



Crimea Sanctions Advisory

Issued: July 30, 2015

Subject: Obfuscation of Critical Information in Financial and Trade Transactions Involving the Crimea Region of Ukraine

On December 19, 2014, as part of a combined effort by the United States and the international community to take additional steps to address the Russian occupation of the Crimea region of Ukraine (“Crimea”), President Obama issued Executive Order (E.O.) 13685, “Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to the Crimea Region of Ukraine,” to impose sanctions on Crimea.

Specifically, E.O. 13685 prohibits virtually all direct and indirect transactions (including financial, trade, and other commercial transactions) by U.S. persons or within the United States to or from Crimea unless authorized by OFAC or exempted by statute.¹ It is important to note that Crimea is not a country; rather it is a geographic region located in southeastern Ukraine bordering the Black Sea.

The Office of Foreign Assets Control (OFAC) is issuing this Advisory to highlight some of the practices that have been used to circumvent or evade U.S. sanctions involving Crimea. U.S. persons and persons conducting business in or through the United States should be aware of these practices in order to implement appropriate controls, commensurate with their OFAC sanctions risk profile, to ensure compliance with their OFAC obligations. The evasive practices identified by OFAC include the omission or obfuscation of references to Crimea and locations within Crimea in documentation underlying transactions involving U.S. persons or the United States. These practices apply to a range of activities involving both the financial services and international trade sectors.

In the context of financial transactions, OFAC has become aware that certain individuals or entities have engaged in a pattern or practice of repeatedly omitting originator or beneficiary address information from Society for Worldwide Interbank Financial Telecommunications (SWIFT) messages involving individuals ordinarily resident in, or entities located in, Crimea (collectively, “Crimean individuals or entities”). Some SWIFT messages omit all originator or beneficiary address information while other payment messages contain only partial address information for Crimean individuals or entities, including, for example, a street address but no reference to a town, city, region, or country. Financial institutions have discovered the data missing from these SWIFT messages through enhanced due diligence efforts performed on one of the transaction parties after identifying a suspicious Crimea-related pattern or practice.

These fact patterns present challenges to intermediary financial institutions’ efforts to accurately identify and interdict transactions involving Crimean individuals and entities. OFAC urges U.S.

¹ To view a copy of E.O. 13685 and access additional information regarding OFAC sanctions programs, please visit OFAC’s website at www.treasury.gov/ofac.

persons and persons conducting business in or through the United States to be cautious when processing payment instructions lacking complete address information when such transactions involve an individual or entity that has previously omitted partial or complete address information of Crimean individuals or entities.

In the international trade context, references to Crimea have been obscured in trade transactions and associated agreements and documentation. In particular, while the United States does not recognize the legitimacy of Russia's attempted annexation of Crimea, certain individuals and entities list Crimean counterparties on financial and trade documents as being located in Russia rather than in Ukraine. For example, a U.S. company may have executed a distribution agreement with a third-country company that authorizes the distributor to sell U.S. products to Russia. The third-country distributor may be unaware that the United States does not recognize Crimea as a part of Russia or may intentionally exploit any confusion over this fact in order to sell the U.S. company's products to Crimean individuals or entities.

These fact patterns represent activity intended to circumvent existing sanctions compliance controls utilized by U.S. persons and persons conducting business in or through the United States (including financial institutions, corporate entities, and individuals) to ensure compliance with OFAC rules and regulations. The risk of processing transactions in apparent violation of OFAC sanctions on Crimea can be mitigated by implementing the following types of measures:

- Ensuring that transaction monitoring systems include appropriate search terms corresponding to major geographic locations in Crimea and not simply references to "Crimea." For example, payment instructions or trade documents may reference major cities or ports located in Crimea, and interdiction filters may not flag such transactions for review if the filters do not include an appropriately expansive list of search terms.
- Requesting additional information from parties (including financial institutions, corporate entities, and individuals) that previously have violated or attempted to violate U.S. sanctions on Crimea. Such prior conduct could include, for example, routing transactions to or through U.S. financial institutions with inaccurate or incomplete address information for Crimean individuals or entities.
- Clearly communicating U.S. sanctions obligations to international partners (in both the financial and trade sectors) and discussing OFAC sanctions compliance expectations with correspondent banking and trade partners. Such communications should include, for example, a description of the prohibition on the direct and indirect exportation or reexportation of goods, technology, and services (including financial services) from the United States to Crimea.

These are examples of steps that can be taken to mitigate risk, but parties should always tailor specific compliance measures to their own risk profile.

If you have any questions or concerns regarding specific transactions or activities involving U.S. sanctions on Crimea or concerning the contents of this Advisory, please contact OFAC's Compliance Hotline at 1-800-540-6322 or 202-622-2490.