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STRATEGIC INTELLIGENCE ON ATLANTIC COMMERCE

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MEMBER CIRCULATION — NORTH ATLANTIC EXCHANGE

How Sanctions Are Reshaping Atlantic Commerce

*Implications for due diligence, financial controls, and
sovereign risk exposure among Western firms.*

Author: North Atlantic Exchange

Contributors: Benjamin W. Morris, MBA

(Former DHS HSI Special Agent — Global Trade Investigations)

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EXECUTIVE SUMMARY

The North Atlantic commercial landscape is undergoing a period of profound transformation, driven by escalating sanctions regimes and increasingly stringent regulatory oversight. This communiqué assesses the multifaceted implications of these developments for Western firms operating within and across the Atlantic sphere.

Heightened geopolitical tensions and the weaponization of economic interdependence have resulted in a complex web of sanctions targeting specific jurisdictions, entities, and individuals. These measures, while intended to achieve strategic policy objectives, have inadvertently created significant compliance challenges for businesses, increasing the risk of inadvertent violations and reputational damage.

Furthermore, regulatory bodies on both sides of the Atlantic are intensifying their scrutiny of financial transactions, cross-border investments, and data flows. This trend reflects a broader effort to combat illicit financial activities, enhance transparency, and safeguard national security interests. Consequently, Western firms must adapt their due diligence procedures, financial controls, and risk management frameworks to meet these evolving expectations.

This report highlights key areas of concern, including:

Expanded Sanctions Coverage: The increasing scope and complexity of sanctions regimes require businesses to conduct thorough screening and monitoring of their supply chains, customer base, and financial transactions.

Enhanced Due Diligence Obligations: Regulators are placing greater emphasis on the need for robust due diligence processes to identify and mitigate risks related to money laundering, terrorist financing, and sanctions evasion.

Cross-Border Data Flows: Restrictions on cross-border data transfers and data localization requirements are posing challenges for firms that rely on seamless access to information and data analytics.

Sovereign Risk Exposure: Geopolitical instability and economic volatility are amplifying sovereign risk exposures, necessitating careful assessment of investment decisions and contractual obligations.

Speaking with former Special Agent with the United States Department of Homeland Security (DHS), Benjamin Morris addressed the evolving impact sanctions across the board, saying in part,

“Enhanced due diligence is now essential not only to ensure technical compliance with sanctions regulations, but to prevent sanctioned ultimate beneficial owners and affiliated entities from indirectly accessing capital, goods, or commercial advantage through intermediary structures. Firms operating within Atlantic jurisdictions must assume a continuous obligation to identify, assess, and mitigate beneficial ownership risk across all counterparties and transactional relationships. These evolving risks sometimes require companies to hire additional due-diligence personnel to address the ever-changing compliance burden or modify and enhance their previous due diligence procedures.”

The sanctions and regulatory environment is creating a complex and challenging operating environment for Western firms, and specially for United States based companies. Key commercial impacts include:

Increased Compliance Costs: Enhanced due diligence, continuous monitoring, and reporting requirements have significantly increased compliance costs. Firms must invest in sanctions screening systems, beneficial ownership verification, and dedicated compliance personnel. These obligations impose a disproportionate burden on small and mid-sized enterprises, for whom compliance infrastructure represents a substantial operational expense.

Supply Chain Disruptions: Sanctions and trade restrictions have disrupted established supply chains, forcing firms to identify alternative suppliers and conduct more rigorous counterparty verification. These adjustments have increased procurement costs, extended delivery timelines, and introduced persistent operational inefficiencies.

Reduced Market Access: Sanctions regimes and regulatory barriers have restricted access to certain jurisdictions and commercial sectors. Firms must now reassess geographic exposure, often withdrawing from higher-risk markets and redirecting investment toward jurisdictions with lower regulatory risk.

Reputational Risk: Sanctions violations or regulatory exposure can result in significant reputational harm, loss of financial relationships, and reduced investor confidence. Firms are increasingly expected to proactively identify and mitigate sanctions risk to preserve commercial credibility and financial system access.

The commercial ramifications extend across various sectors:

Financial Services: Banks, correspondent institutions, and payment intermediaries face significantly heightened scrutiny of cross-border transactions, beneficial ownership structures, and indirect financial

Regulatory authorities increasingly expect institutions to identify not only sanctioned parties, but also affiliated entities and intermediaries operating through layered ownership arrangements. This has necessitated expanded investment in transaction monitoring systems, enhanced know-your-customer (KYC) protocols, and continuous beneficial ownership verification. Institutions unable to demonstrate effective controls risk regulatory enforcement, loss of correspondent banking relationships, and exclusion from critical financial networks.

