

ENFORCEMENT INFORMATION FOR MAY 28, 2019

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 CFR 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 CFR 501.805(d)(1)(i)

State Street Bank and Trust Co. Receives a Finding of Violation Regarding Violations of the Iranian Transactions and Sanctions Regulations: The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued a Finding of Violation to State Street Bank and Trust Co. (SSBT) for violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR). There is no monetary penalty associated with a Finding of Violation.

Between January 1, 2012 and September 1, 2015, SSBT acted as trustee for a customer's employee retirement plan. In this capacity, SSBT processed at least 45 pension payments totaling \$11,365.44 to a plan participant who was a U.S. citizen with a U.S. bank account, but who was resident in Iran.

SSBT appears to have known that it was sending payments to account at the request of or for the benefit of a person in Iran, not only because its internal system indicated the beneficiary's address was located in Tehran, Iran, but also because the bank's sanctions screening software produced an alert on each of the 45 payments due to the Iranian address. SSBT's personnel overseeing the beneficiary payments, the Retiree Services Staff (RSS), were part of the SSBT business unit that had the business relationship with the retirement plan and utilized their own sanctions screening filter instead of SSBT's centralized sanctions screening system. Furthermore, the routine escalation procedures for the RSS staff dictated that they refer possible sanctions list matches to SSBT compliance personnel aligned with the line of business (i.e., compliance individuals who were not sanctions specialists), rather than SSBT's central Sanctions Compliance unit staff who have specialized sanctions expertise. Accordingly, it was the business-aligned compliance personnel who were responsible for manually reviewing potential matches and approving the processing of the payments.

After learning of and reporting to OFAC the deficiency in its OFAC Compliance Program, in 2015 SSBT modified its process to ensure that all RSS payments are now screened by its central screening platform, eliminating disparities in the initial review process, and that alerts with a sanctions nexus are handled through its central alert dispositioning process, which includes escalation to SSBT's central Sanctions Compliance unit for potential true hits.

OFAC has determined that the conduct constitutes violations of the prohibition against "the exportation, reexportation, sale or supply of services ... performed on behalf of a person in Iran" as set forth in sections 560.204 and 560.410 of ITSR.

The determination to issue a Finding of Violation to SSBT reflects 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. A Finding of Violation is appropriate given that SSBT:

- Processed transactions on behalf of an individual in Iran after being alerted to the Iran connection, and thus SSBT reasonably should have been put on notice that the conduct constituted a violation of U.S. law;
- Had actual knowledge that it was processing transactions on behalf of an individual who was resident in Iran, as SSBT stopped, escalated, reviewed, and approved every one of the 45 distribution payments, each of which contained an explicit reference to Iran;
- Caused harm to the sanctions program objectives and the integrity of the ITSR by performing a service on behalf of an individual in Iran;
- Is a large and commercially sophisticated financial institution;
- Had escalation and review procedures for sanctions-related alerts that nonetheless failed to lead to correct decisions on 45 occasions; and
- Had compliance screening issues that continued for a year after the Federal Reserve Bank of Boston notified the bank of a related issue pertaining to inadequate escalation procedures.

In addition, OFAC considered the following when issuing a Finding of Violation rather than a civil monetary penalty:

- No SSBT managers or supervisors appear to have been aware of the conduct that led to the violations;
- SSBT's screening filter did appropriately identify and alert staff to the nexus to a sanctioned jurisdiction;
- The payments at issue may not have actually been transferred to Iran, though they were made on behalf of a person in Iran;
- SSBT took remedial action in response to the violations and enhanced its escalation procedures as they pertain to sanctions-related alerts;
- There is a possibility that the funds transfers could have become licensed; and
- SSBT cooperated with OFAC by voluntarily self-disclosing the violations and entering into a tolling agreement with extensions.

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