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**TO:** Kansas Chartered Credit Unions  
**SUBJECT:** Office of Foreign Assets Control

### OFFICE OF FOREIGN ASSETS CONTROL

In May 2019, the U. S. Department of Treasury's Office of Foreign Assets Control (OFAC) released ["A Framework for OFAC Compliance Commitments."](#) The focus of this publication is to provide guidance on developing a risk-based approach to a sanctions compliance program. OFAC administers and enforces economic sanctions primarily against countries and groups of individuals, e.g., terrorists and drug traffickers. Credit unions are forbidden from engaging in transactions with any entity subject to OFAC sanctions.

Credit unions are encouraged to develop, implement and routinely update sanctions compliance programs. Each program should incorporate at least five essential components: (1) management commitment; (2) risk assessment; (3) internal controls; (4) testing and auditing; and (5) training. Any sanctions for violations may be mitigated if the credit union has a sanctions compliance program in place.

Senior management commitment may be measured by (1) whether an OFAC officer has been appointed (this individual may be the same as the BSA Officer); (2) the quality and experience of the personnel dedicated to the program; and (3) sufficient control functions, e.g., information technology software and systems, exist to support the program.

Another important piece of the program is a risk assessment. While there is no one approach, the credit union should review its operation from top to bottom. This will identify potential areas in which the credit union may, directly or indirectly, engage with prohibited persons, parties, countries or regions.

Equally important as personnel and risk assessments are internal controls. Policies and procedures should be enforced, weaknesses should be identified and remediated, and internal and/or external audits of the program should be conducted on a periodic basis. Effective programs include policies and procedures designed to identify, interdict, escalate, report (as appropriate) and keep records.

In addition, an effective training program is an integral component of any sanctions compliance program. Training should be provided to appropriate employees on a periodic basis (at a minimum, annually) and should include job-specific knowledge, responsibilities for each employee, and accountability assessments.

Root causes of violations include (1) lack of a formal compliance program; (2) failure to update software and/or the SDN (Specially Designated Nationals) list; (3) improper member due diligence; and (4) failing to understand OFAC regulations.

Enforcement actions have been taken against financial institutions, as well as individuals who facilitated, or were complicit in, the violations.