



ABA Professional Development

ABA/ABA Money Laundering Enforcement Conference


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Defending Liberty Pursuing Justice




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American Bar Association
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Critical Issues in Sanctions Compliance



Defending Liberty Pursuing Justice



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OFAC's is focus on Iran & NPWMD

"Iran is by far the leading state sponsor of terrorism"

...including the Hamas, Hezbollah, PFLGC, Taliban & Palestinians on Jihad...

*Mr. Stuart Levey,
Former Under Secretary for Terrorism and Financial Intelligence
Department of the Treasury
October 8th, 2010*



Iranian Sanction Programs

- Iranian Assets Control 31 CFR Part 535
- Iranian Transactions Regulations [ITR]
31 CFR Part 560
- Iranian Financial Sanctions Regulations [IFSR]
31 CFR Part 561
- Iranian Human Rights Abuses Sanctions
Regulations [IRAN-HR] 31 CFR Part 562



Other sanctions programs

with prohibitions related to Iran

- Weapons of Mass Destruction Proliferators Sanctions Regulations, [NPWMD] [IRCG] 31 C.F.R. Parts 539, 544,
- Counter Terrorism Sanction [SDGT],[GTO],[FTO] 31 CFR Parts 562,595,596,597



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Iranian Transactions Regulations - ITR

31 C.F.R. Part 560

ITR prohibits the exportation, re-exportation, sale or supply, directly or indirectly, from the United States or by a U.S. person, wherever located, of any goods, technology or services to Iran or the Government of Iran.

This prohibition also applies to ... a person in a third country undertaken with knowledge or reason to know that the goods are intended specifically for ... Iran or the Government of Iran (directly or indirectly). ITR, § 560.204

There is an exemption for informational materials excluding software or restricted technical data.



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Nested Correspondent Accounts

1. An importer in Iran makes a payment for a shipment of goods from Latin America*. The payment is made from an Iranian bank to a correspondent bank in Dubai.
2. The bank in Dubai sends a payment order to a bank in Europe.
3. The European bank makes a payment through a U.S. correspondent to the exporter's account in a South American bank.

Once the payment leaves East Dubai the Iranian connection is lost

**OFAC has identified substantial Iranian connections with Venezuela, Bolivia & Ecuador.*



Islamic Republic of Iran Shipping Lines

IRISL

The screenshot shows the IRISL website interface. On the left is a navigation menu with items like Home, About Us, Services, E-Business, News, E-Library, UPS, and Login. The main content area is titled 'IRISL FLEET' and features a large image of a container ship. Below the image are three tabs: 'Containerized Cargo', 'Bulk', and 'General Cargo'. Under 'Containerized Cargo', there is a list of shipping routes:

- Main Ports, Covered by mother vessels directly** (Service to and from the other ports in Asia and Europe are available through transshipment via below mentioned main ports)
- Far East ~ Persian Gulf (PCL)**: Shanghai, Xinyangyang, Busan, Ningbo, Keohsiung, Chiwan, Hong Kong, Dubai, Bandar Abbas
- South East Asia ~ Persian Gulf (PSL)**: Port Klang, Singapore, Karachi, Dubai, Bandar Abbas
- Hong Kong Express ~ Persian Gulf (PHL)**: Chiwan, Hong Kong, Dubai, Bandar Abbas
- Europe ~ Persian Gulf (ECL)**: Felixstowe, Hamburg, Antwerp, Le Havre, Genoa, Malta, Jeddah, Dubai, Bandar Abbas, Damietta, Malta, Misurata, Felixstowe
- India ~ Persian Gulf ~ Med service (PDX)**: Nhava Sheva, Dubai, Damietta, Lattia, Ben Ghazi, Nhava Sheva
- Asia Europe Pendulum Service**: Tianjin, Shanghai, Ningbo, Chiwan, Bandar Abbas, Dubai, Damietta, Malta, Misurata, Felixstowe, Hamburg, Antwerp, Le Havre, Genoa, Misra,



IRISL Vessel name changes

- Islamic Republic of Iran Shipping Lines

Confirm the International Maritime Organization Number IMO #

New name	Name when sanctioned	Present owner	Present ship manager	Present flag	IMO number
Abba	Iran Matin	IRISL	IRISL	Iran	9051624
Adventist	Iran Madani	Kingdom New Ltd.	Soroush Sarzamin Asatir SSA	Hong Kong	8309622
Alameda	Iran Dolphin	Advance Novel Ltd.	Soroush Sarzamin Asatir SSA	Hong Kong	8320195
Atrium	Iran Hamzeh	True Honour Holdings Ltd.	Soroush Sarzamin Asatir SSA	Hong Kong	8320171
Bluebell	Iran Gilan	Gomshall Shipping Co.	Soroush Sarzamin Asatir SSA	Malta	9193202

