

8 KEY TAKEAWAYS

Part Two -- 2024 Roundup: Key Takeaways from U.S. Sanctions Enforcement Actions and 2025 Predictions

Throughout 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") published 12 enforcement actions regarding alleged sanctions violations by foreign and domestic persons and entities.

In a two-part series, Kilpatrick's [Mauricio Escobar](#) provides some notable takeaways from those enforcement actions including perspectives on what the sanctions enforcement landscape for 2025 and beyond may look like. You can find [part one here](#).

Here is part two, which includes four of the eight key takeaways:

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Voluntarily self-reporting apparent sanctions violations could significantly reduce any monetary penalties. The Swiss-based private banking conglomerate referenced in Takeaway No. 2 voluntarily self-disclosed its alleged sanctions violations. The applicable statutory maximum civil monetary penalty that could have been assessed was over \$276 million. The penalty was reduced to \$3.7 million (1.35% of the statutory maximum), of which \$1 million was suspended pending satisfactory completion of certain compliance commitments. OFAC noted that the bank's conduct was non-egregious, the bank provided substantial cooperation during OFAC's investigation, provided well-organized and timely responses to OFAC's requests for information, and entered into tolling agreements. The Minnesota-based global transportation and logistics company referenced in Takeaway No. 3 also voluntarily self-disclosed its alleged violations of U.S. sanctions. The statutory maximum penalty that could have been assessed for the 82 violations was over \$28 million. Instead, OFAC reduced the penalty to \$257,690 (.9% of the statutory maximum) because it determined that the company voluntarily self-disclosed, the conduct was non-egregious, and the company took prompt remedial measures and cooperated with OFAC.

In December, OFAC announced a settlement with a California-based manufacturer of musical instruments for violations of Iranian sanctions. The manufacturer shipped musical instruments and related accessories to a Dubai-based general trading company, which then shipped the products to Iran. The manufacturer knew its products ultimately reached Iran but mistakenly believed that its indirect exports to Iran did not violate U.S. sanctions. The maximum statutory penalty that could have been imposed for the violations was \$3.3 million. However, the penalty was reduced to \$41,591 (1.25% of the statutory maximum) because OFAC found that the manufacturer voluntarily self-disclosed the alleged violations, and the conduct was non-egregious.

In another enforcement action, a settlement was reached by OFAC with a Delaware-based insurance company for alleged violations of Iranian sanctions for providing insurance policies to entities in the UAE that were owned or controlled by the Iranian government. The maximum statutory penalty that could have been imposed by OFAC was \$858,125,016. The ultimate settlement was for \$178,421 (.02% of the statutory maximum), which accounted for the fact the insurance company had voluntarily self-disclosed the alleged violations, OFAC found the conduct to be non-egregious, and the insurance company implemented enhanced sanctions due diligence measures as well as enhanced training.

Companies of any size operating internationally that do not maintain basic awareness of sanctions and implement appropriate measures to identify and prevent potential violations face U.S. sanctions risks.

The California-based musical instrument manufacturer referenced in Takeaway No. 5 is a small company with fewer than 100 employees and did not have a history of any sanctions-related issues. However, the company did not implement any sanctions and export compliance training. Nonetheless, OFAC found that the manufacturer had a clear understanding that the products were ultimately destined for Iran.

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OFAC will also target individuals outside of the corporate context for sanctions violations. Throughout the year, there were two enforcement actions targeting U.S. individuals. One enforcement action involved a settlement (\$45,179) of potential civil liability for alleged violations of OFAC's Global Magnitsky Sanctions Regulations targeting human rights abuse and corruption. The other involved a settlement (\$1,104,408) of alleged violations of OFAC sanctions on Iran.

Predictions on the 2025 sanctions enforcement landscape.

Investigations into alleged sanctions violations take time. Even with a new administration in place starting in 2025, the sanctions enforcement actions the public will see throughout the first two quarters and even into the third quarter will likely have started in 2024 (or even earlier). This means that the 2025 enforcement actions will have similar trends as those represented in these Takeaways. What happens in the later part of 2025 and beyond depends on various factors, including but not limited to: what happens between Ukraine and Russia (resulting in potential easing of restrictions on trade with Russia and sanctions on Russian banks); whether the administration will continue its economic pressure campaign against Iran; whether the administration will use secondary sanctions as a way to compel countries to align with the US national security priorities; and whether the administration seeks a more diplomatic approach towards trade with China.

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