

FAC No. IA-[text deleted]

PENALTY NOTICE

[text deleted]
Compliance Department
The Chinese American Bank
77 Bowery
New York, NY 10002

Dear [text deleted]:

A Prepenalty Notice ("Notice") dated March 4, 2005, a copy is enclosed, was issued by the Office of Foreign Assets Control ("OFAC") to the Chinese American Bank, New York, ("Bank") for having engaged in certain prohibited transactions, detailed in the Notice, relating to Iran after the issuance of Executive Order 12959 of May 6, 1995 (60 FR 24757, May 9, 1995). In as much as no license or approval had been issued by OFAC prior to such transactions, Bank violated the Iranian Transaction Regulations, 31 CFR Part 560 ("Regulations"), promulgated under the International Emergency Economic Powers Act, 50 U.S.C. § 1701 *et seq.* ("IEEPA"), and pertinent Executive Orders 12957, 12959 and 13059. See also §§560.204, 560.206 and 560.208 of the Regulations.

Section 206 of IEEPA, 50 U.S.C. §1705, provides, in part, for a civil penalty not to exceed \$10,000 for each such violation.¹ The Notice proposed a penalty in the amount of \$11,000 and advised Bank that it had a right to make a written presentation to OFAC, within thirty (30) days of the mailing of the Notice, setting forth reasons why the penalty should not be issued or, if issued, why the amount should be less than proposed.

By response, dated March 30, 2005, Bank made a written presentation to OFAC setting forth reasons why it believed the penalty should not be imposed. Specifically, you stated that Bank's customer Yangming Marine Transport Corporation ("Yangming") instructed Bank on July 14, 2000, to pay IRISL Shipping Lines ("IRISL") \$22,000 for services it rendered during Yangming's normal course of business. You also noted that the funds transfer was rejected because of the reference to Iran.

OFAC has carefully considered Bank's response to the Notice. Specifically, OFAC alleged in its Notice that on July 14, 2000, Bank initiated a \$22,000 funds transfer on behalf of its customer Yangming to the account of IRISL at Bank Melli, Dubai branch, a bank owned or controlled by the government of Iran. In your response you confirmed that the funds transfer destined for Bank Melli was initiated by Bank on behalf of Yangming. In addition, OFAC confirms that the funds transfer was rejected because the payment was destined for Bank Melli, Dubai Branch, a bank owned or

1 Section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990 (Pub. L. 101-410, 104 Stat. 890, 28 U.S.C. §2461 note), as amended by the Debt Collection Improvement Act of 1996 (Pub. L. 104-134, § 31001(s)1, Apr. 26, 1996, 110 Stat. 1321-373--jointly, the "FCPIA"), requires each Federal agency with statutory authority to assess civil monetary penalties ("CMPs") to adjust CMPs for inflation according to a formula described in § 5 of the FCPIA. Accordingly, on October 23, 1996, OFAC published in the Federal Register the required amendment, effective October 21, 1996, to the Regulations adjusting its CMP to \$11,000. See 61 FR 54936 at 54939.

controlled by the government of Iran. A funds transfer destined to a bank owned or controlled by the government of Iran is a violation of IEEPA, the Regulations and the pertinent Executive Orders.

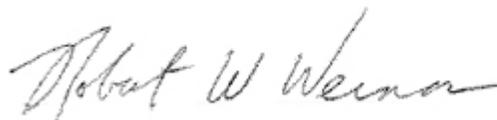
After careful review of the entire file, it is determined that Bank did violate IEEPA, the Regulations and the pertinent Executive Orders. However, it is further determined that some mitigation is warranted to reflect the fact that this is your first offense at OFAC and you responded in writing to the Notice. Accordingly, the proposed civil penalty in the amount of \$11,000 is hereby reduced by thirty-three percent to **\$7,370**.

A check payable to the "**U.S. Treasury**" in the amount of **\$7,370** should be sent, within 30 days of the mailing of this Penalty Notice, to Office of Foreign Assets Control (Attention: Civil Penalties), U.S. Department of the Treasury, 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220. Interest, administrative charges, and late fees will commence to accrue after 30 days. Under Public Law 97-365, 31 U.S.C. § 3717, interest at an annual rate of 5% and an administrative charge of \$12.00 will be added if the amount is not paid by the due date. Should the amount not be paid within ninety (90) days, an additional late charge of 6% will be added.

Please note that § 560.706 of the Regulations provides that this matter may be referred either for Treasury Department administrative collective measures or to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in Federal District Court if such payment is not made.

Please further note that 31 U.S.C. § 7701 requires that a person assessed a penalty by a Federal agency furnish a Taxpayer Identification/Social Security Number. OFAC intends to use such number for the purpose of collecting and reporting on any delinquent penalty amount in the event of a failure to pay the penalty imposed.

Sincerely,

A handwritten signature in cursive script that reads "Robert W. Werner".

Robert W. Werner
Director
Office of Foreign Assets Control