
BETA VERSION



**ASSOCIATION OF CERTIFIED
SANCTIONS SPECIALISTS**

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GLOSSARY OF SANCTIONS TERMS

Glossary of Sanctions Terms

A

ABA Export Controls & Economic Sanctions Committee: This American Bar Association committee follows US, Canadian and other export controls and embargoes and sanctions programs.

AFMLS: Asset Forfeiture and Money Laundering Section of the US Department of Justice. AFMLS pursues prosecutions against institutions and individuals engaged in money laundering, Bank Secrecy Act violations and sanctions violations.

AIS: Automatic Information System transponder that automatically and continually reports the position of a ship.

aka: Acronym for “also known as,” commonly used on sanctioned entities or persons lists in reference to an alias or multiple aliases or multiple spellings of an individual’s name. Sanctions lists such as the OFAC SDN list contain many AKAs. OFAC includes these AKAs because, based on information available to it, the sanctions targets refer to themselves, or are referred to, by these names. See also weak AKA.

Alert spike: A substantial increase in the number of alerts generated. A spike could be caused by, for example, remediation exercises, changes or updates to policies, procedures or watchlists. This definition is provided in the Wolfsberg Screening Guidance.

Al-Qaida Sanctions Committee’s “Assets Freeze: Explanation of Terms”: Document approved by the UN Security Council ISIL (Da’esh) & Al-Qaida Sanctions Committee on February 24, 2015. Sets forth objectives of the assets freeze as set out in paragraph 1 (a) of resolution 2161, the scope of assets freeze, plus exemptions and definitions related to assets freeze.

AML: Anti-money laundering.

Arms embargo: prohibit the sale weapons and related services to restricted individuals, groups, or states.

Arrest warrant: An order of a court directing a law enforcement officer to seize and detain a particular person to answer to a complaint or otherwise appear in court.

B

BCBS: Basel Committee on Banking Supervision. This Committee, established by the central bank governors of the G-10 in 1974, promotes sound supervisory

standards worldwide. Banking supervisors have a role in ensuring that banks have procedures in place, including management of risks related to money laundering and terrorist financing. One of its papers - Sound management of Risks related to Money Laundering and Terrorist Financing (2014)- has a few paragraphs on economic sanctions, included in Chapter 6 “Reporting of Suspicious Transactions and Asset Freezing.” Paragraph 60 says “A bank should be able to identify and to enforce funds freezing decisions made by the competent authority and it should otherwise not deal with any designated entities or individuals (eg terrorists, terrorist organisations) consistent with relevant national legislation and UNSCRs.” Further, paragraph 62 says “All banks should have systems in place to detect prohibited transactions (eg transactions with entities designated by the relevant UNSCRs or national sanctions). See: <http://www.bis.org/publ/bcbs275.pdf> The Committee’s Secretariat is provided by the Bank for International Settlements in Basel, Switzerland. See www.bis.org.

Beneficial owner: Also referred to as “ultimate beneficial owner.” Refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

BIS: Bureau of Industry and Security of the US Department of Commerce. Its mission is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS implements U.S. government sanctions against Cuba, Iran, North Korea, Sudan, and Syria pursuant to the EAR, either unilaterally or to implement UN Security Council Resolutions. The license requirements, license exceptions, and licensing policy vary depending upon the particular sanctioned destination. The BIS website is a useful resource for information on which destinations are subject to foreign policy related controls.

See: <http://www.bis.doc.gov/index.php/policy-guidance/country-guidance/sanctioned-destinations>

Blocking: According to OFAC FAQ on its website, another word for “blocking” is “freezing.” It is simply a way of controlling targeted property. Title to the blocked property remains with the target, but the exercise of powers and privileges normally associated with ownership is prohibited without authorization from OFAC. Blocking immediately imposes an across-the-board prohibition against transfers or dealings of any kind with regard to the property.

Blocking Statute: European Union’s Council Regulation (EC) No 2271/96 that prohibits EU companies from complying with sanctions that are not imposed by the European Union. The regulation was updated in 2018 in response to U.S. secondary sanctions against Iran.

C

CES: The Counterintelligence and Export Control Section of the US Department of Justice. CES investigates, prosecutes, and supervises the investigation and prosecution of cases affecting the national security and foreign relations of the United States, including espionage cases, cases involving the illegal export of military and strategic commodities and cases involving certain cyber-related activity.

CFSP: Common Foreign and Security Policy of the European Union. EU Member states have committed themselves to a CFSP for the EU. The EU imposes sanctions and embargoes to further its CFSP objectives. So, to influence policies violating international law or human rights, or policies disrespectful of the rule of law or democratic principles, the EU has designed sanctions of a diplomatic or economic nature.

CISADA: The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. This act enables the U.S. Treasury to prohibit or impose conditions on opening or maintaining U.S. correspondent banking or payable-through accounts for a non-U.S. financial institution found to knowingly engage in sanctionable activities. This includes those entities that facilitate (i) Iran's WMD acquisition or development, or Iran's support for international terrorism; or (ii) significant transactions or providing significant financial services for designated banks or for Iran's Islamic Revolutionary Guard Corps or its affiliates, which include large commercial enterprises. Since CISADA was signed into law, Treasury has reportedly engaged with over 120 financial institutions and bank regulators in more than 60 countries all over the world to brief them on the financial provisions of CISADA. As a result of this global campaign, many non-U.S. financial institutions changed their business practices – even closed any correspondent accounts with U.S. designated Iranian banks – to ensure that their access to the U.S. financial system is not put at risk. As a result of the sanctions imposed under CISADA, financial institutions may not open correspondent or payable-through accounts for banks designated under CISADA and any financial institutions that currently hold such accounts must close them within 10 days.

Collective knowledge: A legal principle that states that a financial institution or any other corporate entity is in possession of the sum of the knowledge that is held separately by its directors, officers and employees.

Comprehensive sanctions: employ extensive trade embargoes against the target of sanctions and involve wide-sweeping bans on trade, diplomatic relations, and or other relationships between target and sender. For example, sanctions that prohibit the import or export of goods and services that benefit a country or region.

Consolidated Sanctions List: All of OFAC's non-SDN sanctions lists (including the Non-SDN, Palestinian Legislative Council List "NS-PLC List", the Part 561 List, the Non-SDN Iran Sanctions Act List "NS-ISA List", the Foreign Sanctions Evaders List "FSE List", and the Sectoral Sanctions Identifications List "SSI List") are included in a consolidated set of data files "the Consolidated Sanctions List". While the consolidated sanctions list data files are not part of OFAC's list of Specially Designated Nationals and Blocked Persons "the SDN List," the records in these consolidated files may also appear on the SDN List. See <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/consolidated.aspx>

Correspondent Banking Due Diligence Questionnaire (CBDDQ). In direct response to increased regulatory expectations for enhanced due diligence in correspondent banking relationships, the Wolfsberg Group published its new Correspondent Banking Due Diligence Questionnaire (CBDDQ) in February 2018, incorporating a number of important changes. The new Questionnaire is not only four times as long as its 2014 predecessor, containing 110 instead of 28 questions, but has also expanded its scope to specifically address due diligence issues relating to Anti-Bribery and Corruption, Counter terrorism Financing and Sanctions exposure controls.

Criminal Complaint: In criminal law, the criminal complaint in many countries is the preliminary charge or accusation made by one against another to the appropriate court or officer, usually a magistrate. In the U.S., criminal proceedings against a person can be instituted by a criminal complaint until an indictment is handed down.

Culture of Sanctions Compliance: For an sanctions compliance program to be effective, it should have demonstrable support from the firm's leadership. Boards of directors and senior management should set the tone for the organization by creating a culture of compliance. To comply with economic sanctions, key personnel should receive ongoing sanctions compliance training and be familiar with requirements and prohibitions and understand the potential impact that violations can have on the firm.

