

SANCTIONS - Every Firm Must Do Something

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About

Sarah Beth has an unrivaled ability to quickly assess many of the ways in which a criminal could exploit a payment platform, bank or loan product, insurance policy, and investment vehicle. In the anti-money laundering (AML) world, being able to put yourself in the shoes of an individual who is attempting to exploit the financial system, and in turn create processes to identify the illicit fund flows, is a necessary skill.

She is recognized in the compliance industry for her ability to navigate and operationalize global AML/CTF regulations to custom fit various environments and risk profiles. Sarah Beth has over 20 years of anti-financial crime management experience with most of those years spent in remediation, consulting, and software validation roles, as she designs and implements technological changes to maximize efficiency throughout an institution's compliance regime. She is considered an expert in distilling FATF, Wolfsberg, EBA, EU, and FinCEN guidance into actionable and effective risk-based programs. In 2011, she founded Palmera Consulting and works with various types of institutions focusing on efficiency and effectiveness within their AML and Sanctions programs. Prior to Palmera, Sarah Beth brings vast experience from being a licensed Series 7 stockbroker, a check fraud manager writing AI models to detect fraud, an AML Officer at a multi-state financial institution and the AML Practice Lead for a national consulting firm.

Sarah Beth is also a co-founder and Chief AML Officer at Acceleron Bank (in formation), based in White River Junction, VT.



Founder & President
@ Palmera Consulting

Co-Founder & CAMLO
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Session Overview

This session will focus on the important differences between sanctions and AML programs and how to ensure your firm is operationalizing and mitigating applicable sanctions risk.

In addition, attendees will get an update on the various aspects of the US Treasury Sanctions regime since the War in Ukraine and how that impacts all US firms.

Key takeaways will include policy highlights, sanctions framework steps, and indicators of unmitigated sanctions risks.

What are Sanctions?

- US Treasury first implemented in the 1950s
- Used to curtail unacceptable political, social or military movements by other governments or countries
- Used to restrict monetary movement by known terrorists, drug traffickers, human traffickers, and other criminals or criminal organizations
- Can be used to target known political groups, industries, countries, companies, products/services or individuals
- All U.S. companies and persons must comply with restrictions
- **Different than anti-money laundering regulations!**

Overview of Sanctions Penalties

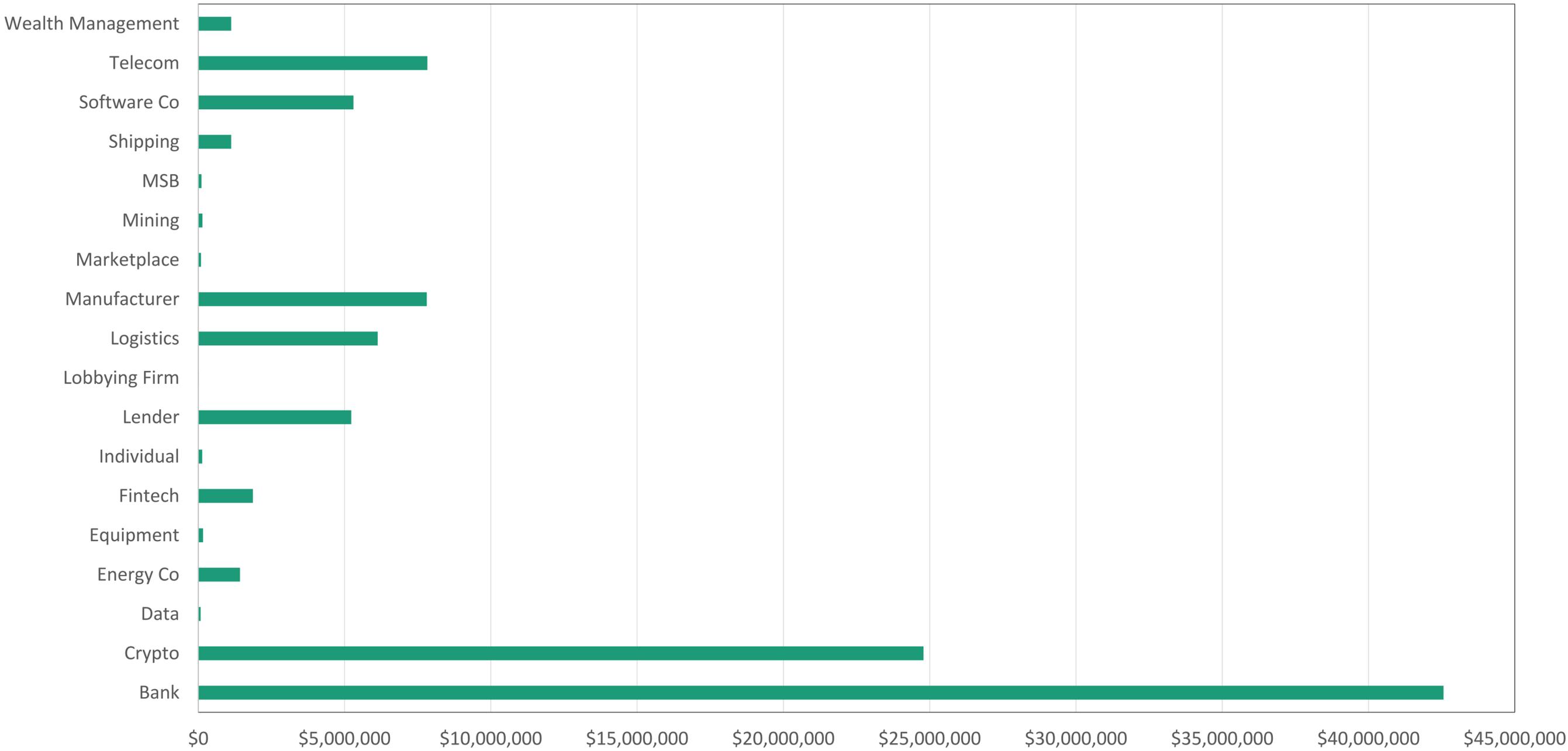
- \$1.4B in penalties since 2018
 - Does not include fees associated with remediation/staffing
- Penalties are industry agnostic
- Average penalty is \$2.75MM
- 2023 sanctions penalty, YTD, exceeds 2022's Q1 by \$21MM