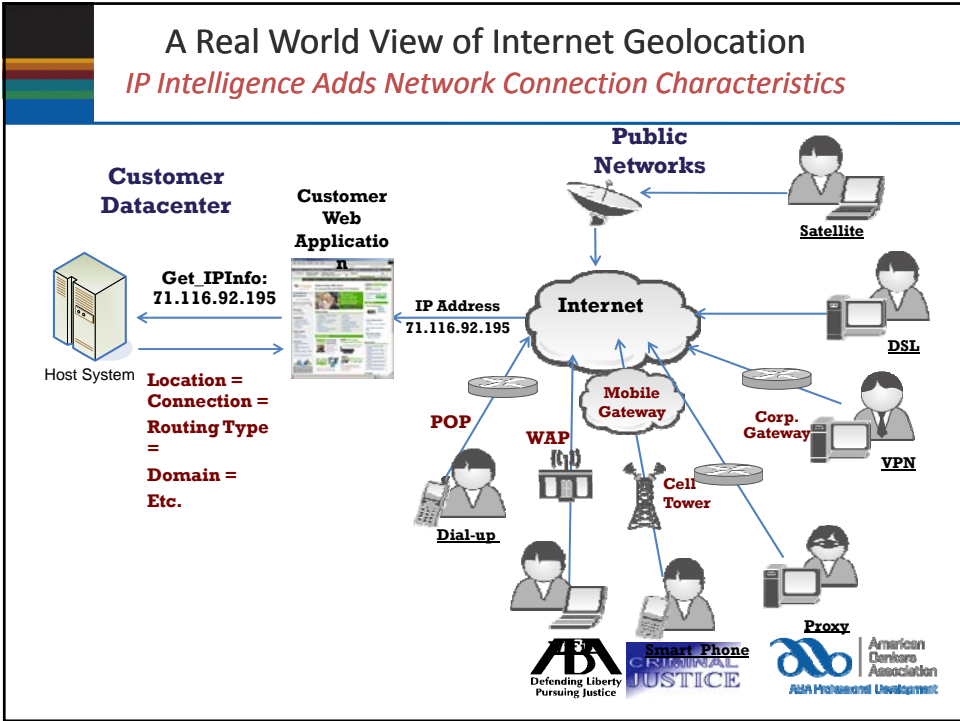
WWW.IMO.org



Monitoring Iranian IP addresses

- There are websites that list blocked Iranian networks to restrict access.
&
- There are websites that list proxy sites to side step the blocked Iranian networks.





Sudanese Sanctions Regulations,

31 C.F.R. Part 538.

- Republic of South Sudan
 - Established its independence July 9, 2011
 - former Bank of Southern Sudan, sometimes referred to as the Bank of South Sudan, has been established as the new central bank of the Republic of South Sudan.

(It is no longer a subsidiary of or linked to the Bank of Sudan, and no longer considered to be the Government of Sudan)
- A caution

The Government of Sudan still maintains control over several oil interests in the Republic of South Sudan and are Specially Designated under the Sudanese Sanctions.

Disseminate OFAC knowledge to your Commercial Customers

- Keeping customers informed on U.S. sanction programs can substantially reinforce your institution's frontline defense.
- Encourage your customers to contemplate to whom they are providing goods and services (know your customer's customer).
- For high risk international customers, the bank may wish to request a validation of their controls to prevent prohibited transactions.



RDC – Sanctions Risk Exposures

- International applications- outside of internal operations could be very high risk.
 - Domestic applications much lower risk.
- High risk jurisdictions
 - MENA, Latin and South American locations
- Front Companies (KYC)
- Wachovia BSA enforcement action involved international RDC



RDC Sanctions Risk Factors

RDC scans checks with:

- ICR (Intelligent Character Recognition)
- OCR (Optical Character Recognition)

The check is converted to an electronic file

(in some respect easier to analyze)

This technology has the potential to reduce sanctions risk.