Customer screening: The screening of full legal name and any other name provided by the customer, such as known aliases, against applicable official sanctions lists. Also called name screening.

Cyber Sanctions: These are sanctions directed against persons or entities engaging in activities that threaten the cyber security of the United States, and especially the integrity of the U.S. electoral process. An example is Executive Order 13694 issued by US President Obama, dated April 1, 2015, named "Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled

Activities.” Persons and entities subject to these sanctions are designated as SDNs.

D

DBA: Term used to describe an entity’s business or trade name, meaning “doing business as” (such as ABC Corporation, dba John’s Autoparts). The term is used in watchlists with sanctioned entities or persons.

DDTC: The Directorate of Defense Trade Controls (DDTC), agency within the U.S. State Department, that administers the exportation of defense articles under the International Traffic in Arms Regulations (ITAR).

Delisting: Lifting of sanctions measures by removing an individual or entity from the relevant sanctions list.

De minimus requirements: Some export prohibitions contain de minimus requirements, so that the prohibition does not apply if the value of the U.S. content of the finished good, service or technology is below a specified percentage.

Designated Person or Entity: According to the Glossary of the FATF Recommendations, this refers to: (i) individual, groups, undertakings and entities designated by the Committee of the Security Council established pursuant to resolution 1267 (1999) (the 1267 Committee), as being individuals associated with Al-Qaida, or entities and other groups and undertakings associated with Al-Qaida; (ii) individuals, groups, undertakings and entities designated by the Committee of the Security Council established pursuant to resolution 1988 (2011) (the 1988 Committee), as being associated with the Taliban in constituting a threat to the peace, stability and security of Afghanistan, or entities and other groups and undertakings associated with the Taliban; (iii) any natural or legal person or entity designated by jurisdictions or a supra-national jurisdiction pursuant to Security Council resolution 1373 (2001); (iv) any natural or legal person or entity designated for the application of targeted financial sanctions pursuant to Security Council resolution 1718 (2006) and its successor resolutions by the Security Council in annexes to the relevant resolutions, or by the “Security Council Committee established pursuant to resolution 1718 (2006)” (the 1718 Sanctions Committee) pursuant to Security Council resolution 1718 (2006); and (v) any natural or legal person or entity designated for the application of targeted financial sanctions pursuant to Security Council resolution 1737 (2006) and its successor resolutions by the Security Council in annexes to the relevant resolutions, or by the “Security Council Committee established pursuant to paragraph 18 of resolution 1737 (2006)” (the 1737 Sanctions Committee) pursuant to resolution 1737 (2006) and its successor resolutions.

Designation: According to the FATF Recommendations Glossary, this term refers

to the identification of a person or entity that is subject to targeted financial sanctions pursuant to:

- United Nations Security Council resolution 1267 (1999) and its successor resolutions;
- Security Council resolution 1373 (2001), including the determination that the relevant sanctions will be applied to the person or entity and the public communication of that determination;
- Security Council resolution 1718 (2006) and its successor resolutions;
- Security Council resolution 1737 (2006) and its successor resolutions; and
- any future Security Council resolutions which impose targeted financial sanctions in the context of the financing of proliferation of weapons of mass destruction.

Diplomatic sanctions: The reduction or removal of diplomatic ties, such as embassies.

DOJ: United States Department of Justice. See www.usdoj.gov.

Downstream Correspondent Clearer: Defined by the Wolfsberg AML Principles for Correspondent Banking as a correspondent banking client who receives correspondent banking services from an institution and itself provides correspondent banking services to other financial institutions in the same currency as the account it maintains with the institution.

Dual-Use: Dual-use goods and technologies are those which have both civilian and direct military uses. Dual-use goods are typically subject to export controls. The Wassenaar Arrangement has issued a number of documents regarding dual use goods.

E

ECO: Export Control Organisation, part of the UK government's Department for Business, Innovation & Skills. The chief task of the ECO is to process applications for licenses to export strategic goods, software and technology from the UK.

Economic sanctions: The restriction or prohibition of trade and financial relations for foreign policy and national security purposes. Economic sanctions are meant to isolate the target by denying it access to resources. Economic sanctions may include trade embargoes or boycotts, freezing of assets, bans on cash transfers, bans on technology transfer and restrictions on travel.

EEAS: European External Action Service. The EEAS was formally launched in 2011, and is the EU's diplomatic service. It helps the EU's foreign affairs chief – the High Representative for Foreign Affairs and Security Policy – carry out the Union's Common Foreign and Security Policy. Sanctions – also referred to as restrictive measures – against third countries, individuals or entities, are an

essential EU foreign policy tool that it uses to pursue objectives in accordance with the principles of the Common Foreign and Security Policy. The EU Consolidated List is published on the EEAS website http://eeas.europa.eu/cfsp/sanctions/index_en.htm

EFT: Electronic Funds Transfer. The movement of funds through electronic means between financial institutions. The two most common electronic funds transfer systems are FedWire and CHIPS. (SWIFT is often referred to as the third EFT system; in reality it is an international messaging system that carries instructions for wire transfers between banks, rather than the actual wire transfer system itself.) Other systems that facilitate funds movement, but are not technically EFT systems, include automated clearing house, or ACH, networks that conduct batch processing of messages for book transfers between institutions.

Egregious: In case of a violation, OFAC will consider several factors in deciding what action to take. If it decides to impose a penalty (or agree to a negotiated penalty), OFAC will consider in particular whether the conduct was “egregious.” In assessing egregiousness, OFAC looks at the following factors:

Willfulness

Awareness

Harm to sanctions objectives

Individual characteristics

EOUSA: Executive Office of U.S. Attorneys, Department of Justice (DOJ). See www.usdoj.gov.

EU: European Union.

EU Consolidated List: Consolidated list of persons, groups and entities subject to EU financial sanctions. The correct application of financial sanctions is crucial in order to meet the objectives of the EU's Common Foreign and Security Policy and especially to help prevent the financing of terrorism. The application of financial sanctions constitutes an obligation for both the public and private sector. In this regard, the EU assigns particular responsibility to credit and financial institutions, since they are involved in the bulk of financial transfers and transactions affected by the relevant regulations. In order to facilitate the application of financial sanctions, the European Banking Federation, the European Savings Banks Group, the European Association of Co-operative Banks and the European Association of Public Banks ("the EU Credit Sector Federations") and the Commission recognized the need for an EU consolidated list of persons, groups and entities subject to CFSP related financial sanctions. It was therefore agreed that the Credit Sector Federations would set up a database containing the consolidated list for the Commission, which would host and maintain the database and keep it up-to-date. This database was developed first and foremost to assist the members of the EU

Credit Sector Federations in their compliance with financial sanctions. See: http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm

Executive order: The immediate legal authority for the imposition of sanctions in the United States usually takes the form of an Executive Order issued by the President. While an Executive Order must be based on power delegated to the President by a statute, Congress does not review or approve Executive Orders (although it can overturn them by statute). As a consequence, the President can interpret, modify, and withdraw Executive Orders without any action by Congress. As a practical matter, most U.S. sanctions are imposed pursuant to an Executive Order.

Export controls: Controls countries place on exports of goods, services, and technology. The United States and the EU, among others, restrict the export of defense items or munitions; so-called “dual-use” goods and technology; certain nuclear materials and technology; and items that would assist in the development of nuclear, chemical, and biological weapons or the missile technology used to deliver them.

Extradition: The surrender by one country to another of an accused or convicted person under a bilateral agreement that specifies the terms of such exchanges, the persons subject to being exchanged and the crimes for which exchanges will be permitted. The 1988 Vienna Convention provides for money laundering to be an internationally extraditable offence.

Extraterritorial sanctions: Traditionally, unilateral sanctions prohibit only a home country’s or region’s corporations and citizens from doing business with a blacklisted entity. However, extraterritorial sanctions restrict the economic activity of governments, businesses, and nationals of third countries. As result, governments typically consider these sanctions a violation of sovereignty and international law. These are sometimes called secondary sanctions.

