

FinCEN Alert

The Essential Solution to Complying with OFAC Requirements

In the FinCEN Alert published on March 7, 2022, FinCEN made the following suggestion:

FinCEN also strongly encourages all financial institutions to make full use of their ability to share information consistent with Section 314(b) of the USA PATRIOT Act, and consider how the use of innovative tools and solutions may assist in identifying hidden Russian and Belarusian assets.

Is this just a suggestion from FinCEN? The following case tells you the reality.

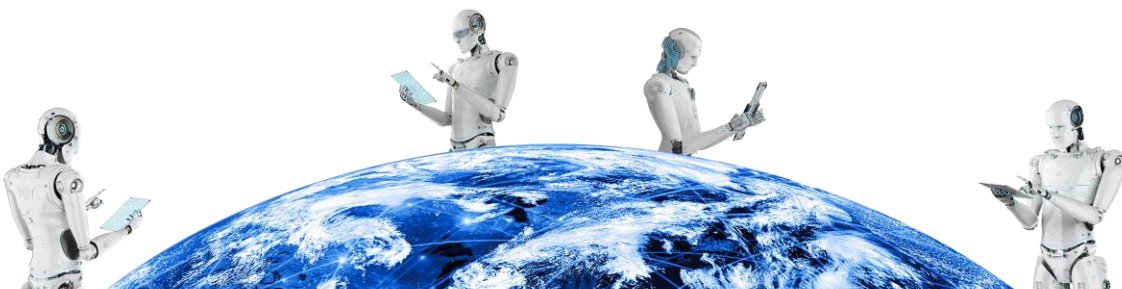
In this case, John's wife is a Russian citizen living in the United States. John and his wife have a joint account at Bank A. In addition, John has an account at Credit Union B and another account at Stockbroker C.

A sanctioned person in Russia used a bank account in India with a different name to send \$98,680 to John's wife through her bank account at Bank A. John skillfully cashed 50 personal checks, each with a dollar amount less than \$3,000, through multiple MSBs and deposited \$42,756 cash into Credit Union B and \$46,362 cash into Stockbroker C.

After Bank A identified John's wife as a higher-risk client and tracked the suspicious illicit proceeds through the United A.I. Network, Bank A and Credit Union B immediately talked to each other based on Section 314(b) and filed SARs. However, because Stockbroker C was not connected to the United A.I. Network, Stockbroker C was oblivious to the situation.

When the U.S. government investigates John and his wife, will the U.S. government leave Stockbroker C alone?

The \$46,362 cash deposited into Stockbroker C is an asset of the sanctioned person in Russia. Obviously, Stockbroker C has violated the OFAC sanctions. Stockbroker C can argue that it was unaware of the facts. Unfortunately, such arguments do not work. For your reference, below please find the OFAC regulations published by OFAC:



OFAC may impose civil penalties for sanctions violations generally based on a strict liability legal standard. This means that, in many cases, a U.S. person may be held civilly liable for sanctions violations even without having knowledge or reason to know it was engaging in such a violation.

Therefore, Stockbroker C has violated the OFAC sanctions even though John is not listed on the OFAC list. In the above discussion, we just used one transaction to explain the money flow. In fact, many similar transactions had already occurred at Stockbroker C before the U.S. government started the investigation on John and Stockbroker C.

As a result, Stockbroker C may suffer severe regulatory penalties and reputation damage for continuous OFAC violations simply because Stockbroker C was not connected to the United A.I. Network and could not receive the alerts which other financial institutions could.

Twenty (20) years ago, using an AML transactional monitoring software was just a suggestion from the U.S. government regulators. Today, a U.S. financial institution can hardly pass a regulatory examination if it does not use any AML transactional monitoring software. The history has proven that a technological suggestion from FinCEN may soon become a regulatory mandate. Whoever can foresee the upcoming regulatory pressure in advance and react quickly will have tremendous competitive advantages over others.

Many compliance professionals have *incorrectly assumed* that it is expensive to connect their financial institutions to the United A.I. Network. In fact, a financial institution only needs to pay a nominal fee to connect to the United A.I. Network.

For most financial institutions, it costs less than \$500 per month to connect to the United A.I. Network. This \$500 monthly fee covers all hardware, software, installation labor, and customer support. **It will be very difficult to convince a government regulator that a financial institution cannot afford paying less than \$17 per day to protect itself from financial crimes, regulatory penalties, and reputation damages.**

Compatible with all types of core data processing systems, the United A.I. Network complies with all laws, regulations, and rules, and already covers over 140 million individuals and 16 million businesses. The coverage continues to expand rapidly.

The United A.I. Network intends to provide its members with crucial information related to financial intelligence. You can become a member of the United A.I. Network even if your financial institution is not connected to the United A.I. Network. The membership is free of charge. To learn more about the United A.I. Network, please search the phrase “United AI Network” on the Internet to watch the short video at <https://www.ai-oasis.com/UnitedAINetwork>.

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