



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Enforcement Release: August 27, 2021

**OFAC Enters Into \$862,318 Settlement with First Bank SA and JC Flowers & Co.
for Apparent Violations of Iran and Syria Sanctions Programs**

First Bank SA, located in Romania, and its U.S. parent company, JC Flowers & Co. (collectively, “Respondent”), have agreed to remit \$862,318 to settle potential civil liability for First Bank’s processing of transactions in apparent violation of OFAC’s Iran and Syria sanctions programs. Specifically, First Bank processed 98 commercial transactions totaling \$3,589,189 through U.S. banks on behalf of parties located in Iran and Syria. In 2018, after JC Flowers acquired a majority ownership interest in First Bank, First Bank processed Euro-denominated payments for persons located in Iran. The settlement amount reflects OFAC’s determination that the Respondent’s apparent violations were voluntarily self-disclosed and non-egregious.

Description of the Conduct Leading to the Apparent Violations

In early 2019, First Bank’s regulator, the National Bank of Romania, flagged a U.S. dollar transaction that First Bank had processed for a shipment of timber from Romania to Syria. As a result, First Bank commenced a five-year lookback in March 2019, the results of which Respondent voluntarily self-disclosed to OFAC. The apparent violations related to three categories of payments (“Apparent Violations”):

- *Processing U.S. Dollar Payments for Individuals or Entities Located in Iran:* From March 2, 2016 to December 5, 2018, First Bank processed 34 outgoing payments totaling \$991,246 through U.S. banks in which the end user of the underlying commercial transaction was in Iran and the payments were made on behalf of Iranian customers of First Bank. These transactions constituted an indirect exportation of financial services to Iran and caused U.S. financial institutions to export financial services to Iran, in apparent violation of §§ 560.203 and 560.204 of the Iranian Transactions and Sanctions Regulations, 31 CFR part 560 (ITSR).
- *Processing U.S. Dollar Payments for Individuals or Entities Located in Syria:* From July 15, 2016 to December 6, 2018, First Bank processed 36 outgoing payments totaling \$1,061,104 through U.S. banks in which the underlying trade finance documentation showed that the importers were located in Syria. These transactions constituted an indirect exportation of financial services to Syria and caused U.S. financial institutions to export financial services to Syria, in apparent violation of §§ 542.205 and 542.207 of the Syrian Sanctions Regulations, 31 CFR part 542 (SySR).
- *Processing Euro-Denominated Payments to Iran as a Foreign Subsidiary of a U.S. Company:* In June 2018, JC Flowers acquired a majority ownership interest in First Bank, making First Bank an entity majority-owned by a United States person and thus subject to the prohibitions of § 560.215 of the ITSR. Between October 17, 2018 and March 4, 2019, First Bank processed 28 Euro-denominated payments totaling \$1,536,840 outside the U.S. financial system involving Iranian parties and interests where there was no applicable authorization or exemption, with actual knowledge or reason to know that the payments were for Iranian parties. Accordingly, these transactions constituted apparent violations of § 560.215 of the ITSR.

The Apparent Violations resulted from First Bank’s lack of understanding of the scope of U.S. sanctions regulations applicable to financial institutions without a physical presence in the United States. In particular, the bank’s training and procedures for monitoring potential sanctions-related activity did not address the risk that First Bank could be indirectly exporting financial services through the U.S. financial

system to sanctioned parties or comprehensively sanctioned jurisdictions noted in underlying trade finance and shipping documents, or processing transactions that did not transit the United States but were processed while majority owned by a U.S. person.

Penalty Calculation and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$31,159,872. OFAC determined that Respondent voluntarily self-disclosed the Apparent Violations and the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), the base civil monetary penalty amount applicable in this matter is \$1,742,056 in this case. The settlement amount of \$862,318 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be **aggravating factors**:

- (1) First Bank demonstrated a reckless disregard for U.S. sanctions regulations by failing to implement appropriate controls to comply with applicable U.S. regulations with respect to payments it processed (i) with a sanctions nexus that transited the U.S. financial system, or (ii) after the bank became a foreign subsidiary of a U.S. person. First Bank also failed to implement adequate internal controls necessary to ensure transactions with a U.S. sanctions nexus would be escalated to management for additional review, consistent with its existing compliance policy.
- (2) First Bank had actual knowledge or reason to know it was processing payments on behalf of persons in Iran and Syria because of underlying finance and trade documents in its possession that referenced those countries.
- (3) First Bank conferred \$3,589,189 in economic benefit to persons in Iran and Syria thereby causing harm to the integrity of the ITSR and SySR, respectively, and their associated policy objectives for at least three years.

OFAC determined the following to be **mitigating factors**:

- (1) OFAC has not issued Respondent a Penalty Notice or Finding of Violation in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations.
- (2) Respondent cooperated with OFAC's investigation into the Apparent Violations by conducting a historical lookback and by entering into a tolling agreement with OFAC.
- (3) Respondent represented to OFAC that it undertook several remedial measures in response to the Apparent Violations, and following its change of ownership and the attendant enhanced commitment by JC Flowers & Co. to ensure compliance with the ITSR and SySR, including:
 - First Bank has (i) updated its sanctions screening tool; (ii) terminated relationships with customers party to the subject transactions; and (iii) implemented enhanced diligence procedures to collect more information on the nature of transactions and potential for involvement with sanctioned jurisdictions, territories, or parties;

- First Bank has implemented enhanced policies and procedures to address the relevance and applicability of U.S. sanctions regulations to the processing of transactions that transit the U.S. financial system, as well as those payments processed by an entity owned by a U.S. person;
- First Bank more than doubled its compliance staffing overseeing sanctions and related issues to provide more resources toward enhanced screening and monitoring;
- First Bank conducted additional sanctions training with staff, and First Bank, following approval by its Supervisory Board, issued a new global sanctions policy;
- As part of its agreement with OFAC, Respondent has undertaken to continue its implementation of these and other commitments.

Compliance Considerations

This action highlights the importance of (i) foreign financial institutions understanding the scope of U.S. sanctions regulations on transactions processed via the U.S. financial system or within the United States, and (ii) U.S. companies conducting sanctions-related due diligence both before and after acquisitions, and to monitor newly acquired subsidiaries for OFAC compliance.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [*A Framework for OFAC Compliance Commitments*](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use U.S.-origin goods or services, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.