F

Facilitation: Facilitation provisions under U.S. sanctions programs are measures that make it an offense for any U.S. person to approve, facilitate, guarantee or finance any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by the US person.

FFC: Office of Foreign Funds Control, the predecessor of OFAC. FCC was established at the advent of World War II following the German invasion of Norway in 1940. The FFC program was administered by the US Secretary of the Treasury throughout the war. The FFC's initial purpose was to prevent Nazi use of the occupied countries' holdings of foreign exchange and securities and to prevent forced repatriation of funds belonging to nationals of those countries. These

controls were later extended to protect assets of other invaded countries. After the United States formally entered World War II, the FFC played a leading role in economic warfare against the Axis powers by blocking enemy assets and prohibiting foreign trade and financial transactions.

FFIEC Bank Secrecy Act/Anti Money Laundering Examination Manual (2014): Provides guidance for examiners when conducting BSA/AML examinations at financial institutions. The Manual has a section on sanctions, and refers to sanctions several times.

Financial Action Task Force (FATF): An independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard. The FATF is also referred to by its French or Spanish acronym, GAFI, or Grupo de Acción Financiera Internacional. See: www.fatf-gafi.org.

FATF Recommendations: Officially called The International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, these recommendations issued by the FATF set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction.

FBI: Federal Bureau of Investigation, an investigative agency within the U.S. Department of Justice.

FCA: Financial Conduct Authority of the United Kingdom. The Financial Conduct Authority is the conduct regulator for 59,000 financial services firms and financial markets in the UK and the prudential regulator for over 18,000 of those firms. Integrity of the UK's financial markets requires the FCA to ensure firms have effective systems and controls to detect, prevent and deter financial crime.

FIU: Financial Intelligence Unit. An intelligence-gathering law enforcement or regulatory body that receives financial information from the covered financial institutions, businesses and persons in its respective country. Generally, it analyzes and processes the information and disseminates it to appropriate government authorities in support of anti-money laundering efforts and financial crimes investigations. Sometimes the term Financial Investigative Unit is used, in addition to Financial Intelligence Unit. See Egmont Group.

Focal Point For De-Listing: Focal Point in the United Nations that receives and processes requests from individuals and entities seeking removal from all UNSC sanctions lists except for the ISIL (Da'esh) and Al-Qaida Sanctions List, which is dealt with by the Office of the Ombudsperson. In accordance with the Focal Point's

procedures, the decision to de-list rests solely with the relevant sanctions committee. The Focal Point also receives travel ban and assets freeze exemption requests in relation to individuals and entities on the ISIL (Da'esh) and Al-Qaida and the 1988 Sanctions Lists. Finally, the Focal Point also receives communications from individuals removed from the ISIL (Da'esh) and Al-Qaida Sanctions List and those claiming to have been mistakenly subjected to the sanctions measures pursuant to that List.

Foreign Sanctions Evaders (FSE) List: OFAC publishes a list of foreign individuals and entities determined to have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions on Syria or Iran. It also lists foreign persons who have facilitated deceptive transactions for or on behalf of persons subject to U.S. sanctions. Collectively, such individuals and companies are called "Foreign Sanctions Evaders" or "FSEs." Transactions by U.S. persons or within the United States involving FSEs are prohibited. Click here for a list of frequently asked questions on Foreign Sanctions Evaders, including information on dealings with FSEs. The FSE List is not part of the Specially Designated Nationals (SDN) List. However, individuals and companies on the FSE List may also appear on the SDN List. See: https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/fse_list.aspx

Forfeiture: The permanent loss of property or assets by legal action by a government authority for failure to comply with the law or for the involvement of the property in a criminal activity.

Framework for OFAC Compliance Commitments: A 2019 source of guidance issued by OFAC for any organization doing business with the United States, including selling into the United States, selling U.S. products, purchasing U.S. products, or even simply using U.S. dollars. The guidance, in many ways represents a distillation of international best practices related to sanctions compliance. In this document, OFAC has identified five major components of sanctions compliance program:

1. Management commitment
2. Risk assessment
3. Internal controls
4. Testing and auditing
5. Training

Freeze of economic resources: Preventing owners of economic resources from utilizing them by placing funds and other assets in special accounts, etc. This term also includes preventing their use to obtain funds, goods, or services in any way, including, but not limited to, by selling, hiring or mortgaging them.

Freezing: See blocking.

FTO: Foreign Terrorist Organization. These are foreign individuals or entities found

to have committed, or which pose a significant risk of committing, acts of terrorism that threaten US national security, foreign policy, or its economy. Legally, the effect of designation, by U.S. Department of State, as an FTO is similar to that for designation as an SDN.

Funds: According to the FATF Recommendations Glossary, this term refers to assets of every kind, whether corporeal or incorporeal, tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets.

Funds or other assets: According to the FATF Recommendations Glossary, this term means any assets, including, but not limited to, financial assets, economic resources, property of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds or other assets, including, but not limited to, bank credits, travelers cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of credit, and any interest, dividends or other income on or value accruing from or generated by such funds or other assets.

Fuzzy matching: a varied and algorithm based technique to one name (a string of words), where the contents of the information being screened is not identical, but is spelling, pattern or sound is a close match to the contents contained on a list used for screening.

G

GAFI: Grupo de Accion Financiera Internacional, or Groupe d'action financière sur le blanchiment de capitaux. Spanish and French term for Financial Action Task Force, or FATF.

GAFISUD: South American Financial Action Task Force, created in December 2000, in Cartagena, Colombia. Its main objective is to implement anti-money laundering and counter terrorism financing measures in South America. See www.minjusticia.gov.co/gafisud

GAO: The United States General Accounting Office. It is the investigative arm, or watchdog, of the U.S. Congress. The GAO has issued several reports related to sanctions. Members of Congress and Congressional committees can commission the GAO to undertake a study or review of an issue. For a list of the GAO publications and reports, see www.gao.gov.

H

HM Treasury: United Kingdom government's economic and finance ministry. It

maintains control over public spending, sets the direction of the UK's economic policy and works to achieve strong and sustainable economic growth. HM Treasury is also responsible for the implementation and administration of international financial sanctions in effect in the UK, for domestic designations under the Terrorist Asset-Freezing etc. Act (TAFA) 2010, licensing exemptions to financial sanctions, and directions given under Schedule 7 to the Counter-Terrorism Act 2008, and under Council Regulation (EU) No.833/2014, concerning Russia's actions in Ukraine. <https://www.gov.uk/guidance/sanctions-embargoes-and-restrictions>

I

IEEPA: International Emergency Economic Powers. Codified at Title 50 U.S.Code Sec. 1701, gives the U.S. President the ability to impose economic and other sanctions where he declares (by Executive Order) that there is an "unusual and extraordinary threat" to the United States. The IEEPA has been used to sanction (and invade) Iraq, sanction Iran, Syria, and other nations, and to sanction drug traffickers and terrorists and terrorist organizations. IEEPA is a key underlying authority for OFAC sanctions.

IMO number: A unique seven-digit number on a maritime vessel. Maritime vessels are required to display their name and International Maritime Organization (IMO) number in a visible location. A vessel's IMO number is intended to be permanent regardless of a change in a vessel's ownership or name. This allows for identification of the vessel itself. Sanctions evaders may obscure the IMO number, or even change it illegally, to disguise the connection of the vessel to a country subject to sanctions, such as North Korea.

INSTEX: Instrument in Support of Trade Exchanges. Payment channel, or Special Purpose Vehicle created by Germany, France and the U.K. in 2019 to facilitate ongoing trade with Iran as per the terms of the JCPOA. Currently, mainly used for humanitarian purposes (food, medicine). System that acts a middle man, or mirror-trading transaction system.