Today banks in general do not perform OFAC screening against the printed information on the face of the check. By converting the printed information on the check into machine readable information it lends itself to automated OFAC screening.

We are not there yet! **

**Character recognition technology used in most RDC applications is about 80% accurate at best.



US Compliance Lists

- **OFAC Lists** (SDNs, Country Sanctions, Regime Sanctions, Comprehensive Sanctions, and General Licenses)
- **FinCEN** - Special Measures Section 311
- **Commerce Department**
 - Bureau of Industry & Security (BIS)
 - Commerce Control List
 - Export Administrative Regulations (EAR) 15 C.F.R. Parts 730-774
 - Denied Persons List
- **State Department**
 - Directorate of Defense Trade Controls
 - **AECA** -Arms Export Control Act Title 22
 - **ITAR** - International Traffic in Arms Regulations
 - **Debarred Parties List**



The Threat of Proliferation of WMD is significant UNSCR 1737

- Proliferation has many guises, but ultimately involves the *transfer and export of technology, goods, software, services or expertise that could be used in nuclear, chemical or biological weapons-related programs including delivery systems.*
- Without safeguards and enforcement sensitive materials, technology, and expertise, can become accessible to entities seeking to profit from the acquisition and resale, or for intended use in WMD programs.
- <http://www.fatf-gafi.org/dataoecd/14/21/41146580.pdf>



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International Trade Payments

Check Letters of Credit (LC) for items listed on the dual use list.

Evaluate all documents attached to the LC:

- *Transportation Documents (Bills of Lading),*
- *Packing and Weight Lists,*

These docs list the merchandise or contents purchased or shipped.

Information from FATF Proliferation Finance Report June 18th, 2008



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WMD Proliferation dual use items list

Table 1. Select examples of general dual-use items

<i>Nuclear</i>	<i>Chemical</i>	<i>Biological</i>	<i>Missile and delivery</i>
Centrifuges	Scrubbers	Bacterial strains	Accelerometers
High-speed cameras	Mixing vessels	Fermenters	Aluminium alloys
Composites	Centrifuges	Filters	Aluminium powders
Maraging steel	Elevators	Mills	Gyroscopes
Mass spectrometers	Condensers	Presses	Isostatic presses
Pulse generators	Connectors	Pumps	Composites
X-ray flash apparatus	Coolers	Spray dryers	Maraging steel
Pressure gauges	Precursors	Tanks	Homing devices
Ignition	Pumps	Growth media	Oxidants
Vacuum pumps	Reactors		Machine tools
	Heat exchanges		

Source: "Proliferation of weapons of mass destruction", Report from the Swedish Security Service.



20 Indicators of possible proliferation financing

- Transaction involves individual or entity in foreign country of proliferation concern.
- Transaction involves individual or entity in foreign country of diversion concern.
- Trade finance transaction involves shipment route (if available) through country with weak export control laws or weak enforcement of export control laws.
- Transaction involves individuals or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
- Transaction involves shipment of goods inconsistent with normal geographic trade patterns (e.g. does the country involved normally export/import good involved?).
- Transaction involves shipment of goods incompatible with the technical level of the country to which it is being shipped, (e.g. semiconductor manufacturing equipment being shipped to a country that has no electronics industry).
- Transaction involves financial institutions with known deficiencies in AML/CFT controls and/or domiciled in countries with weak export control laws or weak enforcement of export control laws.
- Based on the documentation obtained in the transaction, the declared value of the shipment was obviously under-valued vis-à-vis the shipping cost.
- Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc.



20 Indicators of possible proliferation financing

- Customer activity does not match business profile, or end-user information does not match end-user's business profile.³⁵
- Order for goods is placed by firms or individuals from foreign countries other than the country of the stated end-user.³⁶
- Customer vague/incomplete on information it provides, resistant to providing additional information when queried.
- New customer requests letter of credit transaction awaiting approval of new account.
- The customer or counter-party or its address is similar to one of the parties found on publicly available lists of "denied persons" or has a history of export control contraventions.
- Circuitous route of shipment (if available) and/or circuitous route of financial transaction.
- Transaction demonstrates links between representatives of companies exchanging goods *i.e.* same owners or management.
- Transaction involves possible shell companies (*e.g.* companies do not have a high level of capitalisation or displays other shell company indicators).
- A freight forwarding firm is listed as the product's final destination.
- Wire instructions or payment from or due to parties not identified on the original letter of credit or other documentation.
- Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.



Thank you

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