

BANKING & FINANCIAL INSTITUTIONS ALERT

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Federal Government Continues to Target Bank Compliance Programs

By ***Nicole Hughes Waid***

The U.S. Treasury Department announced yesterday that Bank of America Corp's banking unit agreed to pay \$16.6 million to resolve allegations that it processed hundreds of transactions for drug traffickers who are subject to U.S. sanctions. The Office of Foreign Assets Control (OFAC) reported that the bank processed about 200 transactions totaling \$91,000 for six specially designated narcotics traffickers (SDNTs) between 2005 and 2009. Bank of America also failed to properly block five accounts owned by four other SDNTs.

According to the notice, the base penalty for all the alleged violations was \$83.7 million, due in part because the bank failed for more than two years to adequately address a known deficiency in its sanctions screening tool that prevented it from identifying potential matches to individuals with multiple or multi-part last names on OFAC's blacklist, and at least one official in Bank of America's office responsible for OFAC compliance was aware of it. OFAC said the potential harm to the U.S. sanctions program objectives was significant, given the number of transactions and benefit conferred to the SDNTs.

The bank's penalty was reduced in part because some of the alleged violations might have been eligible for a specific license at the time of the transactions, the bank corrected the deficiency in its screening tools and upgraded them, voluntarily re-screened its customer database, and provided additional OFAC compliance training.

This settlement illustrates the federal government's continued efforts to strictly enforce bank compliance and regulatory obligations. Other banks that have paid fines to settle U.S. charges of breaching OFAC sanctions include BNP Paribas, Barclays, Standard Chartered, Royal Bank of Scotland and Credit Suisse.

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