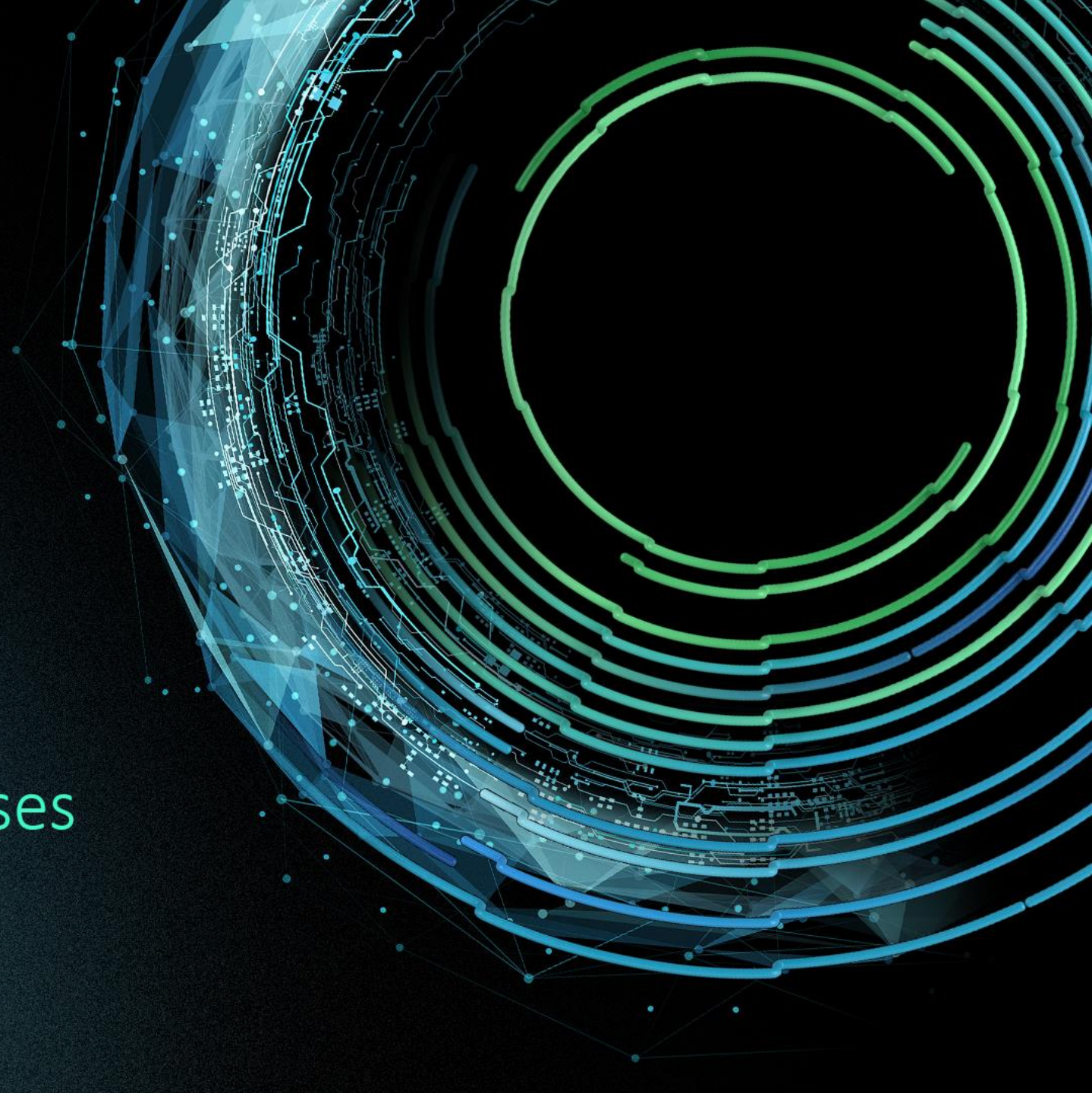




# Paying the price: Why violating OFAC sanctions can be a costly lesson for global businesses

An analysis of OFAC sanctions violations settlements  
1 January 2022 – 30 April 2024







In the face of a rapidly changing geopolitical environment, businesses are experiencing significant challenges remaining compliant with trade and economic sanctions requirements. It's an increasingly complex and rapidly moving area, and changes often become effective immediately.

