

SUPPORTING STATEMENT
OMB Control No. 1505-0255

Hizballah Financial Sanctions Regulations - Report on Closure by U.S. Financial Institutions of Correspondent Accounts and Payable-Through Accounts

This filing contains the information required by the Office of Management and Budget pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. 3501-3521, and 5 CFR part 1320.

A. Justification.

1. Circumstances and Need

This application is submitted to extend the information collection authority pertaining to the Hizballah Financial Sanctions Regulations set forth in 31 C.F.R. part 566 (the “Regulations”). The Regulations implement certain provisions of the Hizballah International Financing Prevention Act of 2015, Public Law 114-102 (HIFPA). Pursuant to HIFPA, as implemented by the Regulations, the Office of Foreign Assets Control (OFAC) may 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 566 the Hizballah Financial Sanctions Regulations (HFSR) list..

Section 566.504(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 collection of 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 566.504(b) provides that a U.S. financial institution that maintained a correspondent account or payable-through account for a foreign financial institution listed on the HFSR List on OFAC’s website (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, including information

regarding transactions processed or executed in connection with the wind-down or 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 HFSR 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 to ofacreport@treasury.gov.

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 particular 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 HIFPA.

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.

- *Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;*

The Reporting, Procedures and Penalties Regulations, 31 CFR Part 501, require the retention of records for five years from the date of a restricted transaction subject to the provisions of 31 CFR chapter V or from the date that blocked property is unblocked. Under § 501.601, the requirement for five years of record retention beyond a transaction corresponds to the statute of limitations set forth in 28 U.S.C. 2462. Five years is also the record retention period applicable to most other records of the financial institutions subject to this requirement, pursuant to regulations implementing the Bank Secrecy Act. See 31 C.F.R. § 1010.430(d).

- *Requiring respondents to submit proprietary trade secret, or other confidential information unless the bureau can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.*

The information requested may include confidential business information. It is the policy of OFAC to protect the confidentiality of information in appropriate cases pursuant to the exemptions from disclosure provided under the Freedom of Information Act and consistent with the Privacy Act and Trade Secrets Act. See 31 C.F.R. § 501.805 and 31 C.F.R. part 1.

There are no other special circumstances. The collection of information is conducted in a manner consistent with the guidelines in 5 CFR 1320.5.

8. Consultation with Persons Outside the Agency.

A copy of the Federal Register notice of June 9, 2016, soliciting comments can be found at 81 FR 37239. OFAC received no public comments.

9. Payment or Gift.

Respondents receive no payment or gifts for completing or retaining the certifications.

10. Confidentiality.

The information requested may include confidential business information. OFAC will ensure that this information will not be publicly released except to the extent required by law. Information will only be released in accordance with the criteria for disclosure set forth in the Privacy Act, the Freedom of Information Act, and, as applicable, the Trade Secrets Act. See 31 C.F.R. § 501.805 and 31 C.F.R. part 1.

11. Questions of a Sensitive Nature.

The reporting makes no request for Personally Identifiable Information (PII) or sensitive information of this type.

12. Estimates of Annualized Hour Burden and Associated Cost

The likely respondents and recordkeepers affected by the new collection of information in section 566.504(b) are U.S. financial institutions operating correspondent accounts or payable-through accounts for foreign financial institutions. From the date this reporting requirement was added to the Regulations (April 15, 2016) through September 14, 2016, OFAC has placed no names to the HFSR List, therefore, the number of respondents to this collection remains zero. Because this is a new collection of information, OFAC cannot predict the response rate for the section 566.504(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

Not applicable.

16. Publication

Collected information will not be published.

17. Display of Expiration Dates

Not applicable.

18. Exceptions to Certification

Not applicable.