International Best Practices: Targeted Financial Sanctions related to Terrorism and Terrorist financing (recommendation 6): Report issued by the FATF in 2013 that covers Recommendation 6 of the FATF Recommendations. It sets out non-binding guidance based on updates in relevant UNSCRs and in response to challenges faced by countries in the implementation of the requirements of Recommendation 6. It explains the importance of an effective freezing regime, and includes best practices for procedures on identifying, designating and delisting of persons or entities, reviewing, freezing and unfreezing, and compliance and access to frozen funds or other assets.

Indictment: Term used in several countries, including the U.S., for a formal written accusation, drawn up and submitted to a Grand Jury by the prosecutor, charging one or more persons with a crime upon a majority vote of the grand jurors.

Intermediary Financial Institution: A financial institution that receives funds from a wire transfer transmitter's financial institution and relays or transmits the order of payment to the recipient's financial institution. In an international funds transmission, these institutions are often located in different countries. The originating and beneficiary institutions do not have a direct relationship and need to "relay" the wire transfer through an institution or institutions that have relationships with the previous bank. For example, a customer at Bank A in the United States may want to send funds to a customer at Bank X in Germany. If banks A and X have no direct relationship, Bank A might first route the wire through Bank B in the United States, which in turn has a relationship with Bank Y in Germany, which then routes it to the beneficiary Bank, Bank X. In this case, Bank A is the originating bank, Banks B and Y are intermediary banks, and Bank X is the beneficiary bank.

Interpretive guidance: OFAC issues interpretive guidance on specific issues related to the sanctions programs it administers. These interpretations of OFAC policy are sometimes published in response to a public request for guidance or may be released proactively by OFAC in order to address a complex topic. The guidance is typically placed in the "Resource Center" on the OFAC website, See: <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/rulings-index.aspx>

ITAR: International Traffic in Arms Regulations. These U.S. regulations apply specifically to defense articles, which include hardware and software technology, as well as services that may be used militarily, such as certain space-related items and technology. The ITAR contains the US Munitions List, which is a comprehensive list of all defense articles and services subject to ITAR and controlled by the DDTC.

ITRS: The Iran Threat Reduction and Syria Human Rights Act of 2012 (Public Law 112–158 was enacted on August 10, 2012. It amended ISA to add new criteria for the imposition of secondary sanctions on persons doing business in Iran's energy and weapons sectors. It authorized additional sanctions against persons who conduct certain business with NIOC and NITC, similar to Executive Order 13622, but with a focus on underwriting and insurance services; and authorizes sanctions for the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt or the debt of any entity owned or controlled by the government of Iran. There are Iran-related disclosure requirements for securities issuers, including those that are not based in the U.S., and secondary sanctions even on agencies of third-country governments that knowingly provide financial support or services to designated IRGC affiliates.

JCPAO: Joint Comprehensive Plan of Action. China, France, Russia, the United Kingdom, and -previously- United States—the five permanent members of the UN Security Council—negotiated the agreement alongside Germany; together they were known as the P5+1. Iran and the P5+1 reached a plan related to sanctions relief on July 14, 2015. The plan provides phased sanctions relief following the IAEA verification that Iran has taken its nuclear related steps. The United States’ withdrawal in May 2018 from the agreement has heightened tensions and left the remaining signatories scrambling to keep the deal alive.

JCPOA Full Text, Annexes, and Attachments:

<http://www.state.gov/e/eb/tfs/spi/iran/jcpoa/index.htm>

K

Kingpin Act: On December 3, 1999, the U.S. President signed into law the Kingpin Act (21 U.S.C. §§ 1901-1908 and 8 U.S.C § 1182), providing authority for the application of sanctions to significant foreign narcotics traffickers and their organizations operating worldwide. The Kingpin Act which was enacted into law as part of the Intelligence Authorization Act for Fiscal Year 2000. Modeled on the successful application of economic sanctions in 1995 against the Cali narcotics cartel in Colombia’ pursuant to IEEPA, the Kingpin Act provides for the imposition of economic sanctions on a world-wide basis against major international narcotics traffickers, their organizations, and the foreign individuals and entities that provide support for those traffickers and their organizations.

KYC: Know Your Customer or Know Your Client. The term used to describe a set of financial crime control policies and procedures that are used to determine the true identity of a customer/client and the type of activity that will be “normal and expected” for the customer, and to detect activity that should be considered “unusual” for the particular customer.

KYCB: Know Your Correspondent Bank. The term used to describe a set of money laundering control policies and procedures used to determine the beneficial owners of a respondent bank and the type of activity that will be “normal and expected” for this bank. Know Your Correspondent Bank is a key tool in detecting suspicious activity and money laundering activity because correspondent accounts are often used as conduits to launder criminal proceeds in international settings. The USA PATRIOT Act of 2001 enacted a number of statutory provisions that bear directly on the procedures U.S. financial institutions must follow in connection with their foreign correspondent banks.

L

Letter of Credit (LC): A letter of credit is a credit instrument issued by a bank guaranteeing payments on behalf of its customer to a third party when certain conditions are met. LCs are commonly used to finance exports. The exporters want assurance that the ultimate buyer of its goods will make payment, an assurance

given by the buyer's purchase of a bank letter of credit. The LC is then forwarded to a correspondent bank in the city in which the payment is to be made. The LC is drawn on when the goods are loaded for shipping, received at the importation point, clear Customs, and they are delivered, etc. LCs can be used to facilitate money laundering by transferring money from a country with exchange controls, thus assisting in creating the illusion that an import transaction is involved. According to several OFAC enforcement actions, sometimes financial institutions amend or delete OFAC-listed names or countries in LCs to avoid detection by OFAC filters.

License: A license is an authorization from a government agency such as OFAC to engage in a transaction that otherwise would be prohibited. There are two types of licenses: general licenses and specific licenses. A general license authorizes a particular type of transaction for a class of persons without the need to apply for a license. A specific license is a written document issued by OFAC to a particular person or entity, authorizing a particular transaction in response to a written license application. Persons engaging in transactions pursuant to general or specific licenses must make sure that all conditions of the licenses are strictly observed. OFAC's regulations may contain statements of OFAC's specific licensing policy with respect to particular types of transactions.

Lista Clinton: Spanish for "Clinton list." Term sometimes used in Latin America when referring to the Specially Designated Narcotic Traffickers List, which identifies persons and entities whose assets must be blocked by any U.S. person who controls them. The list is administered by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). It was initiated by Executive Order of President Bill Clinton in October 1995.

M

Magnitsky Act: In 2012, the violent death of Russian whistleblower, Sergei Magnitsky, in a Russian prison gave rise to the U.S. Magnitsky Act, a piece of legislation (Public Law 112-208) allowing the U.S. government to impose targeted sanctions against Russian individuals involved in human rights violations related to his death. Executive Order 13818 implements the provisions of the Global Magnitsky Act. As a result of designations pursuant to the E.O., all of the property and interests in property within U.S. jurisdiction of the designated individuals and entities are blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

Military sanctions: Military intervention.

MLAT: Mutual Legal Assistance Treaty. A treaty that is usually between two countries that allows for mutual assistance in legal proceedings and access to documents and witnesses and other legal and judicial assistance in the respective

countries from private and public sources for use in official investigations and prosecutions.

MLCA: The Money Laundering Control Act of 1986, codified at Title 18, U.S. Code Section 1956. The MLCA was the first law in the world to make money laundering a crime. It is one of the most powerful anti-money laundering laws in the world. The MLCA applies to the proceeds of some 200 underlying or predicate crimes (called Specified Unlawful Activities, or SUAs), including several sanctions violations (e.g. criminal violations in Title 50 (IEEPA)), and imposes heavy penalties – up to 20 years in prison. It has extraterritorial reach if the offence is committed by a U.S. citizen or by a non-U.S. citizen whose conduct “occurs in part” in the U.S. and if the transaction involves more than \$10,000. Among the primary offences in Section 1956 is knowingly engaging in a financial transaction with proceeds of an SUA or with the intent to conceal the true source of ownership of the proceeds or in order to avoid the mandatory reporting requirements. Section 1956 was substantially amended by the USA PATRIOT Act.

