
Certified Professional in Sanctions Compliance

Compliance Foundations

Compliance Foundations is a critical area of study for individuals seeking to become certified professionals in sanctions compliance. In this section, we will explore key terms and vocabulary that are essential to understanding the complex world of sanctions and compliance.

Sanctions are measures imposed by a government, international organization, or other body to enforce compliance with laws or regulations, or to achieve a political objective. Sanctions can take many forms, including economic restrictions, trade barriers, and diplomatic measures. Sanctions are typically used to address issues such as human rights abuses, terrorism, proliferation of weapons of mass destruction, or other threats to international security.

Sanctions compliance is the process of ensuring that an organization's activities comply with sanctions regulations and policies. This involves identifying and assessing risks associated with sanctions, developing and implementing policies and procedures to manage those risks, and monitoring compliance on an ongoing basis.

Compliance program is a set of policies, procedures, and controls designed to ensure that an organization complies with applicable laws, regulations, and standards. A compliance program for sanctions compliance might include policies and procedures related to customer due diligence, transaction screening, reporting suspicious activity, and training and awareness.

Customer due diligence is the process of identifying and verifying the identity of customers, determining their risk level, and assessing their suitability for business relationships. Customer due diligence is a critical component of sanctions compliance, as it helps organizations identify and mitigate risks associated with doing business with individuals or entities subject to sanctions.

Transaction screening is the process of checking transactions against lists of individuals, entities, and countries subject to sanctions. Transaction screening is typically done using automated systems, which can help organizations identify and prevent transactions that may violate sanctions regulations.

Suspicious activity reporting is the process of reporting transactions or activities that may be indicative of money laundering, terrorism financing, or other illegal activity. Suspicious activity reporting is a critical component of sanctions compliance, as it helps regulatory bodies and law enforcement agencies identify and investigate potential violations of sanctions regulations.

Training and awareness is the process of educating employees and other stakeholders about sanctions compliance and the risks associated with non-compliance. Training and awareness programs typically cover topics such as customer due diligence, transaction screening, and suspicious activity reporting, and may include a variety of training methods, such as online courses, in-person training sessions, and regular communications.

Sanctions lists are lists of individuals, entities, and countries subject to sanctions. Sanctions lists are maintained by governments, international organizations, and other bodies, and are typically updated on a regular basis. Organizations are responsible for checking transactions and customers against these lists to ensure compliance with sanctions regulations.

Office of Foreign Assets Control (OFAC) is the division of the US Department of the Treasury responsible for enforcing economic sanctions against countries, entities, and individuals. OFAC maintains a list of Specially Designated Nationals (SDNs) who are subject to economic sanctions, and organizations are required to check transactions and customers against this list to ensure compliance with US sanctions regulations.

Financial Action Task Force (FATF) is an intergovernmental organization responsible for developing and promoting policies to combat money laundering and terrorism financing. FATF sets standards for sanctions compliance and monitors compliance among member countries.

Anti-Money Laundering (AML) is a set of policies and procedures designed to prevent money laundering and terrorism financing. AML regulations often overlap with sanctions regulations, and organizations are required to comply with both sets of regulations.

Know Your Customer (KYC) is a process of identifying and verifying the identity of customers, determining their risk level, and assessing their suitability for business relationships. KYC is a critical component of both AML and sanctions compliance.

Red flags are indicators of potential money laundering, terrorism financing, or other illegal activity. Red flags may include unusual or suspicious transactions, customers who refuse to provide identification, or customers who are evasive or uncooperative during due diligence.

Derisking is the process of reducing or eliminating relationships with customers or countries deemed to be high-risk. Derisking can help organizations mitigate risks associated with sanctions compliance, but can also have negative impacts on customers and communities.

Primary sanctions are sanctions imposed by a government or international organization on another country or entity. Primary sanctions may restrict trade, investment, or financial transactions with the targeted country or entity.

Secondary sanctions are sanctions imposed by a government or international organization on third-party countries or entities that do business with the targeted country or entity. Secondary sanctions are designed to increase pressure on the targeted country or entity by limiting its ability to do business with other countries.

Embargoes are restrictions on trade or other economic activity with a particular country or entity. Embargoes are typically imposed in response to human rights abuses, terrorism, or other threats to international security.

Export controls are restrictions on the export of certain goods, technologies, or services to certain countries or entities. Export controls are designed to prevent the proliferation of weapons of mass destruction,

terrorism, or other threats to international security.

Geographic targeting orders (GTOs) are administrative subpoenas issued by the US Financial Crimes Enforcement Network (FinCEN) to financial institutions requiring them to collect and report certain information about transactions involving high-risk customers or activities. GTOs are used to detect and prevent money laundering, terrorism financing, and other illegal activity.

Specially Designated Global Terrorist (SDGT) is a designation applied by the US Department of State to individuals or entities that are known or suspected to have committed, or pose a significant risk of committing, acts of terrorism. SDGTs are subject to economic sanctions and other restrictions.

Specially Designated Narcotics Traffickers (SDNTs) are individuals or entities that are known or suspected to be involved in the production, distribution, or trafficking of illegal drugs. SDNTs are subject to economic sanctions and other restrictions.

Foreign Corrupt Practices Act (FCPA) is a US law that prohibits bribery of foreign officials for the purpose of obtaining or retaining business. FCPA violations can result in significant fines and penalties, and may also trigger sanctions regulations.

Voluntary Self-Disclosure (VSD) is the process of reporting potential violations of sanctions regulations to regulatory bodies on a voluntary basis. VSDs can help organizations mitigate the impact of potential violations and demonstrate a commitment to compliance.

Deferred Prosecution Agreement (DPA) is a legal agreement between a regulatory body and an organization accused of violating sanctions regulations. Under a DPA, the organization agrees to take certain remedial actions and pay a fine, in exchange for the regulatory body agreeing not to prosecute the organization for the alleged violations.

Non-Proliferation Sanctions are sanctions imposed by the US and other countries to prevent the proliferation of weapons of mass destruction. Non-proliferation sanctions may restrict trade, investment, or financial transactions with entities involved in the production, distribution, or trafficking of weapons of mass destruction.

Magnitsky Act Sanctions are sanctions imposed by the US and other countries to address human rights abuses. Magnitsky Act Sanctions may restrict travel, freeze assets, or impose other restrictions on individuals or entities involved in human rights abuses.

Sectoral Sanctions are sanctions imposed by the US and other countries to restrict economic activity in specific sectors of a targeted country's economy. Sectoral sanctions may restrict trade, investment, or financial transactions with entities involved in specific sectors, such as energy or finance.

Council Regulation (EC) No 2271/96 is a regulation of the European Union that provides for the protection of EU companies and individuals against the effects of the extra-territorial application of certain US sanctions. The regulation allows EU companies and individuals to recover damages resulting from the application of US sanctions, and prohibits EU entities from complying with certain US sanctions.

Comprehensive Sanctions are sanctions imposed by the UN Security Council that restrict economic activity with a targeted country in its entirety. Comprehensive sanctions may restrict trade, investment, or financial transactions with the