

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. **10709**]
May 26, 1994]

FOREIGN ASSETS CONTROL REGULATIONS

**“Payable Through” Arrangements to Evade
U.S. Sanctions and Embargoes**

*To the Chief Operating Officers at All Financial Institutions,
and Others Concerned, in the Second Federal Reserve District:*

Printed on the reverse side is a notice from the Director of the Office of Foreign Assets Control (“FAC”) of the U.S. Department of the Treasury, regarding concerns about evasions of sanctions and embargo programs by means of certain “payable through” account arrangements and imposing special report requirements. Questions on this matter should be directed to FAC (Tel. No. 202-622-2490).

If your institution has overseas branches, please send them a copy of this notice. Additional copies may be obtained from our Circulars Division (Tel. No. 212-720-5215 or 5216).

WILLIAM J. McDONOUGH,
President.

(OVER)

10709



DEPARTMENT OF THE TREASURY
WASHINGTON

MAY 16 1994

**TO: CHIEF OPERATING OFFICERS
AT ALL FINANCIAL INSTITUTIONS IN THE UNITED STATES**

Recently a bank in the southeastern United States blocked a funds transfer which clearly indicated on its face that it was being routed to an individual resident in Cuba. Investigation into the details of the payment order revealed that the funds were destined for an account on the books of another U.S. financial institution. When we inquired how that bank could maintain an unblocked account for a Cuban national, we were told that the account was a correspondent account of a Latin American bank and that the money was earmarked for an individual whose name was on a signature card for the account with no address information.

Such "payable through" account arrangements obviously raise serious concerns about evasions of the U.S. Government's sanctions and embargo programs. Pursuant, therefore, to §§602 of the Foreign Assets Control Regulations (31 C.F.R. Part 500), the Cuban Assets Control Regulations (31 C.F.R. Part 515), the Libyan Sanctions Regulations (31 C.F.R. Part 550), the Iraqi Sanctions Regulations (31 C.F.R. Part 575), the Haitian Transactions Regulations (31 C.F.R. Part 580), and the Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Regulations (31 C.F.R. Part 585), every financial institution in the United States that holds a "payable through account" for a foreign correspondent bank, a foreign *casa de cambio*, or any other offshore entity is being required, by copy of this notice, to file a special report with the Office of Foreign Assets Control. The report is to list the name and number of each such account and is to describe the procedures your bank has in place to assure that users of the "payable through" master account are neither Specially Designated Nationals nor otherwise acting on behalf of countries under sanctions and the procedures you have in place to assure that transactions are not being routed through the account in violation of the regulations administered by the Office of Foreign Assets Control.

If you hold any such account, your special report is to be forwarded to the Compliance Programs Division of the Office of Foreign Assets Control at 1500 Pennsylvania Avenue, N.W., 2131 Annex, Washington, D.C. 20220, so that it arrives no later than the close of business on June 30, 1994.

Questions about this matter should be directed to the Office of Foreign Assets Control at 202/622-2490.

R. Richard Newcomb
Director
Office of Foreign Assets Control