“The cost of non-compliance is great. If you think compliance is expensive, try non-compliance.”

- former U.S. Deputy Attorney General Paul McNulty

Penalties by Industry

Penalties \$



Linear.... and known...

- Named Individuals
- Named Entities
- Named Vessels
- Country level restrictions (DPRK, Cuba)

1950 to ~2013

Less linear... and less known...

- General industries or sectors, within certain restricted countries/areas (Russia, Crimea, Venezuela, etc.)
- General industries or sectors, associated with certain named individuals or entities
- Outlined activities within certain restricted countries/areas
- Direct ownership of named entities
- Indirect ownership of named entities

2014 to ~2020

Not linear... and not known...

- Unnamed Individuals
- Unnamed Entities
- Direct ownership of unnamed entities
- Indirect ownership of unnamed entities

~2020 to Current

Low

Degree of Difficulty

High

U.S. Sanctions Environment

Where to Apply Sanctions



- Beneficiaries and Beneficiary Banks
- Originator and Originator Banks
- Control over assets/estate/trust
- Recipients of wealth or funds
- Countries found in the residency, passport, physical address, beneficiary/originator country, bank country, asset location, incorporation...etc.

Sanctions Risks

- Beyond monetary penalties from US Treasury
- Bank partner relationships (can't lose this!)
- Reputational damage
- If under AML requirements, can be linked and penalty multiplied (see Binance order from CFTC)
- Even if dealing with non-U.S. funds – most countries depend on USD and must be screening for sanctions

Sanctions risk is not transferrable and cannot be offset by contractual relationships.

Everyday Implications

- 1) Even if AML requirements do not apply to your company... sanctions do!
- 2) If dealing with offshore funds that have clients of their own – they must provide evidence of sanctions compliance
 - Should also consider asking their policy on Russian and Crimea clients, transactions, assets
- 3) If presented with assets, passports, addresses, or other data that may contain the following countries/regions, should trigger review of executive orders (EO) restricting activities -
 - Russia, Crimea, Ukraine, Iran, Pakistan, UAE, Iran, Syria, Venezuela, Cuba, North Korea, Turkey, India, China, and Brazil



For Your Consideration

- 1) US Treasury Sanctions Framework (2019)
 - ✓ Screening system, matching algorithm, and match % should align with your company's risks
 - ✓ Risk Assessments are key to fighting any US Treasury penalty

- 2) Sound policies and procedures that are applicable to your company
 - ✓ Avoid statements that are not applicable to your processes
 - ✓ Ensure all actions are accounted for (screening timing, match rate, recordkeeping process)

- 3) Management/Board commitment to sanctions compliance
 - ✓ Should have visible statement(s) in minutes
 - ✓ Should have applicable training



Screening Options

If relying solely on trust or investment management software –

- 1) Complete reliance can be risky
- 2) Implement a strong QC process
 - Sign up for emails from the Treasury (https://service.govdelivery.com/accounts/USTREAS/subscriber/new?topic_id=USTREAS_89)
 - When lists are updated, test your system
 - Request emails from your system provider when they update their system
- 3) Keep emails/records of sanctions updates

If relying on US Treasury site –

- 1) Must set matching threshold to align with your risk exposure
- 2) Implement a strong QC process
 - Human errors occur, must ensure that all applicable fields are run
- 3) Keep records (snippets) of every screen and result; resolution if matched

THANK YOU

Any questions?

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