

# **Office of Foreign Assets Control: Compliance for Credit Unions**



Credit Union National Association

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## Introduction

The *Office of Foreign Assets Control: Compliance for Credit Unions Training on Demand* course is designed to provide you with compliance information in accordance with the Office of Foreign Assets Control's requirements. This is important to protect your credit union from becoming involved in money laundering and terrorist financing. The role of OFAC is to identify people, organizations, and countries that need to be targeted for sanctions, to prevent them from using the worldwide financial system, by freezing their assets and those of their supporters.

## Objectives

Through this course, you will learn how your credit union plays a role against terrorism and drug trafficking, by complying with the Office of Foreign Assets Control program goals.

The objectives for this course are to:

- Define the program objectives and responsibilities of OFAC;
- Explain the SDN Lists and how they are used for OFAC;
- Recognize how to respond to a match on the SDN list;
- Recognize other steps your credit union must take to comply with OFAC; and
- Describe the penalties for non-compliance.

## What is OFAC?

The Office of Foreign Assets Control, or "OFAC" is a division of the U.S. Treasury Department. OFAC is responsible for administering and enforcing economic and trade sanctions based on U.S. foreign policy and national security goals. These sanctions are against targeted hostile countries and their agents, terrorism sponsoring agencies and organizations, and international narcotics traffickers, as well as those engaged in the proliferation of weapons of mass destruction. OFAC has the authority to impose controls on financial transactions and can "freeze" foreign assets under US jurisdiction.



In terms of compliance, OFAC is not the same thing as the Bank Secrecy Act—in fact it is separate and distinct from BSA. Both OFAC and BSA share a common national security goal, however. Supervisory examination for BSA compliance is connected to examining OFAC compliance. Let's look a little closer at OFAC.

## **The Office of Foreign Assets Control**

The United States Treasury Department has administered sanctions against other countries since the early 1800s. Before the War of 1812, the Secretary of the Treasury imposed sanctions against Great Britain for harassing American soldiers. During the Civil War, Congress approved a law which prohibited transactions with the Confederacy. It required all goods that were involved in those transactions to be forfeited, and rules and regulations were administered by the Treasury Department.



At the beginning of World War II, following the German invasion of Norway in 1940, the Office of Foreign Funds Control was established. The initial goal was to prevent the Nazis from using occupied countries' holdings and to prevent forced repatriation of funds that belonged to nationals from those countries. Later during the war, the Office of Foreign Funds conducted economic warfare against the Axis powers by blocking enemy assets and preventing foreign trade and financial transactions. In 1950, the Office of Foreign Assets Control—or OFAC—was formally created after China entered into the Korean War. President Truman declared a national emergency and blocked all North Korean and Chinese assets that were subject to US jurisdiction.