

SIFMA AML and Financial Crimes Conference
Half-Day Workshop – Track B: Workshop 2
February 26 – 2:30 – 3:45 PM

*Traveling the World of Sanctioned Countries & Other High Risk
Jurisdictions*

I. OFAC and Other Economic Sanctions

A. Country Level Sanctions Programs

a. Iran Sanctions

- i. Public disclosure filings of business activities in Iran: Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012; added Section 13(r) of the Securities Exchange Act of 1934. See SEC Division of Corporation Finance Compliance and Disclosure Interpretations on Section 147. Section 13(r) *available at* <http://www.sec.gov/divisions/corpfin/guidance/exchangeactsections-interps.htm>

ii. State-Level CISADA Sanctions

1. California: California - Iran Contracting Act of 2010 (effective June 2011). Cal. Pub. Cont. Code § 2200-2208 (2012).
2. Other states:
 - a. New York - Iran Divestment Act of 2012 (signed into law on Jan. 13, 2012). N.Y. State Fin. Law § 165-a (2012); N.Y. Gen. Mun. Law § 103-g (2012);
 - b. Florida - Scrutinized Companies law (effective July 1, 2011). Fla. Stat. § 215.473 (2012);
 - c. Illinois - Public Act 95-616 (effective January 1, 2008). Amendment to Illinois Pension Code (40 ILCS 5/1-110.15) proposed in Jan. 2011.
 - d. Arizona – Arizona Title 35 – Public Finances 35-393.02
 - e. Colorado [Public Employees Retirement Iran-Related Investment Policy](#)
 - f. Iowa – [Chapter 82 House file 484 Public Funds Deposit and Investment - Iran](#)
 - g. Maryland – Maryland State Personnel and Pensions Section 21-123.1 - Divestiture from Iran and Sudan

- b. Data quality for scanning
 - i. Is your system able to effectively read all key fields?
 - ii. Are client names correctly spelled?
- c. Algorithm effectiveness and sensitivity levels

D. Sanctions Enforcement Issues

- a. Criminalization of sanctions issues *See* Standard Chartered settlement with Department of Justice and Manhattan District Attorney *available at* <http://manhattanda.org/press-release/standard-chartered-bank-reaches-327-million-settlement-illegal-transactions>;
- b. Expansion of law enforcement entities bringing OFAC and money laundering cases
 - i. Manhattan District Attorney *See* HSBC settlement with Department of Justice and Manhattan District Attorney *available at* <http://manhattanda.org/press-release/district-attorney-vance-announces-375-million-settlement-hsbc-bank>
 - ii. New York Department of Financial Services *See* In the Matter of Standard Chartered Bank, New York Branch, Order Pursuant to Banking Law § 39 *available at* <http://www.dfs.ny.gov/banking/ea120806.pdf>
 - iii. Indictment of non-US subsidiaries as opposed to deferred prosecution

E. FOIA Requests for Sanctions Information

II. High Risk Jurisdictions

- A. Development of Country Risk Models *See* [US v. HSBC Bank USA N.A. and HSBC Holdings PLC, Cr. No. 12-763 Deferred Prosecution Agreement](#),
 - a. Factors to be considered
 - b. Information sources
 - c. Global v. regional country risk models
 - d. Jurisdictional risk variations for AML/OFAC/FCPA
 - e. How do you handle clients
 - f. Does one size fit all?
- B. Global Risk Scoring of Clients
 - a. Use of global minimum standards: what should be included?
 - b. PEPs: Global or local minimum standards?

- c. Should there be one global risk appetite or should there be different standards for regulations?
- d. Do you adjust customer risk scores based on the products they will be trading or their business line (e.g., prime broker client, wealth management, custody v. DVP/RVP, etc.)
- e. Do you maintain a global list of acceptable jurisdictions?