



OFAC Sanctions Compliance Program (SCP)

Last Updated: May 16, 2022

1. Background

The Office of Foreign Assets Control (OFAC) is an enforcement branch of the U.S. Treasury Department tasked with maintenance of the Specially Designated Nationals (SDN) list. The list contains a wide variety of individuals, entities, and vessels that are affiliated with hostile countries, terrorism, money laundering, organized crime, human trafficking, and other similar crimes. Pursuant to federal law, Marchese Ford of Mechanicville is prohibited from doing business with any person or entity on the SDN list. The social and legal consequences of doing business with such an individual or business are extremely severe; OFAC can impose fines and penalties up to \$300,000 per violation (some penalties have exceeded \$50 million) and up to 30 years in prison.

2. Purpose

On May 2, 2019, the U.S. Treasury Department released guidance regarding OFAC compliance and the importance of a Sanctions Compliance Program (SCP). The purpose of the SCP is to conform to that guidance, as well as ensure the following:

- Marchese Ford of Mechanicville has fully assessed the dealer's level of risk based on its customer base and product lines.
- A strong commitment to OFAC compliance.
- OFAC compliance is communicated throughout the organization.
- Authority and accountability for OFAC compliance are clearly defined and enforced.
- Training is appropriate based on the dealer's risk profile.
- OFAC compliance considerations are incorporated into all products and areas of the organization.
- Effective policies for screening transactions and new accounts for Specially Designated Nationals and Blocked Persons (SDNs) and sanctioned countries is in place.
- Problems and potential problems are quickly identified, and management promptly implements meaningful corrective action.

- Mitigate potential fines and penalties associated with doing business with an individual or entity on the Specially Designated Nationals (SDN) list.

3. Risk Assessments & Covered Transactions

OFAC agrees that financial institutions should take a risk-based approach when considering the likelihood that they may encounter OFAC issues. Therefore, Marchese Ford of Mechanicville periodically conducts a risk assessment aimed at identifying the types of transactions that are likely to encounter OFAC issues based on the U.S. Treasury Department's published risk matrix, which is available at the following link:

<https://home.treasury.gov/system/files/126/matrix.pdf>

Below is a chart summarizing the most applicable risks that were taken into consideration when assessing each of Marchese Ford of Mechanicville's transaction types.

Low Risk (OFAC/SDN searches may be unnecessary)	High Risk (OFAC/SDN searches likely necessary)
Well-known repeat customers in a localized domestic environment.	Fluctuating customer base in an international environment.
Uncommonly dealing with nonresident aliens and foreign customers.	Commonly dealing with nonresident aliens and foreign customers.
No overseas affiliate or branch involved in the transactions.	Transactions involve an overseas affiliate or branch.
Purchasing and delivery of products occurs on premises and in-person.	Purchasing or delivering of products occurs remotely or online.
Acceptance or transferring of foreign or international funds is rare or non-existent.	Acceptance or transferring of foreign or international funds is common.
A low or non-existent number of international transactions.	A high number of international transactions.
Cash purchases don't often result in amounts over \$10,000.	Cash purchases often result in amounts over \$10,000.

Based on the results of the most recent risk assessment, it has been determined that this SCP shall apply to the following transaction types:

- Consumer retail installment sales contract and lease agreements
- Vehicle cash transactions
- Commercial retail installment sales contract and lease agreements

4. Internal Controls

For each covered transaction type identified above, an OFAC search must be done on every individual and business entity involved in the transaction, without exception. For example, if an individual is applying for credit under a business name, a search should be performed on both the individual and the name of the business entity.

Whenever a red flag or credit report is obtained on a customer, an OFAC search is generally included as part of that report. However, there are circumstances under which a red flag or credit report is not obtained, for example, transactions where the customer is paying with only cash. Similarly, red flags and credit reports are often not generated on business entities or transactions in parts or services. If you are not authorized or able to run a red flag or credit report on the customer, you must run an OFAC search using the U.S. Treasury Department's Sanctions List Search, which is available at the following link:

<https://sanctionssearch.ofac.treas.gov/>

Only a name is necessary to run the OFAC Search. Note that the tool contains a feature entitled "Minimum Name Score" that functions on a sliding scale, allowing for a user to set a threshold (i.e., a fuzziness rating) for the closeness of any potential match returned as a result of a user's search. This feature enables Sanctions List Search to detect certain misspellings or other incorrectly entered text, and will return near, or proximate, matches, based on the confidence rating set by the user via the slider-bar. You should start by setting the minimum name score to a maximum of 85. DO NOT leave the minimum name score set at the default value of 100.

From time to time, you might encounter individuals or businesses that generate an OFAC "hit". OFAC requires all potential hits be properly cleared in a manner showing that you did your due diligence to ensure the individual or entity is not a true OFAC match. Compare the OFAC hit with all the information you have on the matching name of the credit applicant. If there are a number of similarities or exact matches (e.g., date of birth, nationality, middle name, passport number, aliases, etc.), call the OFAC hotline at 1-800-540-6322 and immediately notify your manager or Sanctions Compliance Officer named below.

5. Sanctions Compliance Officer

Any questions or concerns regarding this SCP should be directed to the Sanctions Compliance Officer. The current Sanctions Compliance Officer as of the date this document was last revised is:

- John Byrne / Comptroller / jbyrne@marcheseford.com

6. Auditing

Marchese Ford of Mechanicville shall periodically audit compliance with the policies and procedures of this SCP, including, but not limited to, (1) ensuring OFAC SDN searches are performed on all individuals and entities associated with a covered transaction and (2) that all OFAC hits are cleared in a timely and appropriate manner.

7. Employee Training Requirements

All Marchese Ford of Mechanicville employees who carry OFAC compliance responsibilities (e.g., those responsible for running OFAC searches) in the regular course of their employment are required to complete a comprehensive, online OFAC Compliance training course. The course covers the following topics:

- A brief overview on OFAC and the Specially Designated Nationals (SDN) list;
- Ensuring transactions are conducted in accordance with OFAC regulations;
- Fines and penalties for non-compliance;
- Running OFAC searches for different transaction types; and
- Procedures for clearing OFAC hits.

The OFAC training course provides step by step instructions on how to satisfy OFAC requirements across different transactions. Upon successful completion of the training course, employees will have an opportunity to review this policy. In the event any new areas of liability are identified in the annual risk assessment, the training course will be updated, as necessary, to reflect any changes in policies or procedures.

8. Enforcement

Violations of this SCP may result in disciplinary action, up to and including termination, in accordance with Marchese Ford of Mechanicville's human resources policies.

9. Effective Date & Approval of SCP

This SCP is effective as of May 16, 2022.