermediary banks; correspondent banks, issuing banks; and advising or confirming banks); and any reference numbers, dates, or other information necessary to identify the transaction.
         8. The associated sanctions target(s) whose property is blocked (such as a SDN or other blocked person), the location(s) of the target(s) (if known), and, if not evident, a narrative description of the interest(s) of the target(s) in the property; if there is no target or the target is not known, include a reference to the relevant written communication from OFAC pursuant to which the blocking action was taken;
         9. The legal authority or authorities under which the property is blocked and any action taken with respect to the property (for example, the property has been deposited into a new or existing blocked, interest bearing account, pursuant to OFAC requirements);
         10. The name and address of the Credit Union; and
         11. The name, telephone number and email address of the contact person at the Credit Union from whom compliance information can be obtained.  
                
             If the report involves the receipt of a blocked payment or transfer of funds, the report also will include a photocopy of the payment or transfer instructions received and will confirm that the payment has been deposited into a new or existing blocked account which is labeled as such and is established in the name of, or contains a means of clearly identifying the interest of, the individual or entity subject to blocking pursuant to OFAC requirements.
      2. **Annual Report.** A comprehensive report on all blocked property held by the Credit Union as of June 30 of the current year will be filed annually with OFAC by September 30. The annual report will be filed using Form TD-F 90.22.50, Annual Report of Blocked Property or an approved alternative form. A copy of the annual report will be retained by the Credit Union (See Policy 10001, Table 1 and Policy 10010, Table 10). All reports will be filed with the Office of Foreign Assets Control, and sent to ofacreport@treasury.gov.
   2. **Rejected Transactions.** The Credit Union will send notice of all rejected transactions to OFAC within ten (10) business days. Transactions include wire transfers, trade finance, securities, checks, foreign exchange and goods or services. The report will be filed with the Office of Foreign Assets Control, as specified on its website (http://www.treasury.gov/ofac). Notice to OFAC will describe the following information:
      1. The name and address of the credit union as the person who rejected the transaction;
      2. The name and telephone number of the contact person at the Credit Union who can provide compliance information;
      3. The date the transaction was rejected:
      4. A description of the rejected transaction, including certain required identifying information;
      5. If applicable, the associated sanctions target(s) whose involve in the transaction has resulted in the transaction being rejected and its location, if known;
      6. The actual or if unknown, estimated value of the property in U.S. dollars;
      7. The legal authority or authorities under which the transaction was rejected; and
      8. A copy of any related payment or transfer instructions or other relevant documentation.
5. **RECORD RETENTION AND ACCESS TO RECORDS.**
   1. **Record Retention Period.** The Credit Union will retain all records, reports, licenses and other materials related to any blocked or rejected transaction for a period of at least five (5) years after OFAC authorizes the release of the funds (See Policy 10010, Table 10). If the Credit Union holds property blocked or funds transfers retained pursuant to OFAC regulations, it will keep a full and accurate record of the property, and the record shall be available for examination for the period of time that such property is blocked and for at least five (5) years after the date such property is unblocked.
   2. **Access to Records.** Upon request, the Credit Union will provide OFAC with access to any records relating to a blocked or rejected transaction.
6. **UPDATE OFAC INFORMATION.**The Compliance Officer or other designated individual will periodically visit the OFAC website to keep current with new regulations and listings at http://www.treasury.gov/resource-center/sanctions/  
   1. The following parties will be checked against the OFAC Sanctions Lists:
      1. Co-signors, guarantors, collateral owners and other parties to each transaction;
      2. Joint account holders;
      3. Beneficiaries; and
      4. Others who have an interest in property, such as personal representatives and those granted power of attorney.
   2. The following transactions are subject to OFAC regulations:
      1. Processing electronic fund transfers;
      2. Processing Automated Clearinghouse (ACH) transactions;
      3. Depositing or cashing share drafts/checks;
      4. Opening new accounts;
      5. Issuing money orders, traveler’s checks and cashier’s checks;
      6. Disbursing loan proceeds;
      7. Accepting loan payments;
      8. Sending and accepting wire transfers;
      9. Opening and allowing access to safe deposit boxes; and
      10. Issuing credit cards.
7. **INTERNATIONAL ACH TRANSACTIONS.**
   1. Credit Union as Receiving Party (RDFI). The Credit Union will ensure that it identifies international ACH transactions and conducts an OFAC Sanctions List review whenever it receives such an ACH transaction. All of the parties to the transaction will be checked, as well as the remittance data and the correspondent banks PRIOR to posting or returning the transaction.
   2. If there is a match, the Credit Union will notify the Gateway Operator that the funds have been frozen and should not be released to the foreign party. (“Gateway Operator” is defined as the entry point to or exit point from the United States for ACH payment transactions.)