



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

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**OFAC Settles with CA Indosuez (Switzerland) S.A. for \$720,258 Related to Apparent Violations of Multiple Sanctions Programs**

CA Indosuez (Switzerland) S.A. (“CAIS”), an indirect subsidiary of Credit Agricole Corporate and Investment Bank (CACIB),<sup>1</sup> has agreed to pay \$720,258 to settle its potential civil liability for apparent violations of the Cuba, Ukraine-related, Iran, Sudan, and Syria sanctions programs. As a result of deficiencies related to CAIS’s sanctions compliance practices, for approximately three years CAIS operated U.S. dollar (USD) banking and securities accounts on behalf of 17 individual customers located in sanctioned jurisdictions and conducted USD business on behalf of these customers through the U.S. financial system, including through U.S. correspondent banks and U.S. registered brokers or dealers in securities. CAIS had reason to know that these transactions involved clients residing in sanctioned jurisdictions because at the time of the apparent violations the account holders’ know-your-customer (KYC) files included corresponding address information indicating their residence in sanctioned jurisdictions. The settlement amount reflects OFAC’s determination that CAIS’s apparent violations were voluntarily self-disclosed and constitute a non-egregious case.

**Description of the Apparent Violations**

CAIS is a financial institution based in Switzerland that specializes in wealth management and corporate and investment banking. CAIS serves clients worldwide, including during the relevant time period 17 individual clients located in Iran, Syria, Sudan, the Crimea region of Ukraine, and Cuba. As part of its compliance procedures, CAIS collects account holders’ KYC data, including address information that indicates the location of the account holder(s). Despite having such information, from April 2013 to April 2016, CAIS allowed customers located in these sanctioned jurisdictions to purchase securities issued by U.S. companies through U.S. broker-dealers and other U.S. market participants, in total 240 transactions totaling \$2,050,780, in apparent violation of U.S. sanctions. CAIS also allowed these customers to engage in 33 commercial transactions totaling approximately \$1,025,400 through U.S. banking correspondents in apparent violation of U.S. sanctions.

At the time of the transactions, CAIS was responsible for implementing compliance policies and instructions relayed by CACIB and CAIS’s ultimate parent company, Credit Agricole S.A. (“CASA”). However, although CASA and CACIB had implemented a global sanctions compliance program at the time of the apparent violations and required their subsidiaries to adhere to the program, CAIS did not fully implement it during the relevant period. Specifically, CAIS failed to fully restrict USD-cleared payments related to the 17 personal accounts

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<sup>1</sup> For more information about a separate but related settlement with CFM Indosuez, which is also an indirect subsidiary of CACIB, please see the following web notice.

maintained for customers residing in sanctioned jurisdictions, despite having KYC information that indicated such customers' location. As a result, the customers who were ordinarily resident in sanctioned jurisdictions were able to continue to engage in securities and commercial transactions involving the U.S. financial system using their accounts at CAIS.

Following a periodic oversight review conducted by Compliance, CAIS identified the USD-denominated accounts belonging to 17 individual clients ordinarily resident in Iran, Syria, Sudan, Crimea, and Cuba. In 2014, CAIS implemented internal restrictions aimed at preventing certain payments on accounts held by persons ordinarily resident in Cuba, Iran, Sudan, and Syria; Crimea was added to this list in 2015. However, CAIS later discovered that these internal restrictions did not prevent securities-related payments from being credited to the accounts. As a result, CAIS's customers in sanctioned jurisdictions were able to continue to purchase and sell securities through the U.S. financial system and to receive related dividend and interest payments until CAIS took further steps to prevent such payments.

As a result of the conduct described above, between April 2013 and April 2016, CAIS processed 273 transactions totaling approximately \$3,076,180 on behalf of individuals ordinarily resident in Cuba, Crimea, Iran, Sudan, and Syria. This conduct resulted in apparent violations of the Cuban Assets Control Regulations, 31 C.F.R. § 515.201, Section 1(a)(iii) of Executive Order 13685 of December 19, 2014, "Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to the Crimea Region of Ukraine," the Iranian Transactions and Sanctions Regulations, 31 C.F.R. §§ 560.203 and 204, the Sudanese Sanctions Regulations, 31 C.F.R. § 538.205,<sup>2</sup> and the Syrian Sanctions Regulations, 31 CFR § 542.207 (the "Apparent Violations").

