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OFAC Fines Alabama Financial Institution \$19,125 for Violating the Sudanese Sanctions Regulations

On December 3, 2013, the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") announced that Compass Bank, a Birmingham, Alabama-based financial institution, agreed to pay \$19,125 to settle civil charges for violating the Sudanese Sanctions Regulations ("SSR"), 31 C.F.R. part 538. The alleged violations arose from a February 20, 2011 wire transfer initiated by Compass Bank on behalf of an individual customer to a third-country company's account at a United Kingdom financial institution. Pursuant to an accompanying invoice, the transferred funds served as payment for the shipment of a tractor from the United Kingdom to Sudan. According to OFAC, compliance officers at Compass Bank authorized the wire transfer after improperly concluding that the payment was authorized pursuant to a general license and did not violate the SSR because none of the parties to the transaction appeared on the List of Specially Designated Nationals.

Even though Compass Bank did not voluntarily self-disclose the violation, OFAC reduced the penalty from the base penalty of \$25,000 because: (1) the violation did not confer economic benefit on a sanctioned entity, (2) Compass Bank cooperated with OFAC's investigation, and (3) Compass Bank took remedial action in response to the violation. OFAC also noted that Compass Bank had not previously received a Penalty Notice or Finding of Violation from OFAC in the five years preceding the violation at issue, although a review of the OFAC Civil Penalties and Informal Settlements website reveals that Compass Bank previously remitted \$607,500 to settle violations of the SSR for initiating three funds transfers in September 2006 related to the petroleum or petrochemical industries in Sudan.

While a substantial penalty was not issued in this case, it serves as a reminder to financial institutions to conduct periodic assessments of their "risk-based OFAC compliance programs" to ensure that they adequately and effectively address risks presented by U.S. economic sanctions. Financial institutions should also take steps to ensure that those individuals within their organizations responsible for overseeing and administering their compliance programs are properly trained and afforded the necessary information and resources to encourage best practices for maintaining an effective compliance program.

Questions or Assistance?

If you have any questions regarding this alert, please contact Ross Garber at (202) 469-7750, (860) 251-5901 or rgarber@goodwin.com, or Scott Cowperthwait at (860) 251-5134 or scowperthwait@goodwin.com.

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