

SUPPORTING STATEMENT

Iranian Financial Sanctions Regulations - Report on Closure by U.S. Financial Institutions of Correspondent Accounts and Payable-Through Accounts OMB Control No. 1505-

A. JUSTIFICATION

1. Circumstances and Need

This application is submitted to extend the information collection authority pertaining to the Iranian Financial Sanctions Regulations set forth in 31 C.F.R. Part 561 (“the Regulations”). The Regulations implement, *inter alia*, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (Pub. L. 111-195) (“CISADA”) (22 U.S.C. 8501 *et seq.*) and Section 1245(d) of the National Defense Authorization Act for Fiscal Year 2012 (Pub. L. 112-81) (“NDAA”). Pursuant to CISADA and the NDAA, as implemented by the Regulations, the Office of Foreign Assets Control (“OFAC”) will prohibit or impose strict conditions on the opening and/or maintaining in the United States of a correspondent account or a payable-through account by foreign financial institutions determined to have knowingly engaged in or facilitated certain sanctionable conduct. OFAC will add the names of any foreign financial institutions subject to these sanctions, together with the applicable prohibitions and/or conditions, to the List of Foreign Financial Institutions Subject to Part 561 (the “Part 561 List”).

Section 561.504(b) of the Regulations requires a U.S. financial institution that maintained a correspondent account or a payable-through account for a foreign financial institution for which the maintaining of such an account has been prohibited to file a report with OFAC that provides full details on the closing of each such account within 30 days of the closure of the account. The report must include complete information on all transactions processed or executed in winding down and closing the account. This information is required by OFAC to monitor compliance with regulatory requirements regarding the closure of correspondent accounts and payable-through accounts maintained by a U.S. financial institution for a foreign financial institution when the maintaining of such accounts for a foreign financial institution has been prohibited pursuant to the Regulations.

2. Use of Information Collected

Section 561.504(b) specifies that a U.S. financial institution that maintained a correspondent account or payable-through account for a foreign financial institution listed on the Part 561 List on OFAC’s Web site (www.treasury.gov/ofac) as subject to a prohibition on the maintaining of such accounts must file a report with OFAC that provides full details on the closing of each such account within 30 days of the closure of the account. This collection of information is needed to verify that U.S. financial institutions are complying with prohibitions on maintaining correspondent accounts or payable-through accounts for foreign financial institutions on the Part 561 List. The reports will be reviewed by the U.S. Department of the Treasury and may be used for compliance, civil penalty, and enforcement purposes by the agency.

3. Use of Technology to Reduce Burden

OFAC anticipates that the information will generally be reported by letter. However, as a general matter, information collected from U.S. financial institutions is increasingly submitted by automated, electronic, and computerized means. U.S. financial institutions may elect to submit the information by email.

4. Efforts to Identify Duplication

The information collection is not duplicative within the meaning of the Paperwork Reduction Act and Office of Management and Budget regulations. The information that OFAC requires pertains to accounts at U.S. financial institutions and is not available other than through a specific report. Each individual report is based upon a new, one-time action to close one or more correspondent accounts or payable-through accounts. Thus, there is no duplication of records.

5. Minimizing the Burden on Small Business

There is no undue burden on small business. OFAC does not anticipate that any U.S. financial institution required to report under the Regulations would be considered a small business or other small entity, as correspondent accounts tend to be maintained by larger financial institutions. However, should a small business or other small entity be required to report, the requirement is not expected to be onerous.

6. Consequences of Less Frequent Collections

If the collection is not conducted and the reports not filed, there possibly could be circumvention of sanctions that have been imposed against foreign financial institutions pursuant to CISADA and the NDAA.

Generally, the information could not be collected less frequently unless it was not collected at all. The reports are submitted only when a U.S. financial institution closes one or more correspondent accounts or payable-through accounts. To collect the information less frequently would result in incomplete records of closed correspondent and payable-through accounts, prevent OFAC from tracking and ensuring compliance with the Regulations, and potentially lower the chances of pursuing appropriate potential civil penalty or other enforcement actions.

7. Special Circumstances

Not applicable.

8. Consultation with Persons Outside the Agency

The final rule amending the Regulations to implement the NDAA seeks public comment on the 31 CFR 561.504(b) information collection.

9. Payment or Gift to Respondents

Not applicable.

10. Confidentiality

No assurances of confidentiality are given to persons who furnish information to OFAC unless specifically indicated in advance. It is the policy of OFAC to protect the confidentiality of information in appropriate cases consistent with applicable law pursuant to the exemptions from disclosure provided under the Freedom of Information Act and the Privacy Act.

11. Questions of a Sensitive Nature

No questions of a sensitive nature are involved.

12. Estimates of Annualized Hour Burden and Associated Cost

The likely respondents and recordkeepers affected by the new collection of information in section 561.504(b) are U.S. financial institutions operating correspondent accounts or payable-through accounts for foreign financial institutions. Because this is a new collection of information, OFAC cannot predict the response rate for the section 561.504(b) reporting requirement at this time. For future submissions, OFAC will report retrospectively on the response rate during the previous reporting period.

The estimated average reporting/recordkeeping burden is 2 hours per response.

13. Capital/Start-up and Operation/Maintenance Costs

There are no annualized or start-up costs associated with this collection.

14. Annualized cost to the Federal Government

Not applicable.

15. Reason for Change in Burden

This is a new collection.

16. Publication

Collected information will not be published.

17. Display of Expiration Dates

Not applicable.

18. Exceptions to Certification

Not applicable.