

ENFORCEMENT INFORMATION FOR OCTOBER 21, 2015

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 C.F.R. part 501. On November 9, 2009, OFAC published as Appendix A to part 501 Economic Sanctions Enforcement Guidelines. See 74 Fed. Reg. 57,593 (Nov. 9, 2009). The Economic Sanctions Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at <http://www.treasury.gov/ofac/enforcement>.

ENTITIES – 31 C.F.R. 501.805(d)(1)(i)

BMO Harris Bank NA Receives a Finding of Violation Regarding Violations of the Iranian Transactions and Sanctions Regulations: The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued a Finding of Violation to BMO Harris Bank NA ("BMO Harris"), as the successor to Marshall and Ilsley Bank ("M&I Bank"), in connection with M&I Bank's processing of six funds transfers totaling \$67,357. M&I Bank originated these six funds transfers on behalf of its customer in early 2011, prior to its merger with Harris NA, in violation of § 560.204 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR).¹ Subsequent to processing these funds transfers, M&I Bank merged with Harris NA on July 5, 2011 to form BMO Harris.

Between February 3, 2011 and March 10, 2011, M&I Bank originated six funds transfers totaling \$67,357 on behalf of its customer, a company specializing in carpets that included the word "Persian" in its name (the "Company"), for the purpose of paying an outstanding balance owed to an Iranian entity located in Iran for the purchase of Iranian-origin carpets. The Company had been a customer of M&I Bank since 2009, at which time the importation of Iranian-origin carpets from Iran or a third country to the United States was authorized under a general license (formerly § 560.534 of the ITSR). M&I Bank stated that it added the Company to the bank's "False Hit List" on May 29, 2009, after its OFAC interdiction software generated multiple alerts due to the word "Persian" in the Company's name. OFAC revoked the general license for the importation of Iranian-origin carpets in § 560.534 of the ITSR effective September 29, 2010; however, M&I Bank did not remove the Company from the False Hit List or implement any additional measures to prevent or identify possible violations involving the Company.

On February 3, 2011, M&I Bank processed a funds transfer for the Company. A downstream financial institution stopped the funds transfer and requested additional information from M&I Bank regarding the transaction. An M&I Bank staff member subsequently obtained information showing that the Company had initiated the funds transfer to pay an Iranian national residing in the United States for an outstanding balance owed to an Iranian entity located in Iran for the purchase of Iranian-origin goods. The M&I Bank staff member failed to escalate the transaction to the Corporate Compliance Department, however. M&I Bank subsequently processed five additional funds transfers on behalf of the Company that violated the ITSR.

¹ On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the ITSR, amended the renamed ITSR, and reissued them in their entirety. See 77 Fed. Reg. 64,664 (Oct. 22, 2012). For the sake of clarity, all references herein to the ITSR shall mean the regulations in 31 C.F.R. part 560 in effect at the time of the activity, regardless of whether such activity occurred before or after the regulations were reissued.

The determination to issue a Finding of Violation to BMO Harris in connection with the above transactions reflects OFAC's assessment that M&I Bank may have been unaware of the risks associated with a false hit list that was not reviewed and updated regularly, as well as OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. A Finding of Violation is appropriate given that staff-level M&I Bank personnel had actual knowledge of the conduct that led to two of the violations and, based on the customer's line of business, reason to know that the customer may process additional transactions in violation of the ITSR; and M&I Bank's OFAC compliance program failed to include procedures for updating its internal sanctions list following changes to the sanctions programs administered by OFAC (other than updates to the SDN List). OFAC also considered the fact that no M&I Bank managers or supervisors were aware of the conduct that led to the violations; M&I Bank has not previously received a penalty notice or Finding of Violation from OFAC; M&I Bank took appropriate remedial action in response to the violations; and M&I Bank (and later BMO Harris) substantially cooperated with OFAC during the course of the investigation, including by identifying and reporting four of the violations.

This enforcement action highlights the particular sanctions risks associated with failing to implement proper procedures and controls to ensure that internal proprietary sanctions lists are properly reviewed following changes to the SDN List and/or to the sanctions programs administered by OFAC. OFAC has also [issued guidance](#) regarding the use and maintenance of false hit lists.

For more information regarding OFAC regulations, please visit: <http://www.treasury.gov/ofac>.