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OFAC Enters Into \$34,328.78 Settlement with MoneyGram Payment Systems, Inc. for Apparent Violations of Multiple Sanctions Programs

MoneyGram Payment Systems, Inc. (“MoneyGram”), a global payments company based in Dallas, Texas that allows people to send money in more than 200 countries and territories, has agreed to remit \$34,328.78 to settle its potential civil liability for 359 apparent violations of multiple sanctions programs. MoneyGram provided services to blocked individuals incarcerated in U.S. federal prisons without a license from OFAC, processed transactions on behalf of an additional blocked person, and processed transactions for individuals who initiated commercial transactions involving Syria. At the time of the transactions, MoneyGram had reason to know based on payment details or attestations from customers that these transactions may have a nexus to a blocked person or sanctioned jurisdiction, but nonetheless processed them based on an erroneous misunderstanding of its obligations or because of other screening failures. The settlement amount reflects OFAC’s determination that MoneyGram’s apparent violations were voluntarily self-disclosed and were non-egregious.

Description of the Conduct Leading to the Apparent Violations

Between March 2013 and April 2016, MoneyGram provided money transfer services to the Department of Justice’s Federal Bureau of Prisons (BOP), which allowed inmates to send and receive funds into and out of their personal commissary accounts (“commissary payments”). In connection with these services, between March 2013 and January 2015, MoneyGram did not screen the inmates against the U.S. Department of the Treasury’s Office of Foreign Assets Control’s (OFAC) List of Specially Designated Nationals and Blocked Persons (“SDN List”). MoneyGram knew that some of the inmates for whom it was processing transactions could be on the SDN List, but it erroneously believed that such screening of inmates in federal prison was not expected under the BOP program. MoneyGram identified the issue as part of a compliance improvement program.

Once MoneyGram began screening these transactions, it nonetheless continued to process transactions on behalf of blocked persons in federal prisons due to other screening, technology, and fuzzy logic failures, as well as limited instances of human error. Similar screening and technology failures also led MoneyGram to process a limited number of transactions for an additional blocked person. In addition, MoneyGram processed commercial transactions related to Syria due to human error, specifically when MoneyGram analysts improperly determined that the commercial transactions qualified as non-commercial, personal remittances. As further described below, MoneyGram subsequently undertook additional measures to address these failures and improve its sanctions compliance program.

In total, between March 12, 2013 and June 21, 2020, MoneyGram processed 359 transactions totaling \$105,627 on behalf of approximately 40 individuals on the SDN List, as well as for two individuals who initiated commercial transactions involving Syria (the “Apparent Violations”). This conduct resulted in Apparent Violations of the Foreign Narcotics Kingpin Sanctions Regulations, 31 C.F.R. §598.203; the Narcotics Trafficking Sanctions Regulations, 31 C.F.R. §536.201; the Syrian Sanctions Regulations, 31 C.F.R. §542.207; the Democratic Republic of the Congo Sanctions Regulations, 31 C.F.R. §547.201; the Central African Republic Sanctions Regulations, 31 C.F.R. §553.201; and the Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. §544.201.

Penalty Calculation and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$302,938,437. However, OFAC determined that MoneyGram 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 \$52,813.50. The settlement amount of \$34,328.78 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

- (1) MoneyGram knew that there could be incarcerated blocked persons that would be receiving payments into their commissary accounts, but did not screen the beneficiaries of the transactions against the SDN List because of an erroneous misunderstanding of its obligations; and
- (2) MoneyGram is a large and commercially sophisticated international financial institution.

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

- (1) The majority of the transactions were destined for blocked persons in custody in the United States and would likely have been eligible for a license;
- (2) MoneyGram has not received 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;
- (3) MoneyGram cooperated with OFAC's investigation into these Apparent Violations;
- (4) MoneyGram discovered the Apparent Violations as part of its ongoing efforts to improve its compliance program, and MoneyGram voluntarily self-disclosed the Apparent Violations. MoneyGram represented that it has taken strong remedial action in response to the Apparent Violations, including:
 - MoneyGram retired its legacy screening system and launched a new system that contains substantially more features to screen, monitor, and resolve sanctions and other compliance-related alerts arising from transactions processed by MoneyGram;
 - MoneyGram implemented screening for all BOP-related transactions and denies services to commissary accounts that belong to known blocked persons based on a daily batch screen of all inmates in federal prison. In addition, MoneyGram now requires that the inmate name, rather than just the inmate account number, is included in the transaction data so that this information is caught during compliance screening;
 - MoneyGram implemented additional training to its agent network to increase the quality of data collected by agents; and

- In 2016, MoneyGram increased its Compliance Department by 128 employees, appointed a new Chief Compliance Officer, and significantly increased its investment in compliance-related functions;

(5) As part of its agreement with OFAC, MoneyGram has undertaken to continue its implementation of these and other compliance commitments.

Compliance Considerations

This action highlights that money services businesses that are processing transactions for individuals worldwide, including individuals potentially ordinarily resident in, or doing business in, countries subject to U.S. sanctions — like all financial service providers — should understand the sanctions risks associated with those services and should take steps necessary to mitigate those risks. In addition, this action highlights the importance of maintaining robust sanctions screening software and processes, especially for U.S. companies that operate globally.

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 visit: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.