



DEPARTMENT OF THE TREASURY
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OFAC Settles with Swedbank Latvia for \$3,430,900 Related to Apparent Violations of Sanctions on Crimea

Swedbank Latvia AS (“Swedbank Latvia”), which is headquartered in Riga, Latvia and is a subsidiary of Swedbank AB (publ) (“Swedbank AB”), an international financial institution headquartered in Stockholm, Sweden, has agreed to remit \$3,430,900 to settle its potential civil liability for 386 apparent violations of OFAC sanctions on Crimea. Throughout 2015 and 2016, a customer of Swedbank Latvia used Swedbank Latvia’s e-banking platform (the “e-banking platform”) from an internet protocol (“IP”) address in Crimea to send payments to persons in Crimea through U.S. correspondent banks (the “Apparent Violations”). The settlement amount reflects OFAC’s determination that Swedbank Latvia’s conduct was non-egregious and not voluntarily self-disclosed.

Conduct Leading to the Apparent Violations

Prior to Russia’s 2014 invasion of the Crimea region of Ukraine, Swedbank Latvia had onboarded a shipping industry client in Crimea (the “Client” or “SPC Owner”) that owned three special purpose companies (“SPCs”), each with an account at Swedbank Latvia. Between February 5, 2015 and October 14, 2016, the Client initiated 386 transactions totaling \$3,312,120 through accounts belonging to the SPCs that were processed through U.S. correspondent banks.

Around March 2016, the SPC Owner attempted to send payments related to his business from an IP address in Crimea using the e-banking platform to a U.S. correspondent bank, which rejected the payments citing a potential connection to Crimea and alerted Swedbank Latvia. Swedbank Latvia attempted to obtain additional information from this U.S. correspondent bank and requested additional information from the SPC Owner. Swedbank Latvia did not receive a response from the U.S. correspondent bank and the SPC Owner falsely assured Swedbank Latvia that none of the transactions involved Crimea. Based on this representation, a relationship manager at Swedbank Latvia re-routed the rejected payments to a different U.S. correspondent bank, which ultimately processed the transactions.

Swedbank Latvia had reason to know that the Client’s assurances that the transactions did not involve Crimea were incorrect. When Swedbank Latvia onboarded the Client and the SPCs, Swedbank Latvia obtained Know Your Customer (“KYC”) data, including addresses, telephone numbers, and a customer questionnaire, clearly indicating that the Client and the SPCs had a physical presence in Crimea. This information was in Swedbank Latvia’s possession at the time of the Apparent Violations. Although Swedbank Latvia collected and stored customer IP data, it did

not integrate this IP data into its sanctions' screening processes. If screened, the IP data would have indicated that the Client was present in Crimea at the time of the Apparent Violations.

Swedbank Latvia's conduct resulted in 386 Apparent Violations of Section 6(a) of Executive Order 13685 of December 19, 2014, "Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine" ("E.O. 13685"), which prohibits any transaction that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate the prohibitions set forth in E.O. 13685. Specifically, Swedbank Latvia allowed its Client to initiate payments from Crimea through the e-banking platform that were ultimately processed by a U.S. correspondent bank. This conduct resulted in the export of financial services to Crimea in violation of E.O. 13685(1)(a)(iii). In 2016 and 2017, Swedbank Latvia offboarded the Client and the SPCs during a lookback review.

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$112,322,552. OFAC determined that Swedbank Latvia did not voluntarily self-disclose the Apparent Violations, as a third party was required to and did notify OFAC first of the Apparent Violations. OFAC also determined that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), 31 C.F.R. part 501, app. A, the base civil monetary penalty applicable in this matter equals the sum of the applicable schedule amount for each violation, which totals \$6,238,000.

The settlement amount of \$3,430,900 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Swedbank Latvia failed to exercise due caution or care in neglecting to account for information in its possession regarding its Client's presence in Crimea and by solely relying on the Client's assurances when it possessed contrary information, including KYC and IP data.
- (2) Swedbank Latvia knew it had customers in Crimea and had reason to know it was processing payments on behalf of the three SPCs located in Crimea.
- (3) Swedbank Latvia is a sophisticated financial institution with over one million customers and is one of the largest banks in Latvia by assets.

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

- (1) Swedbank Latvia did not receive a penalty notice or Finding of Violation from OFAC in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations.

(2) Swedbank AB and Swedbank Latvia took significant remedial action in response to the Apparent Violations, including:

- Exiting the client relationships with the SPCs in December 2016 and the SPC Owner in February 2017.
- Implementing geofencing that prevents customers from sending payments through online banking platforms from IP addresses in comprehensively sanctioned jurisdictions.
- Implementing an automated system control within their transaction screening solution to identify potential resubmissions of payments after rejection.
- Establishing enhanced due diligence and screening procedures for high-risk customers undertaking any payments in U.S. dollars.
- Implementing enhanced diligence and transparency protocols for responses to correspondent banks.
- Expanding their compliance staff to implement the new protocols.
- Undertaking measures to improve its KYC, AML and financial sanctions controls more broadly.

(3) Swedbank AB and Swedbank Latvia substantially cooperated by conducting an extensive lookback, providing well organized responses to OFAC's requests for information, and by tolling the statute of limitations.

Compliance Considerations

This case demonstrates the importance of implementing and maintaining effective, risk-based sanctions compliance controls, especially for sophisticated financial institutions operating in proximity to high-risk regions. Such controls should account for changes to applicable sanctions and incorporate all relevant available information to conduct responsive and regular screening. As this matter shows, such efforts should include ensuring that KYC information (such as passports, phone numbers, nationalities, and addresses) and IP data are appropriately integrated into sanctions screening protocols.

In addition, this case illustrates the importance of undertaking reasonable efforts to investigate red flags. Ignoring or failing to heed such warnings can cause apparent violations to multiply quickly. Rather than dismissing such concerns and relying on unsubstantiated assurances, financial institutions and other persons made aware of such issues should diligently work to identify risks that may exist. Here, the bank's own KYC information supported the concerns of its correspondent

bank, yet it went ignored. Instituting effective protocols to address such situations can help mitigate the risk of providing services to entities and individuals located in comprehensively sanctioned jurisdictions.

Lastly, this matter further underscores the importance of remaining vigilant against efforts by persons in Crimea, as well as in Russia and other high-risk areas, to evade sanctions and elude compliance controls. In July 2015, OFAC published an advisory on the “[Obfuscation of Critical Information in Financial and Trade Transactions Involving the Crimea Region of Ukraine](#),” which discussed the evasive practices used to circumvent or evade OFAC’s sanctions, including “the omission or obfuscation of references to Crimea and locations within Crimea in documentation underlying transactions involving U.S. persons or the United States.” More recently, following Russia’s further invasion into Ukraine in 2022, the U.S. Department of the Treasury has highlighted the use of similar deceptive tactics to evade sanctions, such as in the Multilateral Russian Elites, Proxies, and Oligarchs (REPO) Task Force’s “[Global Advisory on Russian Sanctions Evasion](#)”, published March 9, 2023.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (Framework) to provide persons 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 goods or services exported from the United States, 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 civil penalties and enforcement information, can be found on OFAC’s website at <https://ofac.treasury.gov/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://ofac.treasury.gov/>.