

Valid from 4 December 2024

# Guideline on the implementation of sanction compliance in connection with OFAC sanctions against Russia

## I Preamble

This guideline is intended to support the member banks of the Liechtenstein Bankers Association in identifying and appropriately mitigating risk exposure against the background of EO 14024 and 14114 (military industrial base), in particular against the background of FMA Communication 2024/2.

## II Background

In response to the Russian Federation's continued use of its military-industrial base to support its aggression against Ukraine, U.S. President Joe Biden issued Executive Order 14114 (hereinafter 'EO 14114') on 22 December 2023. This amends the existing Executive Order 14024 (EO 14024) to the effect that the Office of Foreign Assets Control (hereinafter 'OFAC') can now also sanction foreign financial institutions that carry out significant transactions or provide corresponding services in connection with Russia's military-industrial base.

On 12 June 2024, OFAC published the 'Updated Guidance for Foreign Financial Institutions on OFAC Sanctions Authorities Targeting Support to Russia's Military-Industrial Base' (hereinafter 'Guidance'). The purpose of this Guidance is to inform foreign financial institutions about the risks and requirements associated with transactions that support Russia's military-industrial base. It provides specific guidance to identify and minimise sanctions risks and to ensure that financial institutions do not inadvertently contribute to the circumvention of US sanctions.

OFAC subsumes under the term 'Russian military base' all persons sanctioned under EO 14024 and all persons working in the sanctions-relevant sectors in Russia.

The increased designation risk, i.e. the risk of a separate sanction by OFAC for business relationships or transactions with all SDNs based on EO 14024, is made clear by the addition 'secondary sanctions risk'. Risk mitigation by excluding a US nexus is no longer possible. The importance of risk management regarding the implementation of foreign sanctions and in particular US sanctions is also emphasised by the FMA Liechtenstein in FMA Communication 2024/2. With the adoption of the 'Directive on Due Diligence Obligations of Banks in their Dealings with Foreign Correspondent Banks' on 20 July 2020, member banks have voluntarily and publicly committed to comply with the sanctions and embargo lists issued by OFAC.

With the publication of this guideline, a binding minimum standard has been created at the level of the Liechtenstein Bankers Association to further optimise the banks' risk management and thus protect the reputation of the member banks and the Liechtenstein financial centre as a whole.

### **III Policy on a harmonised approach by member banks to identify and limit risk exposure in connection with EO 14024 and EO 14114**

#### ***a) Scope of application***

All member banks shall review their customer base with regard to EO 14024. It is recommended that at least the following business relationships be included in the review:

- Business relationships with contractual partners, beneficial owners and other parties relevant to the business relationship with domicile and/or nationality Russia/Belarus.
- Business relationships in which, according to the KYC/business profile, the SoW, SoF and/or the active business activity have a connection to Russia
- Business relationships in which transactions from or to Russia/Belarus have taken place since February 2021, i.e. one year before the outbreak of the Ukraine conflict.

#### ***b) Classification of the business relationship***

The member banks assess the business relationships to be reviewed on a case-by-case basis to determine whether a reference point exists within the meaning of the OFAC guidance on EO 14024 and EO 14114.

The following applies as reference:

- business relationships with control by or ownership of SDN;
- active activities (independent or dependent) or participation (direct or indirect) in the sectors in focus<sup>1</sup> in and with Russia;
- the sale, supply or transfer of the goods<sup>1</sup> listed in the annex to a decision to EO 14024 directly or indirectly to Russian importers or companies that ship these goods to Russia.

The following must also be considered:

- relocated business activities/transactions with/in so-called avoidance countries<sup>1</sup> and avoidance matters<sup>1</sup>.

<sup>1</sup> See definition of terms in the glossary in the appendix

***c) Consequence after assessment***

If there is a reference point to OFAC sanctions pursuant to lit. b), the business relationship must generally be terminated. Since 20 July 2020, the LBA has issued binding requirements for dealing with sanctioned persons in the Directive on Due Diligence Obligations of Banks in their Dealings with Foreign Correspondent Banks (see also FMA Communication 2024/02 'Risk management regarding foreign sanctions law').

***d) Ongoing monitoring***

Ongoing monitoring of the customer base and transactions to determine whether they are affected within the meaning of lit. a) and classification in accordance with lit. b).

***e) Dealing with new customers***

The banks undertake to provide onboarding processes that take the above criteria into account before entering into business relationships.

## **IV Enforcement**

The LBV carries out specific checks for the purpose of implementing these guidelines. It reports to the Board of the LBV and has the following final competences and tasks:

- Compliance with this guideline is subject to regular review by the internal audit department of the respective member banks. The member banks are obliged to disclose to the LBA any breaches discovered in the course of this audit, together with the measures defined to ensure compliance with the guidelines.
- The LBA is available to member banks without obligation to answer questions regarding the implementation of this directive and the issuing of internal directives/regulations.

## **V Entry into force**

This guideline shall enter into force for all member banks with immediate effect. The guideline must be implemented analogously by the member banks in the foreign group companies held by them.

Vaduz, 4 December 2024

## Appendix: Sources & Glossary

### **Relevant sources**

- EO 14024; <https://ofac.treasury.gov/media/57936/download?inline>
- EO 14114; <https://ofac.treasury.gov/media/932441/download?inline>
- Guidance OFAC 12.06.2024;  
<https://ofac.treasury.gov/media/932436/download?inline>
- FAQ OFAC in particular those with the relevant sectors;  
<https://ofac.treasury.gov/faqs/1126>

### **Glossary**

- *Goods: according to appendix to EO 14024 (see <https://ofac.treasury.gov/media/932446/download?inline>)*
- *Sectors: e.g. Construction, Manufacturing, Financial Services, Commodities (see [<https://ofac.treasury.gov/faqs/1126>])*
- *Other parties relevant to the business relationship:*  
Individual signatory rights, power of control, etc., for example, a protector can also be relevant, even if it cannot exercise direct control. It must be questioned why the only RU connection is the protector.
- *Bypassing countries: particularly with regard to sanctions against Russia: Belarus, UAE, Turkey, Kazakhstan, Kyrgyzstan, Hong Kong, China, Armenia.*
- *Circumvention issues: z. e.g. gifts to family or close acquaintances, shifts in parallel structures, straw man issues.*