**Background Note on Global Economic Sanctions and Procedural Guidance**

1. **Background: Global Economic Sanctions**

UNDP is not subject to any national economic sanction regime, however UNDP’s banking partners are and they have responsibility to enforce all relevant economic sanctions regulations issued by their regulators.  Financial institutions that provide banking services to UNDP are not protected by the UN’s Privileges and Immunities. UNDP’s disbursing banks in the U.S. are required to comply with all sanctions laws and regulations administered and enforced by the [*Office of Foreign Assets Control (OFAC)*](https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx) an office of the U.S. Department of the Treasury. In addition to U.S. sanctions, our bankers also have to comply with the economic sanctions laws and regulations of the countries in which they operate. These sanctions regimes include but are not limited to:

* The European Union maintains its sanctions, or “restrictive measures”, to meet the objectives of the [*Common Foreign and Security Policy*](https://eeas.europa.eu/topics/common-foreign-security-policy-cfsp_en). These sanctions policies are governed by [*European Commission’s Service for Foreign Policy Instruments (FPI).*](http://ec.europa.eu/dgs/fpi/what-we-do/sanctions_en.htm)
* In the U.K., Her Majesty’s Treasury[*Office of Financial Sanctions Implementation (OFSI)*](https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation) maintains an international financial sanctions regime which is inclusive of both U.N. and E.U. sanctions and restrictive measures.

NOTE: It is important to distinguish national sanction regimes mentioned above from U.N. sanctions, to which UNDP itself is fully subject. Measures linked to sanctions are imposed by the United Nations Security Council, as these apply to all U.N. member states. [*Sanctions Committees*](https://www.un.org/sc/suborg/en/sanctions/information) are established as Security Council subsidiary bodies for the performance of its functions. Please note UNDP’s established procedure of [Vendor Sanctions](https://popp.undp.org/node/11746) is different from economic sanctions.

1. **Banks’ Approach to Compliance**

In order to comply with all applicable economic sanctions, banks monitor all incoming and outgoing transactions for potential sanction concerns. Transactions identified as a potential sanctions concern after scanning are manually reviewed by specially trained personnel. Some transactions may be held for further investigation and UNDP will be asked to provide additional information to prove that the transactions are not in violation of respective sanctions regulations. Some complex cases may take several days or weeks to complete the review process. Depending on the outcome of the review a bank may reject/refuse to process any payment. Banks may also block (freeze) the full value of a payment when found subject to the specific sanctions regulation.

1. **Procedural Guidance**

UNDP must facilitate each bank’s exercise of its obligations by providing full, accurate and complete information about a payment and the beneficiary. This information may be captured at different stages of procurement or accounts payable processes, but in all cases, the preparer must capture full and complete information. Obtaining additional information once a payment has a potential sanction match may take time. It is possible to minimize such processing delays by including full and complete information with the payment instruction.

* 1. Avoid using acronyms or abbreviations which reduce transparency and require the bank to request clarification.
  2. Where applicable, include citations of sanctions, regulatory exemptions or license authorizations. It is possible to minimize the processing delays by including the applicable sanctions regulatory exemption or license authorization in the payment instructions if a payment is licensed. Please contact Treasury, HQ to obtain necessary details of such licenses.
  3. Payment to an individual - retain and disclose account number, full legal name, country of residency, duty station if applicable, purpose of payment, date of birth, profession and national identity number.
  4. Payment to businesses – retain and disclose full legal name, physical address, country of headquarters, purpose of payment and any other unique identifier as it relates to the entity.
  5. Payments involving shipping vessels – retain and disclose the vessel’s International Maritime Organization (IMO) number.
  6. Retain and provide when requested – copy of individual’s passport, contracts, and other information that is relevant to the payment.
  7. UNDP must transparently disclose and provide full information and all supporting documents that may be requested by the bank as expeditiously and completely as possible.

Additional considerations

* 1. Payments involving multiple banks – each financial institution has its own sanction regime and review system. A payment released by the disbursing bank could be subject to sanction review and held for further investigation by the intermediary bank involved in that payment channel. UNDP can be contacted by each bank separately to provide additional information to comply with their sanctions requirements.
  2. Pre-approval of payments – Banks do not provide pre-approvals or pre-screening prior to a transaction being processed. If there is the likelihood that a payment might be subject to a sanction review, it is possible to furnish additional information to the disbursing bank through Treasury ([payment.inquiries@undp.org](mailto:payment.inquiries@undp.org)) as soon as the pay cycle has been run.
  3. Specially Designated Nationals & Blocked Persons list (SDN list) – The SDN list that is issued by OFAC is not comprehensive. It is not uncommon for U.S. banks to investigate a payment that involve parties not explicitly identified on the SDN list.

1. **Modification or removal of payment information is not permitted**

Modification or omission of any relevant information in supplier/vendor records that populate payment instructions (especially full address and country) is not an acceptable practice. The action will be considered as intending to circumvent banks’ sanctions compliance controls, for which UNDP has zero tolerance.

* 1. Offices must not initiate an alternate or duplicate payment when a payment is held and being reviewed for sanctions matching.
  2. No payment which has been previously reviewed for sanctions concern (and possibly rejected by the bank) should be reprocessed by modifying or removing sensitive information (e.g., payee’s name, address, country, purpose of payment or other relevant information).
  3. Important information of a payee, such as nationality, address, account number, name, and purpose of payment must not be intentionally modified or removed from a supplier/vendor profile and payment instruction.

1. **UNDP contact for further information**

Treasury Division in HQ, NY is the primary contact on all national sanctions related queries. Treasury is the only focal point to issue guidance to UNDP offices and to communicate with the banks on all sanctions related issues. Please contact Payment Inquiries [payment.inquiries@undp.org](mailto:payment.inquiries@undp.org) or Treasury Cash Management through UNall portal for questions.