



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS
75265-5906

August 17, 1995

Notice 95-78

TO: The Chief Executive Officer of each
member bank and others concerned in
the Eleventh Federal Reserve District

SUBJECT

**Policy Statement from
the Office of Foreign Assets Control**

DETAILS

The Office of Foreign Assets Control (OFAC) will no longer treat fully-automated transactions differently from manually-processed transactions for civil penalty purposes. The policy, which is effective September 1, 1995, has been instituted due to the wide availability and use by financial institutions of name-recognition software to screen fully-automated financial transactions for potential violations of economic sanctions programs.

ATTACHMENT

A copy of the OFAC policy statement as it appears on pages 34142-43, Vol. 60, No. 126, of the *Federal Register* dated June 30, 1995, is attached.

MORE INFORMATION

For more information, please contact Dennis Wood, Chief, Compliance Programs Division, (202) 622-2490, at the OFAC, or Mrs. B. S. Scott, Chief, Civil Penalties Program, (202) 622-6140, at the OFAC. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

A handwritten signature in cursive script that reads "Robert D. McTeer, Jr.".

Foreign Assets Control ("FAC") will no longer treat fully-automated transactions differently from manually-processed transactions for civil penalty purposes.

EFFECTIVE DATE: September 1, 1995.

FOR FURTHER INFORMATION CONTACT: Dennis P. Wood, Chief, Compliance Programs Division, tel.: 202/622-2490, or Mrs. B.S. Scott, Chief, Civil Penalties Program, tel.: 202/622-6140, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

SUPPLEMENTARY INFORMATION:

Electronic Availability

This document is available as an electronic file on *The Federal Bulletin Board* the day of publication in the *Federal Register*. By modem dial 202/512-1387 and type "/GO/FAC" or call 202/512-1530 for disks or paper copies. This file is available for downloading in WordPerfect 5.1, ASCII, and Postscript formats. The document is also accessible for downloading in ASCII format without charge from Treasury's Electronic Library ("TEL") in the "Business, Trade and Labor Mall" of the FedWorld bulletin board. By modem dial 703/321-3339, and select self-expanding file "T11FR00.EXE" in TEL. For Internet access, use one of the following protocols: Telnet = fedworld.gov (192.239.93.3); World Wide Web (Home Page) = http://www.fedworld.gov; FTP = ftp.fedworld.gov (192.239.92.205).

Background

Essential elements of economic sanctions programs administered by FAC include prohibitions on transfers of property to or for the benefit of targeted governments, entities, and individuals, including the blocking of targeted persons' property, when it comes within the jurisdiction of the United States. Civil monetary penalties may be imposed administratively by FAC for violations of these transfer prohibitions and blocking requirements pursuant to the statutes authorizing most FAC sanctions programs. *See, e.g.*, 22 U.S.C. 5113(b) (*repealed* June 8, 1994, *see* Pub. L. 103-149, section 4(a), 107 Stat. 1504 (1993)); Pub. L. 101-513, section 586E, 104 Stat. 2047 (1990); 50 U.S.C. 1705; 50 U.S.C. App. 16.

A large proportion of financial transactions are now handled by computer, without intervention by bank or other financial institution personnel. In the past, FAC treated such fully-automated or "straight through" transactions as being beyond the knowledge of financial institutions. Thus, for purposes of administering its

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

31 CFR Chapter V

Compliance with 31 CFR Chapter V with Respect to Fully-Automated Financial Transactions

AGENCY: Office of Foreign Assets Control, Treasury.

ACTION: Policy Statement.

SUMMARY: Due to the wide availability and use by financial institutions of name-recognition software to screen fully-automated financial transactions for potential violations of economic sanctions programs, the Office of

civil monetary penalty authority under sanctions programs contained in 31 CFR chapter V, FAC considered the fact that a transfer violation arose in a fully-automated transaction as a strongly mitigating circumstance in determining liability.

In the past few years, financial institutions that handle significant volumes of international transfers have developed and put into use "interdiction software" that scans incoming automated transfer instructions for words (names of banks and transaction parties, geographical locations, and transaction descriptions) likely to indicate that a transaction is subject to the prohibitions in 31 CFR chapter V. Commercial interdiction software is now widely available and in use, and information needed to update the database used in screening transactions as FAC amends its lists of blocked persons and specially designated nationals is immediately available for computer downloading from numerous governmental and private sources. The use of such software by financial institutions has substantially enhanced the effectiveness of FAC sanctions programs.

It has been determined that it is no longer appropriate to treat fully-automated financial transactions that violate economic sanctions prohibitions as being beyond a financial institution's knowledge or intent. Beginning on September 1, 1995, FAC will no longer treat the fully-automated processing of violative transactions as a full defense in civil penalty proceedings.

Dated: May 31, 1995.

R. Richard Newcomb,

Director, Office of Foreign Assets Control.

Approved: June 5, 1995.

John P. Simpson,

Deputy Assistant Secretary (Regulatory, Tariff & Trade Enforcement).

[FR Doc. 95-16121 Filed 6-27-95; 4:26 pm]

BILLING CODE 4810-25-F