MOU: Memorandum of Understanding. An agreement between two parties establishing a set of principles within which they will govern their relationship on a particular matter. MOUs are used by countries to govern their sharing of assets in international asset-forfeiture cases or to set out their respective duties in anti-money laundering initiatives. MOUs are also used between U.S. government agencies on the sharing of information between themselves. Examples are agreements signed between OFAC and the IRS, and federal banking regulators with respect to reviews conducted by the IRS or the regulator for compliance with U.S. economic sanctions. The sharing of information under such MOUs is intended to help OFAC in administering U.S. economic sanctions and to assist the banking regulators and IRS in exercising its delegated examination authorities.

Multilateral sanctions: Sanctions agreed upon between multiple countries. UN sanctions are by definition multilateral sanctions.

N

NDDA: The National Defense Authorization Act for Fiscal Year 2012. This Act includes a new authority to impose secondary sanctions on non-U.S. banks. Signed into law on December 31, 2011, the NDAA essentially replicates CISADA’s focus on transactions with designated banks but adds the Central Bank of Iran as a new criterion for sanctions. It also includes a unique provision for “exceptions” to the sanctions: If the president finds that a country made significant reductions in Iranian crude oil purchases, then that country’s financial institutions can receive a 180-day exception from sanctions under the NDAA — even if they otherwise meet the criteria for such sanctions.

Non-economic sanctions: These include:

- Canceling ministerial and summit meetings with a target country;

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- Denying a target country's government officials visas to enter the sender country;
 - Withdrawing a sender country's ambassador or otherwise downgrading diplomatic and military contacts with a target country;
 - Blocking a target country from joining international organizations;
 - Opposing a target country's bid to host highly visible international events, such as the Olympics;
 - Withholding foreign aid; and
 - Instructing a sender country's directors to vote against new loans to a target country at the World Bank or other international financial institutions.

Non-SDN Iranian Sanctions Act: On May 23, 2011, President Obama signed Executive Order ("E.O.") 13574, "Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Sanctions Act of 1996, as Amended." E.O. 13574 states that the Secretary of the Treasury, pursuant to authority under the International Emergency Economic Powers Act ("IEEPA"), shall implement certain sanctions that the Secretary of State imposes and selects under the pre-existing authority of the Iran Sanctions Act of 1996 ("ISA") as amended by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ("CISADA"). See: <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/iran.aspx#part561>

NSD: National Security Division of the US Department of Justice. The mission of the NSD is to coordinate the Department's efforts in carrying out its core mission of combating terrorism and protecting national security. NSD is responsible for supervising the enforcement of all federal criminal laws related to counterterrorism and counterespionage, except those specifically assigned to other divisions. NSD also serves as the Department of Justice's liaison to the United States Intelligence Community (USIC) and represents the government and the USIC before the Foreign Intelligence Surveillance Court. NSD advises the Attorney General regarding all matters of national security policy.

O

OFAC: The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under US jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

OFAC fine: OFAC can impose hefty fines for violations of sanctions programs. Depending on the program, criminal penalties for willful violations can include fines ranging up to \$20 million and imprisonment of up to 30 years. Civil penalties for violations of the Trading With the Enemy Act can range up to \$65,000 for each violation. Civil penalties for violations of the International Emergency Economic Powers Act can range up to \$250,000 or twice the amount of the underlying transaction for each violation. Civil penalties for violations of the Foreign Narcotics Kingpin Designation Act can range up to \$1,075,000 for each violation. Potential criminal violations may be referred to the Department of Justice.

OFAC 50% Rule: Entities that a person on the OFAC SDN List owns (defined as a direct or indirect ownership interest of 50% or more) are also blocked, regardless of whether that entity is separately named on the SDN List. In August 2014, OFAC issued revised guidance “Revised guidance on entities owned by persons whose property and interest are blocked” (see: https://www.treasury.gov/resource-center/sanctions/Documents/licensing_guidance.pdf) that says that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked regardless of whether such entities appear on OFAC’s Specially Designated Nationals and Blocked Persons List (SDN List) or the annex to an Executive order. The revised guidance expands upon the earlier guidance by setting forth a new interpretation addressing entities owned 50 percent or more in the aggregate by more than one blocked person. U.S. persons are advised to act with caution when considering a transaction with a non-blocked entity in which one or more blocked persons has a significant ownership interest that is less than 50 percent or which one or more blocked persons may control by means other than a majority ownership interest. Such entities may be the subject of future designation or enforcement action by OFAC. Furthermore, a U.S. person may not procure goods, services, or technology from, or engage in transactions with, a blocked person directly or indirectly (including through a third- party intermediary).

Office of the Ombudsman of the Al-Qaida Sanctions Committee: An independent and impartial Ombudsperson, who reviews requests from individuals, groups, undertakings or entities seeking to be removed from the Al-Qaida Sanctions List of the UN Security Council's Al-Qaida Sanctions Committee. See: <https://www.un.org/sc/suborg/en/ombudsperson>

OFSI: As of March 2016, the United Kingdom has created the Office of Financial Sanctions implementation (OFSI) (replacing the HM Treasury’s Asset Freezing Unit), which is responsible for the implementation and administration of international financial sanctions in the UK. The Department for Business, Innovation & Skills (BIS) is responsible for trade sanctions. The OFSI, a part of Her Majesty (HM)’s Treasury Department of the U.K. government, is the authority for the implementation of financial sanctions in the U.K.

Palestinian Legislative Council (PLC) list: List issued by OFAC. This list is NOT part of the Specially Designated Nationals [SDN] List). Section (b) of General License 4 issued pursuant to the Global Terrorism Sanctions Regulations (31 C.F.R. Part 594), the Terrorism Sanctions Regulations (31 C.F.R. Part 595), and the Foreign Terrorist Organizations Sanctions Regulations (31 C.F.R. Part 597) authorizes U.S. financial institutions to reject transactions with members of the Palestinian Legislative Council (PLC) who were elected to the PLC on the party slate of Hamas, or any other Foreign Terrorist Organization (FTO), Specially Designated Terrorist (SDT), or Specially Designated Global Terrorist (SDGT), provided that any such individuals are not named on OFAC's list of Specially Designated Nationals and Blocked Persons (SDN List). See: <https://www.treasury.gov/resource-center/sanctions/Terrorism-Proliferation-Narcotics/Pages/index.aspx>

Part 561 List: In order to implement certain provisions of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), the National Defense Authorization Act of Fiscal Year 2012 (NDAA), the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) and certain executive orders, OFAC has developed a list of foreign financial Institutions that are subject to sanctions under these laws and orders. See: <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/iran.aspx#part561>

Presumption of denial policy: A term used in license review policy at U.S. agencies, for example at the Department of Commerce, BIS. For example, on August 2018, Department of Commerce Bureau of Industry and Security (BIS) issued 15 CFR Part 744 “Addition of Certain Entities; and Modification of Entry on the Entity List”. This rule amends the Export Administration Regulations (EAR) by adding 44 entities to the Entity List. The rule says “For all forty-four entities added to the Entity List in this final rule, BIS imposes a license requirement for all items subject to the EAR, and a license review policy of presumption of denial” It means you can apply for a license to do business with organizations on the Entity List, but it is very likely that BIS will not grant that license.

Policies: Internal “rules” of a financial institution that define how employees are expected to conduct themselves and the operating rules of the financial institution or business. Policies, including sanctions compliance policies, are general statements of intent and action, generally requiring implementing procedures.