However, for global businesses, sanctions compliance is not optional and getting it wrong can be a very costly mistake.

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In today's turbulent world, economic sanctions are increasingly used by governments to support their foreign policy goals. Among the key players in enforcing economic sanctions is the Office of Foreign Assets Control (OFAC), a branch of the U.S. Department of the Treasury.

Becoming the subject of enforcement action can be painful, costly, and challenging for any organization as OFAC has both global reach and the authority to impose significant penalties.

At the conclusion of enforcement action, OFAC publishes settlement notices on their [website](#).

These notifications provide an overview of the activities that led to the enforcement action and any aggravating and mitigating factors taken into consideration when the settlement was being calculated. Analyzing these notices could provide valuable insights and lessons for businesses aiming to stay compliant.

Between **January 2022** and **April 2024**, OFAC issued 34 settlement notices for apparent sanctions violations, totaling over **USD 1.6 billion** in penalties. This article examines these settlement notifications to extract lessons for companies working to manage sanctions risk.



## KEY FINDINGS

# 59%

of settlements involved companies operating in the financial services industry

# 30%

of the penalties were attributed to companies providing crypto related services and products

## Financial services and crypto

Our analysis of the 34 settlements since 2022 showed that over half the cases (59%) involved companies operating in the financial services industry, a finding which despite it being a heavily regulated and more compliance-aware sector, underscores its vulnerability to sanctions violations.

Of these cases, around 30% of the penalties were attributed to companies providing crypto-related services and products, highlighting the evolving nature of regulatory challenges.

This trend suggests that traditional financial institutions, as well as innovative digital platforms, will continue to face heightened scrutiny and enforcement actions from OFAC and indicates the critical importance of robust compliance measures and continuous monitoring for organizations operating in these domains. Organizations in both traditional finance and the crypto space must prioritize compliance efforts to mitigate the growing threat of sanctions violations as they strive to meet their regulatory obligations.



## KEY FINDINGS

# 47%

of penalties in the last two years involved organizations that OFAC considered to be commercially sophisticated or mature

## Mature and sophisticated organizations

Almost half (47%) of all penalties in the last two years involved organizations that OFAC considered to be commercially sophisticated or mature. In other words, these are organizations you would expect to have effective robust controls and procedures in place to identify and prevent activities which could lead to potential sanctions violations.

However, the fact they have been the subject of enforcement action suggests either deficiencies in these controls, or challenges in effectively implementing them across complex business operations. This trend underscores the importance of continuous evaluation and enhancement of compliance frameworks, regardless of an organization's size or maturity. It also emphasizes the need for comprehensive training programs and regular reviews to ensure adherence to regulatory requirements to help mitigate the risk of inadvertent violations.

Simply having what is believed to be a robust framework in place isn't enough — you need to consistently evaluate its performance to help ensure it is working effectively and as intended.



## KEY FINDINGS

# 76%

of cases point to a significant aggravating factor: management either had or should have had knowledge of the activity leading to the apparent violation

# Management knowledge

In 76% of cases, a significant aggravating factor was that OFAC had determined that management either had or should have had knowledge of the activity leading to the apparent violation. This finding also includes scenarios where the information or data indicating the issue was available but the potential warning signs were missed leading to two important observations.

Firstly, organizations must instill **a culture of accountability and transparency**, where compliance with sanctions regulations is not only expected but ingrained into every level of the organization's operations and decision-making processes. This includes a fundamental shift in corporate culture towards prioritizing ethical conduct and regulatory compliance and having measures such as an independent whistleblowing mechanism in place together with regular compliance and sanctions training.

Secondly, all organizations should have **data analytical capabilities in place**, so the correct management information is made available to compliance officers and decision makers, and potential warning signs are not missed.

