ENFORCEMENT INFORMATION FOR November 4, 2015

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 C.F.R. part 501. On November 9, 2009, OFAC published as Appendix A to part 501 Economic Sanctions Enforcement Guidelines. *See* 74 Fed. Reg. 57,593 (Nov. 9, 2009). The Economic Sanctions Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at http://www.treasury.gov/ofac/enforcement.

ENTITIES – 31 C.F.R. 501.805(d)(1)(i)

Banco do Brasil, S.A., New York Settles Potential Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations: Banco do Brasil, S.A., New York Branch (BBNY) has agreed to remit $139,500 to settle its potential civil liability for seven apparent violations of § 560.204 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR).[1]

On June 7, 2010, BBNY manually added Isfahan Internacional Importadora Ltda ("Isfahan"), a customer of Banco do Brasil, S.A., Brazil ("BB-Brazil"), to its "Good Guy Exception List" after its Office of Foreign Assets Control (OFAC) interdiction software generated alerts on a recurring basis due to the word "Isfahan"—a location in Iran—in the company's name. Although Isfahan's line-of-business included the importation of carpets from various countries to Brazil, BBNY relied on verbal representations made to BB-Brazil by Isfahan that Isfhana did not export products to or import products from Iran when it decided to place Isfahan on its "Good Guy Exception List." Between October 22, 2010 and February 11, 2011, BBNY processed three funds transfers totaling $70,244.61 originated by Isfahan's account at BB-Brazil and destined for a third-country beneficiary's account at multiple third-country financial institutions. Although BBNY later determined that these funds transfers, in part, constituted payments for Iranian-origin goods, BBNY did not stop the funds transfers for manual review because its payment system cleared the alert against the phrase "Isfahan" due to the originator's inclusion on the Good Guy Exception List.

On October 24, 2011, BBNY processed a $27,364.14 funds transfer originated by Isfahan's account with BB-Brazil and destined for a third-country beneficiary's account at a third-country financial institution. Although BBNY processed the funds transfer in the same manner as the above-referenced transactions, later that same day a separate U.S. intermediary financial institution requested detailed information – including copies of any related invoices associated with the payment – from BBNY. On or about November 9, 2011, BBNY received the requested supporting documentation from BB-Brazil, including a copy of the invoice and bill of lading related to the payment. Although BBNY stated that the copy of the invoice its Compliance Department obtained "was of poor quality," BBNY's Compliance Department determined that

[1] On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the ITSR, amended the renamed ITSR, and reissued them in their entirety. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). For the sake of clarity, all references herein to the ITSR shall mean the regulations in 31 C.F.R. part 560 in effect at the time of the activity, regardless of whether such activity occurred before or after the regulations were renamed.

the invoice did not reference Iran and relayed this information and copies of the supporting documentation to the U.S. intermediary financial institution. In doing so, BBNY relied on the previous verbal representations made by Isfahan to BB-Brazil and did not request a more legible copy of the associated invoice or additional information or clarity from BB-Brazil regarding the funds transfer. Nevertheless, on November 10, 2011, the U.S. intermediary financial institution identified references to Iran on the invoice provided by BBNY and rejected the transaction and returned the funds to BBNY "due to Iran involvement."

Despite receiving information from the U.S. intermediary financial institution that it had rejected the October 24, 2011 funds transfer because it involved Iran, BBNY processed an additional three funds transfers totaling $94,714.28 between November 14, 2011 and June 4, 2012 that involved Isfahan and payments for Iranian-origin goods. Although BBNY's interdiction filter automatically cleared one of the payments due to Isfahan's inclusion on the Good Guy Exception List, it stopped two of the funds transfers for manual review since the customer's address was different than the address included on the Good Guy Exception List. In one instance, BBNY stated that two of its OFAC analysts and a Senior Compliance Officer relied on the investigation the bank conducted in connection with the October 24, 2011 funds transfer (including their interpretation that the invoice did not reference Iran despite its poor quality) and released the funds transfer without requesting any additional information. In another instance, two BBNY Compliance Department employees released the funds transfer after determining it had been stopped solely due to the word "Isfahan" and likewise did not request any additional information.

OFAC has determined that BBNY did not voluntarily self-disclose the apparent violations and that the apparent violations constitute a non-egregious case. The total base penalty amount for the apparent violations was $310,000.

The settlement amount reflects OFAC's assessment that the bank may have been unaware of the risks associated with a false hit list that was not reviewed and updated regularly, as well as OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. OFAC found the following to be aggravating factors in this case: several BBNY employees failed to exercise a minimal degree of caution or care with regard to the conduct that led to the apparent violations, including reliance on a partially illegible invoice to assess sanctions compliance; staff-level BBNY personnel and/or a BBNY Senior Compliance Officer knew of the conduct that led to two of the apparent violations, and had reason to know that the BB-Brazil's customer might process additional transactions in apparent violation of the ITSR; and four of the seven transactions resulted in harm to the sanctions program objectives of the ITSR by providing economic benefit to Iran. OFAC considered the following to be mitigating factors: BBNY has not previously received a penalty notice or Finding of Violation from OFAC; BBNY took appropriate remedial action in response to the apparent violations; and BBNY substantially cooperated with OFAC during the course of the investigation, including by identifying four of the apparent violations.

This enforcement action highlights the risks associated with failing to review multiple OFAC warnings signs with respect to a particular customer – including transactions blocked or rejected by other financial institutions specifically due to OFAC sanctions – as well as the risks posed by relying on incomplete or inaccurate information when assessing a potential OFAC alert or match.

For more information regarding OFAC regulations, please visit: http://www.treasury.gov/ofac.