Predicate Crimes: Most money laundering laws contain a wide definition or listing of predicate crimes or Specified Unlawful Activities whose proceeds, if involved in the subject transaction, can give rise to prosecution for the crime of money laundering. Sometimes, the predicate crimes are defined as “felonies” or “all offences in the criminal code. In the MLCA, several sanctions violations are considered predicate crimes, including the criminal violations in Title 50 (IEEPA).

Prohibited transactions: OFAC defines prohibited transactions as trade or financial transactions and other dealings in which U.S. persons may not engage unless authorized by OFAC or expressly exempted by statute. Because each program is based on different foreign policy and national security goals, prohibitions may vary between programs.

Property: According to the FATF Recommendations Glossary, this means assets of every kind, whether corporeal or incorporeal, moveable or immoveable, tangible or intangible, and legal documents or instruments evidencing title to, or interest in such assets.

Q

R

Regulatory Agency: An agency created by a government to supervise and oversee a class of institutions in the domestic economy. A regulatory agency generally has the power to issue regulations, perform audits and examinations, impose fines and penalties, and terminate charters or curtail activities of institutions under its jurisdiction. In the US, some financial regulatory agencies play a role in sanctions compliance: OFAC signs MOUs with these agencies with respect to sanctions compliance. OFAC is not, however, itself a regulatory agency.

Respondent Bank: Any foreign bank for which a domestic bank establishes, maintains, administers or manages a correspondent account.

Restrictive Measures: Official terms for sanctions in the European Union. Restrictive measures against third countries, individuals or entities, are an essential EU foreign policy tool that it uses to pursue objectives in accordance with the principles of the Common Foreign and Security Policy (CFSP). Certain EU measures are imposed by Resolutions adopted by the UN Security Council under Chapter VII of the UN Charter. The EU may however decide to apply autonomous measures in addition to the UN's measures or adopt restrictive measures autonomously. In general terms, the EU imposes its restrictive measures to bring about a change in policy or activity by the target country, part of a country, government, entities or individuals. They are a preventive, non-punitive, instrument which should allow the EU to respond swiftly to political challenges and developments. See: http://eeas.europa.eu/cfsp/sanctions/index_en.htm

S

Sanctions Risk Assessment: Firms should assess potential sanctions risk exposure not only across the entire organization but also in dealings with business partners such as vendors and suppliers. Given the ever-changing nature of OFAC, UN, EU and other countries' sanctions and freeze lists, a company's sanctions risk profile may also change. Firms should revise policies and procedures based on those regions in which it conducts business. Risk assessment can include inherent, perceived and residual risks associated with given business activities and/or relationships in sanctioned jurisdictions or with potentially sanctions entities. For example, how should a firm adjust its operations in light of sanctions against Russia or easing of sanctions against Cuba? Some governments mandate that adequate risk assessments form the core of any sanctions compliance program and that such assessments be tailored to the company's operations and third-party relationships.

SCAD: UN Security Council Affairs Division. SCAD assists the UN Security Council in carrying out its critical responsibilities. SCAD also supports subsidiary bodies established by the Security Council, particularly UN sanctions committees and working groups. A key part of this support comprises the establishment of Expert Groups and identification of suitable candidates to serve on these groups who assist Committees in overseeing sanctions regimes, the so-called SCAD Roster of Experts. Experts are required to have technical skills to assist the relevant Committees/working groups with: (1) Analysis and monitoring of sanctions measures, (2) Investigate incidents of non-compliance, (3) Fact and information gathering, (4) Draft substantive reports on their findings, (4) Make recommendations to the respective committees, (5) Other tasks as required by Security Council resolutions specific to the respective Committees/working groups. See: <https://www.un.org/sc/suborg/en/sanctions/expert-roster>

SDN List: As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs." Their assets are blocked and U.S. persons are generally prohibited from dealing with them. See: <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>

SEC: Securities and Exchange Commission, an independent regulatory agency in the United States that regulates the securities markets. Section 219 of ITRA added a subsection (r) to Section 13 of the Securities and Exchange Act of 1934, requiring issuers to disclose in their reports filed on Forms 10-K, 10-Q, and 20-F certain types of activities involving Iran or certain so-called bad actors during the period covered by the filing. Section 13(r) also requires that issuers concurrently file a

separate type of notice with the SEC — which the SEC has designated as IRANNOTICE — identifying the issuer and indicating that it disclosed sanctionable activity in its 10-K, 10-Q, or 20-F.

Section 1956: The section number in the U.S. Code in Title 18 that is called “Laundering of Monetary Instruments,” the principal money laundering law of the United States. Introduced as one of two primary sections of the Money Laundering Control Act (MLCA) of 1986, it has been amended multiple times over the years, including amendments contained in the USA PATRIOT Act. Among other things, Section 1956, in general, prohibits anyone knowingly engaging in a financial transaction with illicit proceeds (proceeds of a Specified Unlawful Activity) or with the intent to conceal the true source or ownership of the proceeds or in order to avoid the mandatory reporting requirements. SUAs include several sanctions violations (e.g. criminal violations in Title 50 (IEEPA)).

Sectoral sanctions: Target a specific industry of a country or region.

Sectoral Sanctions Identifications (SSI) List: OFAC publishes a list to identify persons operating in sectors of the Russian economy identified by the Secretary of the Treasury pursuant to Executive Order 13662. Directives found within the list describe prohibitions on dealings with the persons identified. See https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi_list.aspx. These sectoral sanctions bring special challenges. They prohibit transactions of or dealings with new debt of longer than 90 days’ maturity or with new equity with those listed on the SSI List. Firms should be mindful of OFAC’s definition of debt and of the necessity to evaluate transactions for potential violations of the sectoral sanctions, especially, for financial institutions, in the context of trade financing given the inclusion of letters of credit and the extension of credit. Last, firms may need to reevaluate their existing due diligence efforts with clients or entities that may be affected by the new sectoral sanctions or if clients or entities have been added to the SDN list. Prohibitions may not be limited to named persons or entities but may include entities that are 50% or more (OFAC 50% rule) owned by the SDN-listed persons or entities. Consequently, it may be prudent for companies to observe those individuals or entities being targeted for sanctions and ensure they are not owned or controlled by SDNs.

Seize: According to the FATF Recommendations Glossary, this term means to prohibit the transfer, conversion, disposition or movement of property on the basis of an action initiated by a competent authority or a court under a freezing mechanism. However, unlike a freezing action, a seizure is effected by a mechanism that allows the competent authority or court to take control of specified property. The seized property remains the property of the natural or legal person(s) that holds an interest in the specified property at the time of the seizure, although the competent authority or court will often take over possession, administration or management of the seized property.

Self-disclosure: According to the OFAC FAQ on its website, a company can and is encouraged to voluntarily disclose a past violation. Self-disclosure is considered a mitigating factor by OFAC in Civil Penalty proceedings. A self-disclosure should be in the form of a detailed letter, with any supporting documentation, to Compliance and Enforcement Division, Director, Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Ave., N.W., Washington, DC 20220. OFAC does not have an "amnesty" program. The ramifications of non-compliance, inadvertent or otherwise, can jeopardize critical foreign policy and national security goals. OFAC does, however, review the totality of the circumstances surrounding any violation, including the quality of a company's OFAC compliance program.

Ship-to-ship transfers: Transferring of cargo from one ship to another while at sea rather than while in port.

SSI List: See Sectoral Sanctions Identifications (SSI) List.

Sport sanctions: Preventing one country's people and teams from competing in international events.

State Department's Directorate of Defense Trade Controls: The agency within the U.S. State Department responsible for licensing exports of defense articles and enforcing U.S. export controls with respect to weapons and other military items.

Sting Operation: An investigative tactic in which undercover officers pose as criminals, sometimes through a "front" business, to win the confidence of the targets of the investigation and gather information and obtain evidence of their criminal conduct.