Failure to do so not only expose organizations to significant financial and reputational risk but also undermines wider geo-political efforts to achieve foreign policy objectives through sanctions enforcement.



# Conclusion

Throughout all the enforcement actions during the period 1 January 2022 – 30 April 2024, a significant majority of organizations demonstrated cooperation with OFAC investigations (85%), alongside the implementation of remedial measures (88%) and the enhancement of their sanctions compliance programs to help mitigate future violations.

The emphasis placed by OFAC on these mitigating factors is evident.

From an analysis of these factors, several key lessons emerge:

## Prioritize compliance

It is critical to demonstrate that you are prioritizing compliance. Implementing robust compliance programs tailored to your organization's size and complexity is crucial and was recognized by OFAC as a mitigating factor in 88% of cases since 2022.

However, one size does not fit all in compliance hence programs must be customized to suit the specific needs and challenges of each individual organization. A combination of regularly refreshed training, robust internal controls and risk assessments can help to mitigate the risk of violations.

It is important to note that training programs should not be seen as a one-time event but rather as an ongoing process that evolves alongside regulatory changes, emerging risks, and organizational needs. By investing in comprehensive compliance training, organizations can foster a culture of compliance awareness and accountability, which can help mitigate sanctions risk.

## Be transparent and cooperative when dealing with Regulators

In the event of potential violations, it's evident that proactive engagement with OFAC and addressing issues promptly is crucial in mitigating penalties associated with potential violations. For example, our analysis identified that in 47% of cases, OFAC recognized that self-disclosure of the violation was a mitigating factor and was taken into consideration when determining the value of the penalty.

By voluntarily disclosing violations, organizations signal their willingness to take responsibility for their actions and their appetite to work towards remediation, which can lead to more favorable outcomes in enforcement proceedings.

In addition, self-disclosure can serve as a proactive risk management strategy, allowing organizations to address compliance issues before they escalate into more significant regulatory concerns. By identifying and remediating violations internally, organizations can mitigate reputational damage and operational disruptions associated with enforcement action.



## Learn from the mistakes of others

Make a point of reviewing enforcement actions taken against other entities, particularly those within the same industry or operating in similar jurisdictions. This helps demonstrate the value of proactive risk management and knowledge sharing and could provide valuable insights into potential pitfalls and best practices that are directly applicable to your organization.

Challenge your internal controls by stress testing them with realistic scenarios to ensure they are working as intended. Simulating potential compliance breaches allows organizations to assess the resilience of their controls and identify any weaknesses or gaps that need to be addressed. By subjecting internal controls to rigorous testing, organizations can proactively identify and rectify vulnerabilities before they escalate into actual violations.

## Continuous improvement

Another key lesson derived from our analysis is the importance of demonstrating a commitment to continuous improvement in compliance practices.

Compliance should not be viewed as a static, one-off effort but rather as an ongoing and evolving process. Organizations that prioritize continuous improvement are better equipped to adapt to changing regulatory landscapes and emerging threats effectively. Regular reviews of policies and procedures enable organizations to identify areas for enhancement and ensure alignment with evolving regulatory requirements.

Additionally, staying abreast of regulatory changes and industry best practices not only allows organizations to proactively adjust their compliance strategies, reducing the likelihood of sanctions violations, but also reinforces trust and credibility with stakeholders and regulators.

## Data management and discovery

Our analysis revealed a further significant trend: in 68% of cases, OFAC considered swift, comprehensive, and well-organized responses to data requests as a mitigating factor in penalty determination. This underscores the critical importance of having robust data discovery and management capabilities in place within organizations.

A streamlined process for gathering and organizing relevant information not only demonstrates a commitment to compliance but also expedites investigations and mitigates potential penalties. Moreover, it reflects a proactive approach to compliance, demonstrating a culture of accountability and diligence in meeting regulatory obligations.

By prioritizing data governance and management, organizations can enhance their ability to effectively navigate regulatory challenges and mitigate the impact of potential enforcement actions.





If you need help with any aspect of your sanctions compliance framework, please contact:

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