Energy Sector: Sanctions targeting major energy-producing states and affiliated commercial entities have materially disrupted global energy markets. Restrictions on the financing, insurance, transportation, and procurement of sanctioned-origin energy commodities have increased price volatility, altered traditional supply routes, and introduced structural uncertainty into energy procurement strategies. Firms engaged in energy trading, shipping, and infrastructure development must now conduct extensive counterparty and origin verification to mitigate sanctions exposure, increasing operational complexity and transaction costs.

Technology and Advanced Industries: Export controls and sanctions restrictions affecting semiconductors, advanced computing systems, telecommunications infrastructure, and dual-use technologies have imposed significant constraints on technology firms operating internationally. Regulatory regimes increasingly restrict not only direct exports, but also indirect transfers through third-country intermediaries, joint ventures, or foreign subsidiaries. Technology companies must now evaluate end-use, end-user, and jurisdictional risk with far greater precision, while complying with evolving data localization and technology transfer restrictions that affect global research, development, and commercial deployment.

Manufacturing and Industrial Supply Chains: Sanctions enforcement has introduced substantial disruption across manufacturing and industrial supply chains, particularly in sectors dependent on globally integrated component sourcing. Restrictions on sanctioned jurisdictions, intermediaries, and raw material providers have forced firms to restructure procurement networks, identify alternative suppliers, and implement more rigorous supply chain transparency measures. These adjustments have increased production costs, extended delivery timelines, and introduced structural inefficiencies that are likely to persist as sanctions regimes remain in force.

REGULATORY ENVIRONMENT

The regulatory landscape is becoming increasingly complex and demanding. Specifically in four key areas:

Enhanced Enforcement: Regulatory authorities are intensifying their enforcement efforts, imposing significant fines and penalties for non-compliance with sanctions and AML/CTF regulations.

Increased Coordination: International cooperation among regulatory bodies is growing, leading to more coordinated enforcement actions and information sharing.

Focus on Beneficial Ownership: Regulators are placing greater emphasis on identifying the ultimate beneficial owners of companies and assets to combat money laundering and tax evasion.

Expansion of Whistleblower Protections: Whistleblower protection laws are being expanded to encourage individuals to report suspected sanctions violations and other illegal activities.

Regulatory developments to watch regarding due diligence risk exposure include:

Updates to Sanctions Lists: Frequent updates to sanctions lists require firms to continuously monitor and update their screening processes.

Implementation of New AML/CTF Regulations: New AML/CTF regulations are being implemented in various jurisdictions, requiring firms to enhance their compliance programs.

Increased Scrutiny of Cryptocurrency Transactions: Regulators are intensifying their scrutiny of cryptocurrency transactions to combat money laundering and terrorist financing.

Data Protection Laws: Evolving data protection laws, such as the GDPR, are impacting cross-border data flows and requiring firms to implement robust data security measures.

STRATEGIC OUTLOOK

Western firms operating within the Atlantic commercial sphere will need to adopt more structured and proactive approaches to sanctions compliance and regulatory risk management. We are entering a period of sustained regulatory expansion in which sanctions enforcement, financial controls, and transparency requirements are becoming lasting features of the operating environment. For companies, compliance is no longer a discrete legal check; it is a strategic condition that increasingly determines market access, financial connectivity, and counterparty viability.

Organizations that institutionalize proactive compliance frameworks that include enhanced due diligence, continuous monitoring, and disciplined internal governance, will be best positioned to mitigate enforcement exposure and preserve access to critical financial and commercial networks. Effective due diligence now extends well beyond sanctions list screening and more to a structured verification of corporate legitimacy, beneficial ownership and control, jurisdictional and intermediary exposure, and the digital and operational footprint of counterparties.

Sanctions risk is also converging with broader enterprise risk management. Complex ownership structures, layered intermediaries, and global supply chain dependencies can create indirect exposure even where direct prohibitions are not immediately apparent. Firms that map these dependencies, elevate transparency standards across counterparties, and diversify sourcing and routing away from high-risk chokepoints will likely demonstrate greater resilience under tightening controls.

Regulatory expectations across the United States, United Kingdom, and European jurisdictions are expected to continue evolving, with increasing cross-border coordination and heightened emphasis on institutional accountability. Investment in technology-enabled compliance systems—automated screening, transaction monitoring, and ownership verification—will become a baseline capability for internationally engaged firms. However, these automated features should not eliminate the human eye for final vetting.

The Atlantic Communiqué, and through its affiliates, will continue to provide ongoing institutional analysis to support Member awareness of emerging risks and evolving commercial conditions across the transatlantic economic system.