



State of Wisconsin
Department of Financial Institutions

Scott McCallum, Governor

John F. Kundert, Secretary

October 22, 2001

LETTER 2-01
OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

TO ALL CREDIT UNIONS:

OFFICE OF FOREIGN ASSETS CONTROL

The Office of Foreign Assets Control (OFAC) is a division of the U.S. Department of the Treasury. OFAC administers and enforces economic and trade sanctions against targeted foreign countries and their agents, terrorism sponsoring agencies and organizations, and international narcotics traffickers based on U.S. foreign policy and national security goals. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under U.S. jurisdiction.

Financial institutions, including credit unions, are required by law, to support these sanctions. Failure to comply could expose a credit union to adverse publicity, fines, and even criminal penalties. While OFAC is responsible for promulgating, developing, and administering the sanctions, all of the financial regulators cooperate to ensure financial institution compliance.

The primary tool used by the OFAC is a listing of "Specially Designated Nationals and Blocked Persons". President George W. Bush issued an Executive Order effective September 24, 2001, targeting terrorists. The order requires immediate notification of OFAC when a financial institution identifies potential or actual assets of any of the listed entities. New names have been added to the OFAC's Specially Designated Nationals List. Each credit union is responsible for keeping a current OFAC listing of Specifically Designated Nationals and Blocked Persons.

CREDIT UNION COMPLIANCE TO OFAC

Credit unions must monitor all members and all financial transactions performed by or through them to detect those that involve any entity or person subject to the OFAC laws and regulations. Credit unions must be aware of what transactions are subject to "blocking" and what situations require the credit union to reject the transaction or funds, instead of accepting and blocking them. Each type of financial transaction should be reviewed for OFAC compliance including, without limitation, the following:

- ❖ Deposit accounts
- ❖ Loans
- ❖ Lines of credit
- ❖ Letters of credit
- ❖ Safety deposit boxes
- ❖ Wire transfers
- ❖ ACH transfers
- ❖ Currency exchanges
- ❖ Depositing or cashing checks
- ❖ Purchase of money orders or cashier's checks
- ❖ Loan payments
- ❖ Guarantors and collateral owners
- ❖ Trust accounts
- ❖ Credit cards

Moreover, the names of all parties to a transaction should be checked against the list of names of individuals, entities, geographical locations, or countries that have been identified by OFAC. This includes, but is not limited to beneficiaries, collateral owners, guarantors/cosigners, receiving parties, and sending parties.

If any credit union member's name appears on the list, their assets must be frozen and immediate notice given to OFAC. If verified by OFAC as a blockable transaction/asset, a blocking report must be faxed immediately to OFAC. Credit unions should call OFAC's hotline at (800) 540-6322 to report any hits. Other reporting requirements may apply.

The burden is upon credit unions to ensure they have updated lists from OFAC. OFAC provides the lists for free. If a credit union clears transactions through a third party, it is their responsibility to ensure that the service provider has a compliance program in place to meet all OFAC requirements. Credit unions are advised to check OFAC's web site daily for updated notices. Credit unions that do not have access to the Internet can call OFAC's hotline.

In addition, the Treasury Department's Financial Crimes Enforcement Network (FinCEN) has established a FINANCIAL INSTITUTIONS HOTLINE -- (866) 556-3974 for financial institutions to voluntarily report to law enforcement authorities suspicious transactions that may relate to recent terrorist activity against the United States.

Credit unions identifying suspicious transactions are required to report such transactions by filing a Suspicious Activity Report (SAR) even if they provide information over the hotline or to OFAC. A copy of the SAR should be sent to the Office of Credit Unions. You are encouraged to contact law enforcement officials also.

SUMMARY

Credit unions must comply with the regulations of OFAC. OFAC should be contacted immediately if a prohibited person or transaction is identified. To ensure compliance, a credit union should have a clear and thorough policy and procedure manual, educate and train their employees, and possess an efficient, in depth compliance system that allows for the proper handling of all transactions and

members. Credit unions must also demonstrate that it is checking its member lists and transactions for potential OFAC matches.

There are many resources available to obtain information to comply with OFAC and related regulations. Some are noted below. Any questions about compliance should be directed to the Office of Credit Unions at (608) 261-9543.

**Office of Foreign Assets Control
(OFAC)**

www.treas.gov/ofac
(800) 540-OFAC (6322)
(202) 622-0077 (fax-on-demand service)

**Financial Crimes Enforcement
Network (FinCEN)**

www.treas.gov/fincen
(866) 556-3974 (financial institutions hotline)

**National Credit Union
Administration (NCUA)**

www.ncua.gov
(630) 955-4100

Bridger Systems, Inc.

www.ofacompliance.com (OFAC Policy &
Procedure Guide and other information)
(800) 915-8930

Office of Credit Unions

www.wdli.org
(608) 261-9543

Sincerely,



Ginger Larson
Director
OFFICE OF CREDIT UNIONS

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