New OFAC Guidelines: Implications for Global Corporates

March 2025

Executive Summary

In March 2025, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) released a comprehensive update to its compliance and enforcement guidelines. These updates reflect an evolving global sanctions environment, characterized by increased regulatory coordination, the rise of digital financial instruments, and heightened geopolitical tensions. This report presents a detailed legal analysis of the revised OFAC framework and its implications for multinational enterprises, with reference to recent enforcement actions, judicial precedents, and best practices for risk mitigation.

I. Overview of the Revised OFAC Guidelines (March 2025)

The revised guidelines expand OFAC's compliance expectations and enforcement posture in five key areas:

- Enhanced Focus on Supply Chain Due Diligence: Firms are now expected to identify and mitigate exposure not only in direct dealings but across all tiers of their supply and distribution networks.
- Extraterritorial Reach and Secondary Sanctions: OFAC reaffirmed its willingness to apply secondary sanctions against non-U.S. persons dealing with sanctioned jurisdictions or entities.
- Digital Asset Enforcement: Specific provisions address compliance expectations for virtual asset service providers (VASPs), including decentralized finance (DeFi) platforms and crypto custodians.
- Risk-Based Compliance Program (RBCP) Mandate: Emphasis on tailoring sanctions compliance programs to geographic footprint, sector, and customer risk profiles.
- Voluntary Self-Disclosure Incentives: Greater clarity on penalty mitigation benefits in cases of voluntary disclosure, cooperation, and remediation.

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II. Jurisdictional Basis and Legal Authority

OFAC derives its powers primarily under:

- **International Emergency Economic Powers Act (IEEPA), 50 U.S.C. § 1701 et seq.**
- **Trading with the Enemy Act (TWEA), 50 U.S.C. App. § 5**
- **Magnitsky Act, Global Magnitsky Human Rights Accountability Act (Pub. L. No. 114-328)**
- **Various Executive Orders (e.g., EO 13848, EO 14024)**

These authorities empower OFAC to block assets, prohibit transactions, and impose civil penalties, with extraterritorial effects under certain circumstances.

III. Case Studies and Precedents

A. BNP Paribas S.A. (2014)

- **Penalty:** $8.9 billion
- **Summary:** French bank fined for clearing transactions through U.S. financial system on behalf of sanctioned Sudanese, Iranian, and Cuban entities.
- **Significance:** Established OFAC's willingness to penalize foreign financial institutions using U.S. correspondent banking networks.

B. ZTE Corporation (2017–2018)

- **Penalty:** $1.4 billion
- **Summary:** Chinese telecom firm penalized for selling U.S.-origin goods to Iran and North Korea in violation of export controls.
- **Significance:** Demonstrated the intersection of OFAC sanctions and export control enforcement.

C. Toll Holdings Ltd. (2022)

- **Penalty:** $6.1 million
- **Summary:** Australian logistics company penalized for dealings with sanctioned entities through indirect subsidiaries.
- **Significance:** Highlighted due diligence failures across supply chains.

D. BitGo, Inc. (2020)

- **Penalty:** $98,830
- **Summary:** Crypto wallet service provider penalized for processing transactions from sanctioned jurisdictions without geolocation screening.
- **Significance:** Precedent for enforcement against digital asset service providers.

E. BNY Mellon (2025)

- **Penalty:** $680 million
- **Summary:** Sanctions compliance failures in Russian sovereign debt transactions, including misclassification and delayed reporting.
- **Significance:** Latest enforcement under revised guidelines, showing renewed focus on financial services sector.

IV. Key Compliance Themes and Legal Risks

A. Extraterritorial Liability and Parent-Subsidiary Structures

- OFAC has held U.S. parent companies liable for violations committed by foreign subsidiaries where operational control or directive capacity is established.
- *Reference: Epsilon Electronics Inc. v. U.S. Department of the Treasury, 857 F.3d 913 (D.C. Cir. 2017).*

B. Digital Asset Exposure

- Digital transactions often escape traditional compliance surveillance.
- Risk areas include peer-to-peer exchanges, mixers/tumblers, and smart contracts.
- Firms must employ wallet screening and blockchain forensics (e.g., Chainalysis).

C. Deemed Exports and Personnel Controls

- Employing nationals from sanctioned countries in sensitive roles may violate deemed export provisions.
- *Reference: In re Control Components Inc., BIS administrative proceeding (2009).*

D. Humanitarian Carve-Outs

- Despite available licenses for food, medicine, and humanitarian aid, recent guidance emphasizes narrow interpretation and strict documentation.
- Firms must coordinate with legal counsel on General and Specific License applicability.

V. Enforcement Trends and Multilateral Coordination

- **U.S.-EU-UK Task Forces:** Increased cooperation on enforcement investigations, including data sharing and simultaneous penalties.
- **AML-Sanctions Convergence:** Convergence of anti-money laundering (AML) and sanctions controls in the compliance regime.
- **Proliferation Financing:** New focus on export finance used to support WMD programs.

VI. Strategic Recommendations for Global Corporates

1. **Implement Dynamic Risk Matrices**
    - Incorporate sectoral sanctions, geographic risk, and transactional volume into automated scoring models.
2. **Integrate Legal and Compliance Operations**
    - Ensure cross-functional communication between general counsel, compliance, trade, and finance functions.
3. **Deploy Advanced Screening and Analytics**
    - Use AI and multilingual fuzzy matching to screen customers, vendors, and transactions.
4. **Conduct Periodic Sanctions Audits**
    - Engage third-party auditors to review internal compliance programs and test controls.

5. **Train, Document, and Certify**
    - Annual training, policy attestation, and certification of compliance personnel are essential for penalty mitigation.

VII. Conclusion

The March 2025 OFAC guideline updates mark a paradigm shift in U.S. sanctions enforcement strategy. The evolving legal standards, technological requirements, and international coordination mechanisms require corporate actors to treat sanctions compliance as a board-level priority. Legal departments must ensure ongoing alignment between policy developments and internal controls, supported by documented due diligence, real-time transaction monitoring, and cross-border compliance capabilities.

End of Report