### **Penalty Calculations and General Factors Analysis**

The statutory maximum civil monetary penalty applicable in this matter is \$64,062,841. OFAC determined that CAIS self-disclosed the Apparent Violations and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines (the "Enforcement Guidelines"), 31 C.F.R. part 501, app. A, the base civil monetary penalty amount for this matter equals the sum of one-half of the transaction value for each Apparent Violation, which is \$1,108,090.

The settlement amount of \$720,258 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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<sup>2</sup> OFAC previously administered a comprehensive economic sanctions program against Sudan, the Government of Sudan, and certain areas of Sudan, as set forth in the Sudanese Sanctions Regulations, 31 C.F.R. part 538 (SSR), and Executive Orders, issued under the authority of the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701–06, and other statutes. Pursuant to Executive Order 13761, after October 12, 2017, persons are no longer prohibited from engaging in transactions that were previously prohibited under the SSR. This change does not affect past, present, or future OFAC enforcement investigations or actions related to any apparent violations of the SSR relating to activities that occurred prior to October 12, 2017.

OFAC determined the following to be **aggravating factors**:

- (1) Personnel at CAIS had reason to know they were processing transactions through the U.S. financial system for individual customers located in comprehensively sanctioned jurisdictions based on the underlying KYC data obtained by CAIS, which included address information indicating the customers' location.
- (2) CAIS conferred approximately \$3,076,180 in economic benefit to persons in Cuba, Crimea, Iran, Sudan, and Syria, thereby causing harm to the integrity of multiple sanctions programs and their associated policy objectives for approximately three years.

OFAC determined the following to be **mitigating factors**:

- (1) CAIS has not received a penalty notice or Finding of Violation from OFAC in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations.
- (2) CAIS has represented that it undertook extensive remedial measures in response to the Apparent Violations including the following:
  - Implemented CACIB's updated instructions requiring escalation for validation by CASA Financial Security of transactions in any currency that involve a client residing or established in, or with beneficial owners residing in, certain countries, including Cuba, Iran, Syria, Sudan, or Crimea;
  - Informed U.S. security custodians of customer accounts requiring restrictions;
  - Implemented a process to prevent all securities-related payments from being credited to the individual accounts of residents of comprehensively sanctioned jurisdictions;
  - Implemented CASA's country risk control framework to identify high-risk countries and minimum supervisory measures that CAIS needed to adopt to address said risks;
  - Adopted CASA's procedures for the screening of customer databases, which defined the minimum standards related to customer screening, and outlined requirements for the frequency of screening and type of data screened;
  - Implemented Society for Worldwide Interbank Financial Telecommunications' (SWIFT) Payment Data Quality tool, which verifies that SWIFT payment messages contain the complete name, address, and account number information; and
  - Implemented a new commercial screening tool, which is used to screen customer information against the OFAC's List of Specially Designated Nationals and

Blocked Persons. The tool was subsequently enhanced to include an algorithm to perform, on an automated basis, daily screening of the customers' country of permanent residence against sanctioned jurisdictions.

- (3) CAIS substantially cooperated during OFAC's investigation of the Apparent Violations by voluntarily disclosing the Apparent Violations to OFAC following its internal lookback conducted in response to a compliance-related audit, by providing well-organized responses to OFAC's requests for information, and agreeing to toll the statute of limitations.

## **Compliance Considerations**

This case demonstrates the importance for foreign financial institutions, including those operating in the securities industry, to implement and maintain effective sanctions compliance controls, especially if their lines of business involve transactions transiting the U.S. financial system. Moreover, financial institutions that do business in multiple jurisdictions and across a number of product lines should ensure that their compliance controls are implemented consistently across relevant products and lines of business, where relevant on a risk basis. In addition, this case demonstrates how financial institutions can benefit from integrating KYC data into their sanctions screening platforms. This case also highlights the value of testing and auditing controls to identify sanctions compliance related problems, reporting them to OFAC, and proactively implementing appropriate remedial measures. This case emphasizes that global subsidiaries, when instructed to implement a parent company's compliance policies, should do so in a timely and effective manner.

Moreover, consistent with [FAQ 335](#), OFAC encourages firms operating in the securities industry, including securities intermediaries and custodians, to implement measures that mitigate the risk of providing services to, or dealing in property in which there is an ownership or other interest of, parties subject to U.S. sanctions. Such measures should be tailored to and commensurate with the sanctions risk posed by a firm's business activities.

## **OFAC Enforcement and Compliance Resources**

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501,

app. A. These references, as well as recent civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>.