

REGULATORY INTELLIGENCE

U.S. OFAC issues interim final rule to amend reporting regulations, two notable changes for banks

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The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has issued an interim final rule outlining planned amendments to its Reporting, Procedures and Penalties Regulations (RPPR).

The RPPR establishes standard reporting and recordkeeping requirements, license application procedures and other measures relevant to the economic sanctions programs administered by OFAC.

The interim final rule, which OFAC shared on Wednesday and is slated for publication in the Federal Register on Friday, will be open for public comment for 30 days.

Two key changes for financial institutions

The [interim final rule](#) contains two notable changes for financial institutions, Amir Fadavi, a senior director with consultancy K2 Integrity, told Regulatory Intelligence.

One of the changes is a new Note 1 to [section 501.602 of the RPPR](#) that would allow OFAC to issue instructions to financial institutions. Such instructions would contain information or criteria to aid firms in identifying blocked property and may also require them to report transactions that meet specified criteria and notify OFAC prior to processing those transactions.

"This is a new obligation that financial institutions have to account for in their compliance program since it is a new type of report that must be filed with OFAC in certain cases," Fadavi said.

It is not entirely clear how this requirement will play out, but OFAC is likely to share some non-public information with financial institutions to assist them in identifying assets belonging to a sanctions target.

"This could, for example, be information that would trigger OFAC's 50% rule and as such lead to blocking of assets that would not be blocked otherwise," Fadavi said.

Mandatory electronic reporting

The interim final rule's second noteworthy change would make it mandatory, in virtually all cases, to file block-and-reject reports and annual reports of blocked assets electronically via the OFAC Reporting System (ORS) instead of sending them via mail or email.

While many banks are already using ORS, some are not, Fadavi said.

"Those that are not using ORS must make sure they create ORS accounts and change their reporting procedures accordingly," he said.
(Brett Wolf, Regulatory Intelligence)

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