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OFAC Settles with Emigrant Bank for \$31,867.90 Related to Apparent Violations of the Iranian Transactions and Sanctions Regulations

Emigrant Bank (Emigrant), a bank located in New York, has agreed to remit \$31,867.90 to settle its potential civil liability for 30 apparent violations of the Iran sanctions administered by the Office of Foreign Assets Control (OFAC). For approximately 26 years, Emigrant maintained a Certificate of Deposit (CD) account on behalf of two individuals ordinarily resident and located in Iran, for which it processed 30 transactions between June 2017 and March 2021 totaling \$91,051.13. Emigrant had actual knowledge of the Iranian address and apparent location of the accountholders during this period. The settlement amount reflects OFAC's determination that Emigrant's conduct was non-egregious and voluntarily self-disclosed.

Description of the Apparent Violations

In 1995, Emigrant opened a CD account ("the account") for two Iranian residents, which it renewed every five years until it closed the account in 2021. During this period, the accountholders provided ample information to Emigrant indicating their Iranian residency, including letters from the accountholders to the bank showing their Iranian address and tax forms reflecting an address in Iran. Emigrant, in turn, demonstrated its knowledge of the Iranian residency and addresses through various documents, including an interest check, tax documents, periodic statements, and internal discussions and decisions.

On June 25, 2016, the accountholders sent a letter requesting a wire transfer from the account to a U.S. resident account at another U.S. bank. This transaction triggered Emigrant's screening filter for such payments, which stopped the payment for review. Prior to this, Emigrant's compliance processes had not flagged any such account activities for potential sanctions issues. When the beneficiary bank requested additional information regarding the Iranian address, Emigrant analyzed the account and erroneously concluded that the transfers were permissible as personal remittances and processed the payment forward.

Separately, Emigrant later changed the account's country code in Emigrant's customer database from the United States to Iran. Emigrant's compliance program initially failed to flag for sanctions issues this address change to Iran.

In April 2019, Emigrant upgraded certain sanctions screening platforms, which then triggered an alert on the account due to the accountholders' country of residence being listed as Iran. However, Emigrant employees overrode the alert because they relied on the erroneous guidance from 2016.

Two years later, in June 2021, Emigrant management became aware of the account's Iranian status due to a regulatory examination and initiated an investigation. Emigrant initially placed a restriction on the account that prevented outgoing transfers, and ultimately closed the account.

Emigrant also took remedial action by implementing additional sanctions training and searched for other accounts whose owners reside in comprehensively sanctioned jurisdictions.

Between June 30, 2017 and March 31, 2021, Emigrant processed 30 transactions through the account totaling \$91,051.13, in apparent violation of the Iranian Transactions and Sanctions Regulations (ITSR), 31 C.F.R. § 560.204 (the “Apparent Violations”).

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$9,928,410. OFAC determined that the Apparent Violations were voluntarily self-disclosed and were non-egregious. 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 one-half of the transaction value for each Apparent Violation, which is \$45,526.

The settlement amount of \$31,867.90 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Emigrant acted without due caution or care in failing to implement controls to identify and prevent prohibited account services it provided to two Iranian residents, while knowing of their location in Iran;
- (2) Emigrant is a longstanding privately-owned bank in the United States and is a sophisticated financial institution; and
- (3) Although the account was opened in 1996, shortly after the ITSR were issued, the Apparent Violations occurred long after their issuance.

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

- (1) OFAC has not issued a Finding of Violation or Penalty Notice to Emigrant in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations;
- (2) Once Emigrant discovered the potential violations, it took appropriate remedial steps, including placing restrictions on the account in June 2021 and closing the account in November 2021, updating its customer data system to avoid screening inaccurate countries of residence, searching for other potentially violative accounts, and screening the permanent address of each account;
- (3) Emigrant voluntarily self-disclosed the Apparent Violations and cooperated with OFAC’s investigation, including by entering into a tolling agreement with OFAC; and

- (4) All of the transactions within the statute of limitations were sent to the Emigrant account of the accountholders' son and daughter-in law, residents of the United States; these payments resulted in negligible harm to U.S. sanctions policy objectives.

Compliance Considerations

This case highlights the importance of properly vetting accountholders and understanding the restrictions on “Iranian accounts,” *i.e.*, accounts of persons who are ordinarily resident in Iran while they are located in Iran, or of persons blocked pursuant to 31 C.F.R. § 560.211, maintained on the books of a U.S. depository institution or U.S.-registered broker or dealer in securities.¹

As a general matter, U.S. sanctions on Iran prohibit U.S. persons — including financial institutions — from providing services to Iran.² This prohibition explicitly includes performing services with respect to Iranian accounts.³ As OFAC notes in 31 C.F.R. § 560.517, and further explained in [FAQ 37](#), Iranian accounts must be restricted, allowing only for maintenance of the accounts, including the payment of interest and the debiting of service charges, or closing via a lump sum transfer to the accountholder.⁴

Although the ITSR does authorize personal remittances to or from Iran under certain conditions pursuant to 31 C.F.R. § 560.550, the general license does not authorize debiting or crediting an Iranian account like the one at issue here. Instead, personal remittances may be sent by or to U.S. depository institutions or registered brokers or dealers in securities and not by any other U.S. person — but remittances may be sent to or from a non-U.S. person in a third country — before being transferred to Iran or the United States,⁵ or the funds may be hand-carried in limited circumstances.⁶ Failure to adhere to OFAC’s regulations and guidance can result in apparent violations, as happened in this case.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (Framework) in order 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.

¹ 31 C.F.R. § 560.320.

² 31 C.F.R. § 560.204.

³ 31 C.F.R. § 560.427(b).

⁴ 31 C.F.R. § 560.517(a).

⁵ 31 C.F.R. § 560.550(a).

⁶ 31 C.F.R. § 560.550(d).

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 Enforcement Guidelines. 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>.