



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

**Enforcement Release:** October 18, 2022

**OFAC Issues a Finding of Violation to Nodus International Bank, Inc. for Violations of the Venezuelan Sanctions Regulations and the Reporting, Penalties and Procedures Regulations**

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued a Finding of Violation (FoV) to Nodus International Bank, Inc. (Nodus), an international financial entity located in Puerto Rico, for violations of the Venezuelan Sanctions Regulations (VSR) and the Reporting, Penalties and Procedures Regulations (RPPR). The VSR violations related to Nodus's voluntary self-disclosure of three unlicensed transactions in which an individual (the "blocked person") on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List") had an interest. The RPPR violations reflected Nodus's failure to maintain full and accurate records related to the handling of blocked property and its inaccurate reporting of the blocked property to OFAC. OFAC determined that the appropriate administrative action in this matter was an FoV in lieu of a civil monetary penalty. This action emphasizes that financial institutions should properly maintain blocked property and records, report such information accurately to OFAC, and obtain a specific license from OFAC in order to deal in blocked property.

**Description of the Violations**

A person OFAC added to the SDN List in 2017 held several accounts with Nodus, including two time deposit accounts, a savings account, and an outstanding credit card balance. In addition, the individual held an interest in certain securities that were issued by Nodus prior to the individual's designation on the SDN List. Shortly after learning of the designation, Nodus's Board of Directors decided to sever all ties with the blocked person, blocked his accounts, and submitted a Report of Blocked Property to OFAC (the "blocking report") describing these blockings. As an international financial entity located in Puerto Rico, Nodus is subject to regulation by the Commissioner of Financial Institutions of Puerto Rico (OCFI).

As part of its efforts to sever ties with the blocked person, Nodus sought to redeem the blocked person's securities and place the proceeds into a blocked account. Nodus understood that it needed a license from OFAC to deal in the blocked property, and it assured OCFI that it would apply for one. OCFI authorized Nodus to redeem the securities under its prudential regulatory authorities, but noted to Nodus that it was not opining on the applicability of OFAC sanctions. Nodus's sanctions compliance officer relayed this to senior Nodus bank officials. Nodus, however, processed the securities redemption without obtaining a license. The proceeds of the redemption were placed into a blocked account and not accessible to the blocked person.

Separately, as a result of human error, Nodus also allowed an automatic debit from one of the blocked person's blocked accounts in order to credit the blocked credit card account. Nodus then wrote off the balance of the blocked credit card account.

Moreover, during the course of OFAC's investigation, Nodus informed OFAC that it no longer maintained access to all records or communications related to the bank's handling of the blocked property as the bank's compliance officer had since left the bank and, unbeknownst to the bank, its systems did not effectively retain such records or communications.

Nodus also submitted several inconsistent Annual Reports of Blocked Property (ARBP) to OFAC. For example, in Nodus's 2018 ARBP, the bank did not include the blocked credit card, but in its 2019 report, the bank reported the blocked credit card account.

As a result of the foregoing, Nodus engaged in three transactions totaling \$50,271.29 in violation of § 591.202 of the VSR, 31 C.F.R. part 591, failed to maintain full and accurate records related to the handling of the blocked accounts in violation of § 501.601 of the RPPR, 31 C.F.R. part 501, and failed to report the blocked accounts accurately in violation of § 501.603(b)(ii).

### **General Factors Analysis**

The determination to issue an FoV to Nodus reflects OFAC's consideration of the General Factors Affecting Administrative Action set forth in OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A.

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

- (1) Nodus failed to exercise a minimal degree of caution or care when it (i) engaged in transactions involving blocked property without obtaining an OFAC license, even though senior managers at the bank were aware an OFAC license was needed; and (ii) failed to maintain relevant records associated with the bank's handling of the blocked property, which may have impaired its ability to provide full and accurate information to OFAC.

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

- (1) Nodus is a small international financial institution and has not received a penalty notice or FoV from OFAC in the five years preceding the first violation noted herein.
- (2) Nodus voluntarily self-disclosed the VSR violations.
- (3) The sanctions harm was not significant.
- (4) Nodus took numerous remedial measures, including:
  - The bank hired experts with experience in OFAC compliance to provide specialized training to all Nodus employees on OFAC sanctions, and an in-house lawyer in its Compliance Department to assist with the handling of all sanctions-related matters.
  - Nodus updated its current practice to freeze and restrict blocked accounts with a specific label that alerts any Nodus employee accessing blocked accounts that such

accounts are blocked for OFAC related reasons, and should contact the Compliance Department before taking any action with respect to the account.

- Nodus's software provider implemented user controls that require the Compliance Department's approval for any action affecting a blocked account.
- Nodus updated its recordkeeping procedures to ensure that it maintains appropriate records related to blocked property.

## **Compliance Considerations**

This action highlights the importance of financial institutions' properly maintaining blocked property and records, and filing accurate reporting to OFAC. Moreover, financial institutions should ensure that they receive all necessary licenses from OFAC before dealing in blocked property and clearly communicating OFAC requirements among an institution's compliance and business lines.

## **OFAC Enforcement and Compliance Resources**

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (Framework) 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: [www.treasury.gov/ofac](http://www.treasury.gov/ofac).