Stripping: A basic way of evading screening where information from a message that would reveal the presence of a sanctioned party is deleted. "Stripping" is the deliberate act of deleting or changing information from payment messages or instructions. This makes it more difficult to identify payments or to connect them to sanctioned parties, individuals or countries. To counteract this, banks will typically reject transactions where fields in a message are left blank.

SPI: See: U.S. Department of State Office of Economic Sanctions Policy and Implementation

SPIRE: The UK government's (Export Control Commission) online export licensing system. Using SPIRE, firms can apply for an export or trade licence for their activities and items if they require a licence for the wide range of "strategic" goods (such as security items, military goods, civilian products designed with a military use or purpose, firearms, police and paramilitary goods, radioactive sources and more). Firms can also use SPIRE to make a Ministry of Defence Form 680

application, Private Venture security grading or Exhibition Clearance applications. See <https://www.spire.trade.gov.uk/spire/fox/espire/LOGIN/login>

SUA: Specified Unlawful Activity. A legal term used in the U.S. money laundering laws (See MLCA) that refers to crimes that generate money or profits and whose proceeds can trigger money laundering charges under these laws. Currently, there are approximately 200 SUAs that can serve as a predicate offence for a money laundering prosecution. SUAs include several sanctions violations (e.g criminal violations in Title 50 (IEEPA)).The list of SUAs is set out in Title 18, Section 1956 of the United States Code.

Subpoena: A compulsory legal process or writ issued by a court or other legal body (such as an American Congressional committee) to compel the appearance of the person served with the subpoena, or the production of documents specified in the subpoena at a judicial proceeding, before a grand jury, or before the Congressional Committee. The term is Latin for “under penalty” as the failure to appear or produce documents as set out in the subpoena can expose the recipient to penalties, including contempt of court.

T

Targeted financial sanctions: According to the FATF Recommendations Glossary, this term covers both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and entities. Targeted sanctions are also sometimes referred to as list-based sanctions. They target specific individuals and entities of a country or a region.

TEC: Treaty Establishing the European Community. The Treaty of Rome, the original full name of which was the Treaty establishing the European Economic Community (TEEC). It has been amended by successive treaties, changing its content, including by the 1992 Treaty of Maastricht, which established the European Union with the EEC becoming one of its three pillars, the European Community. Hence, the Treaty was then renamed the Treaty Establishing the European Community. When the Treaty of Lisbon came into force in 2009, the pillar system was abandoned, and the EC ceased to exist as a legal entity separate from the EU. The treaty was amended again, and renamed the Treaty on the Functioning of the European Union (TFEU). The Treaty of Lisbon upgraded the European Union’s treaty provisions against oppressive third countries, dictators and their henchmen as well as their foreign assets, by amongst others, inserting a new Title IV on restrictive measures, containing Article 215 TFEU, which brought economic and financial sanctions against third countries under one roof, combining Articles 301 and 60(1) TEC:

TITLE IV

RESTRICTIVE MEASURES

Article 215

(ex Article 301 TEC)

1. Where a decision, adopted in accordance with Chapter 2 of Title V of the Treaty on European Union, provides for the interruption or reduction, in part or completely, of economic and financial relations with one or more third countries, the Council, acting by a qualified majority on a joint proposal from the High Representative of the Union for Foreign Affairs and Security Policy and the Commission, shall adopt the necessary measures. It shall inform the European Parliament thereof.

2. Where a decision adopted in accordance with Chapter 2 of Title V of the Treaty on European Union so provides, the Council may adopt restrictive measures under the procedure referred to in paragraph 1 against natural or legal persons and groups or non-State entities.

3. The acts referred to in this Article shall include necessary provisions on legal safeguards.

The complete consolidated version of the TFEU can be found on: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012E/TXT>

TEEC: Treaty Establishing the European Economic Community. See TEC.

Terrorist: According to the FATF Recommendations Glossary, the term refers to any natural person who: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully; (ii) participates as an accomplice in terrorist acts ; (iii) organises or directs others to commit terrorist acts ; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

Terrorist Financing: According to the FATF Recommendations Glossary: The financing of terrorist acts, and of terrorists and terrorist organisations.

Testimony: A witness's oral presentation, usually under oath, of facts about which he or she has knowledge.

TFEU: Treaty on the Functioning of the European Union. See TEC.

Trade sanctions: These sanctions are applied for purely economic reasons, and typically take the form of tariffs or similar measures, rather than bans on trade. Trade sanctions are the most common kind and are the least onerous. They could be revocation of preferential treatment such as Most Favored Nation status or import quotas against a country not abiding by agreed international rules of trade.

Transaction screening: The process of screening a movement of value within the financial institution's records, including funds, goods or assets, between parties and accounts. In order to mitigate risk associated with trade finance transactions and international wire transfers, financial institutions conduct real-time screening

of cross-border transactions against Sanctions Lists, where any of the sending bank, originating bank, receiving bank, intermediary bank or beneficiary bank are located in different countries. This definition is provided in the Wolfsberg Screening Guidance.

Travel ban: consist of restrictions or prohibitions on travel by designated individuals.

TWEA: Trading With the Enemy Act. One of the U.S. federal statutes that contains the substantive offences leading to or supporting a sanction under OFAC (Office of Foreign Assets Control).

U

UN: United Nations. The United Nations was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security. Today, nearly every nation in the world belongs to the UN. The United Nations Security Council issues a Consolidated UN Security Council Sanctions List. See www.un.org.

UN Consolidated Sanctions List: This list includes all individuals and entities subject to sanctions measures imposed by the UN Security Council. The inclusion of all names on one Consolidated Sanctions List is to facilitate the implementation of the measures, and neither implies that all names are listed under one regime, nor that the criteria for listing specific names are the same. For each instance where the Security Council has decided to impose sanctions in response to a threat, a Security Council Committee manages the sanctions regime. Each sanctions committee established by the United Nations Security Council publishes the names of individuals and entities listed in relation to that committee as well as information concerning the specific measures that apply to each listed name. The Consolidated Sanctions List is provided in .xml, .html and .pdf formats. Member States are obliged to implement the measures specific to each listed name as specified on the websites of the related sanctions committee. See: <https://www.un.org/sc/suborg/en/sanctions/un-sc-consolidated-list>

United Nations Security Council Resolution: Security Council resolutions bind U.N. member states, unlike treaties or conventions that require subsequent steps by the signatory nations.

United Nations Security Council: The UN Security Council can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures, under Article 41, encompass a broad range of enforcement options that do not involve the use of armed force. Sanctions resolutions must pass the fifteen-member Council by a majority vote and without a veto from any of the five permanent members: the United States, China,

France, Russia, the UK. Since 1966, the Security Council has established 26 sanctions regimes, in Southern Rhodesia, South Africa, the former Yugoslavia, Haiti, Iraq, Angola, Sierra Leone, Somalia, Eritrea, Liberia, DRC, Côte d'Ivoire, Sudan (2), Lebanon, DPRK, Iran, Libya (2), Guinea-Bissau, CAR, Yemen and South Sudan, as well as against Al-Qaida and the Taliban (2). Security Council sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The Security Council has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation. Sanctions do not operate, succeed or fail in a vacuum. The measures are most effective at maintaining or restoring international peace and security when applied as part of a comprehensive strategy encompassing peacekeeping, peacebuilding and peacemaking. Contrary to the assumption that sanctions are punitive, many regimes are designed to support governments and regions working towards peaceful transition. The Libyan, Liberian and Guinea Bissau sanctions regimes all exemplify this approach. There are several UN ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Regimes are administered by a UN sanctions committee chaired by a non-permanent member of the Security Council. There are also monitoring groups, teams and panels of experts that support the work of the sanctions committees.

