

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 Making the Collection of Information Necessary.

This application is submitted to extend the information collection authority pertaining to the Hizballah Financial Sanctions Regulations (HFSR) set forth in 31 C.F.R. part 566 (the “Regulations”). There are no changes being made to the information collection at this time.

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 or maintaining in the United States of a correspondent account or a payable-through account by foreign financial institutions (FFIs) 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 or conditions, to the List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (CAPTA) List¹ (previously, the HFSR List).

2. Purpose and Use of Information Collected.

Section 566.504(b) of the Regulations provides that a U.S. financial institution that maintained a correspondent account or payable-through account for a FFI whose name is added to the CAPTA 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. The report must include complete information on all transactions processed or executed through the account, including the account outside the United States to which funds remaining in the account were transferred. This collection of information assists in verifying that U.S. financial institutions are complying with prohibitions on maintaining correspondent accounts or payable-through accounts

¹ The CAPTA List, first published on March 14, 2019, is designed to include FFIs subject to correspondent or payable-through account sanctions pursuant to a number of sanctions authorities including the Ukraine Freedom Support Act of 2014, as amended by the Countering America’s Adversaries Through Sanctions Act; the North Korea Sanctions Regulations, 31 C.F.R. part 510; the Iran Freedom and Counter-Proliferation Act of 2012; the Iranian Financial Sanctions Regulations, 31 C.F.R. part 561; the Hizballah Financial Sanctions Regulations, 31 C.F.R. part 566; Executive Order 13846; and Executive Order 13876.

for FFIs subject to such prohibitions pursuant to the Regulations. The reports will be reviewed by the U.S. Department of the Treasury and may be used for compliance and enforcement purposes by the agency.

3. Consideration Given to Information Technology.

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 are encouraged to submit the information by email to OFACReport@treasury.gov.

4. Duplication of Information.

The information collection is not duplicative of information otherwise available to OFAC. 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 for FFIs for which the maintaining of such an account has been prohibited pursuant to the Regulations and which has been named on the CAPTA List. Thus, there is no duplication of records.

5. Minimizing the Burden on Small Entities.

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 Not Conducting Collection.

If the collection is not conducted and the reports not filed, there possibly could be undetected circumvention of sanctions that have been imposed against FFIs pursuant to the Regulations

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 for FFIs for which the maintaining of such an account has been prohibited pursuant to the Regulations and which has been named on the CAPTA List. 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 enforcement actions.

7. Special Circumstances.

- *Requiring respondents to report information to the bureau more often than quarterly.*

The Regulations require that a report must be filed with OFAC within 30 days of the closure of an account, providing full details on the closing of each correspondent account or payable-through account maintained by a U.S. financial institution for a FFI for which the maintaining of such an account has been prohibited pursuant to the Regulations and which has been named on the CAPTA List, maintained on OFAC's website (www.treasury.gov/ofac).

- *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 (RPPR), require the retention of records for five years from the date of a covered transaction subject to the provisions of 31 CFR chapter V or, for blocked property, for the duration that the property is blocked and for five years from the date that the blocked property is unblocked. Under § 501.601 of the RPPR, 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.

- *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.*

It is the policy of OFAC to protect the confidentiality of information as appropriate pursuant to the exemptions from disclosure provided consistent with the Privacy Act (5 U.S.C. § 552A), the Freedom of Information Act (5 U.S.C. §552) and the Trade Secrets Act (18 U.S.C. § 1905). Treasury's FOIA and Privacy Act regulations are at 31 CFR part 1 Subparts A and C, respectively.

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 September 6, 2019, soliciting comments can be found at 84 FR 47070. OFAC received one public comment that was supportive of the information collection.

9. Payment or Gift.

OFAC is not making any payments or gifts.

10. Confidentiality.

The information requested is financial account information needed for enforcement purposes. Information will only be released in accordance with the criteria for disclosure set forth in the Privacy Act, the FOIA, and, as applicable, the Trade Secrets Act. Information about OFAC's privacy practices has been issued under OFAC's Privacy Act System of Records notice (SORN): Treasury/DO .120 – Records Related to Office of Foreign Assets Control Economic Sanctions (75 FR 61853).

11. Questions of a Sensitive Nature.

The reporting makes no request for sensitive information. In addition, a privacy impact assessment (PIA) has been conducted for information collected under this request and a Privacy Act SORN has been issued for this system under DO .120 – Records Related to Office of Foreign Assets Control Economic Sanctions (75 FR 61853).

12. Estimates of Annualized Hour Burden and Associated Cost.

The likely respondents and record-keepers affected by the collection of information in section 566.504(b) are U.S. financial institutions operating correspondent accounts or payable-through accounts for FFIs. Since the date this reporting requirement was added to the HFSR (April 15, 2016) through the current reporting period, OFAC added no names related to the HFSR to the CAPTA List; therefore, the number of respondents to this collection remains zero. For future notices, OFAC will continue to report retrospectively on the number of respondents during the reporting period.

The estimated average reporting/recordkeeping burden is approximately 2 hours per response. To calculate the cost burden, OFAC uses the median wage rate published by the Bureau of Labor and Statistics for compliance officers which, as of October 2019, is \$34.86/hour. OFAC estimates the total cost to be approximately \$69.72. While no responses are expected, an estimate of 1 response (2 hours) is being included to account for the possibility that someone could have to provide a report in the future.

13. Annual Cost to Respondents.

There are no capital/start-up or ongoing operation/maintenance costs associated with this collection.

14. Cost to the Federal Government.

There is no cost to the Federal Government because OFAC is not receiving or processing any reports.

15. Reason for Change in Burden.

There is no change in burden.

16. Tabulation of Results, Schedule and Analysis Plans.

There are no such data or figures given the limited nature of this collection. Collected information will not be published.

17. Display of Expiration Dates.

There are no forms on which to display the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submission.

There are no exceptions to the certification statement.