United Nations Security Council Sanctions Committees: The UNSC has several subsidiary organs, including sanctions committees. The Committees carry out the actual work with respect to a sanctions program. Their role is to implement, monitor and provide recommendations to the Council on particular sanctions regimes. A committee may request advice and meet with various Panels of Experts. The committee may also meet with Member States and international organizations. One important function of a committee is to identify exactly who is subject to sanctions. In some cases, the resolution creating a sanctions program may identify individuals or groups that will be subject to the sanctions, but in many cases, it is the responsible committee that does so. See: <https://www.un.org/sc/suborg/en/scsb>

Unilateral Sanctions: Sanctions imposed by a single country, such as the U.S. sanctions against Cuba.

UNSCR 1267: This UN Security Council Resolution created a regime that targets individuals and entities associated with Al Qaida requiring states to freeze the assets of persons designated under that regime. Countries implement these resolutions either directly in their national laws, or in the EU, after the EU issues a regulation. For example, the UK implements UN asset freezes by way of EU Regulation which takes direct effect in the UK. According to the UK National Risk Assessment of Money Laundering and Terrorist Financing of October 2015, it takes three to four weeks on average for the EU to implement UN listings resulting

in a delay between the adoption of designations at the UN and their implementation and a possible risk of asset flight.

UNSCR 1373: On September 28, 2001, the U.N. Security Council unanimously adopted UNSCR 1373, which requires, among other things, the freezing of terrorist assets. The Security Council's action, in placing Resolution 1373 under Chapter VII of the U.N. Charter, signifies the urgency of its response. That chapter empowers the Security Council to enforce the terms of a resolution by use of measures ranging from economic sanctions to the use of military force on non-complying nations. UNSCR 1373 requires states to freeze the assets of terrorists and prohibit their nationals and persons within their jurisdiction from making funds, resources or financial services available to them.

USA PATRIOT Act: An acronym for the Uniting and Strengthening America by Providing Appropriate Tools needed to Intercept and Obstruct Terrorism Act of 2001. Made up of 10 Titles, the Act (Public Law 107-56) became law on October 26, 2001, only 45 days after the September 11 2001 terrorist attacks. This historic law brought about momentous changes, including more than 50 amendments to the Bank Secrecy Act. Title III of the Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, contains most, but not all, of the money laundering-related provisions of the Act. Titles II and IV extend the powers of U.S. law enforcement agencies, as well as extend the sharing of information between various law enforcement, prosecutorial, and intelligence agencies. Section 221 of the Act which is titled, "Trade Sanctions" is included in Title II of the Act, named "Enhanced Surveillance Procedures."

U.S. Department of State Office of Economic Sanctions Policy and Implementation: (EB/TFS/SPI) is responsible for developing and implementing foreign policy-related sanctions adopted to counter threats to national security posed by particular activities and countries. SPI builds international support for implementation of economic sanctions, provides foreign policy guidance to the Department of Treasury and Commerce on sanctions implementation, and works with Congress to draft legislation that advances U.S. foreign policy goals in these areas. SPI maintains and enforces sanctions to maximize their economic impact on our targets and minimize the damage to U.S. economic interests. We also work to remove economic sanctions when appropriate to reward and incentivize improved behavior or demonstrate U.S. support for newly established democratic governments. In addition, SPI conducts outreach on sanctions issues to a wide range of interested parties including NGOs, companies, diaspora groups, and others. <https://www.state.gov/economic-sanctions-programs/>

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Wassenaar Arrangement: This is the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. The name comes from Wassenaar, a town located in a suburb of the Hague, Netherlands, where an agreement was reached in 1995 to start a new type of multilateral co-operation. The Wassenaar Arrangement has been established in order to contribute to regional and international security and stability, by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies, thus preventing destabilising accumulations. Participating States seek, through their national policies, to ensure that transfers of these items do not contribute to the development or enhancement of military capabilities which undermine these goals, and are not diverted to support such capabilities. The aim is also to prevent the acquisition of these items by terrorists. Representatives of Participating States meet regularly in Vienna where the Wassenaar Arrangement has established its headquarters and a small Secretariat. See: <http://www.wassenaar.org>

Warrant: A written order or writ from a competent authority directing the doing of a certain act.

Watchlist: A list prepared internally by organizations identifying individuals or entities whose activities are to be monitored closely.

Weak AKA: A “weak AKA” is a term used by OFAC and Wolfsberg for a relatively broad or generic alias that may generate a large volume of false hits. Weak AKAs include nicknames, noms-de-guerre, and unusually common acronyms. Weak AKAs include nicknames, noms-de-guerre, and unusually common acronyms. OFAC includes these AKAs because, based on information available to it, the sanctions targets refer to themselves, or are referred to, by these names. As a result, these AKAs may be useful for identification purposes, particularly in confirming a possible “hit” or “match” triggered by other identifier information. Realizing, however, the large number of false hits that these names may generate, OFAC qualitatively distinguishes them from other AKAs by designating them as weak. OFAC has instituted procedures that attempt to make this qualitative review of aliases as objective as possible. In the TXT and PDF versions of the SDN List, weak AKAs are encapsulated in double-quotes within the AKA listing: For example: ALLANE, Hacene (a.k.a. ABDELHAY, al-Sheikh; a.k.a. AHCENE, Cheib; a.k.a. **"ABU AL-FOUTOUH"**; a.k.a. **"BOULAHIA"**; a.k.a. **"HASSAN THE OLD"**); DOB 17 Jan 1941; POB El Menea, Algeria (individual). See: https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/weak_strong_alias.aspx. OFAC’s regulations do not explicitly require any specific screening regime. Financial institutions and others must make screening choices based on their circumstances and compliance approach. As a general matter, though, OFAC does not expect that persons will screen for weak AKAs, but expects that such AKAs may be used to help determine whether a “hit”

arising from other information is accurate.

White-Collar Crime: A type of crime generally seen as non-violent or involving more sophisticated, “business-related” schemes rather than crimes of violence or street crime. Such crimes include tax fraud (evasion, false tax returns, failure to file tax returns), money laundering (any attempt to hide money derived from illegal sources), bribery, bankruptcy fraud, environmental fraud, health care fraud and many others.

Willful Blindness: A legal principle that operates in money laundering, forfeiture and other cases in the United States, the United Kingdom and other countries. It has been defined by courts as the “deliberate avoidance of knowledge of the facts” or “purposeful indifference.” Courts have held in several money laundering cases that willful blindness is the equivalent of actual knowledge of the illegal source of funds or of the intentions of a customer in a money laundering transaction.

Wire Transfers: The electronic transmission of funds between financial institutions on behalf of themselves or their customers. Wire transfers are financial vehicles covered by the statutory or regulatory requirements of many countries as part of their anti-money laundering and anti-terrorist financing effort. Also known as EFTs, or Electronic Funds Transfers.

Without Delay: According to the FATF Recommendations, this phrase means, ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Sanctions Committee or the 1737 Sanctions Committee). For the purposes of S/RES/1373(2001), the phrase without delay means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a terrorist organisation. In both cases, the phrase without delay should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organisations, those who finance terrorism, and to the financing of proliferation of weapons of mass destruction, and the need for global, concerted action to interdict and disrupt their flow swiftly.

Wolfsberg Group: The Wolfsberg Group consists of leading international financial institutions. Wolfsberg has issued Wolfsberg AML Principles, and other documents, and is named after the city in Switzerland where the first working session of the group to formulate the guidelines was held.

Wolfsberg Guidance on Sanction Screening: Paper issued by the Wolfsberg Group in 2019 providing guidance to financial institutions as they assess the effectiveness of their sanctions screening controls, whether automated, manual or both.

<https://www.wolfsberg-principles.com/sites/default/files/wb/pdfs/Wolfsberg%20Guidance%20on%20Sanctions%20Screening.pdf>

World Bank Debarred List: A list issued by the World Bank containing those sanctioned under the World Bank's fraud and corruption program. See:

<http://web.worldbank.org/external/default/main?theSitePK=84266&contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984>

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