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5 Facts about

# Sanctions Risk

## 1 Sanctions can be established by numerous authorities.

Some of the most common sanctions authorities include:

- UN Security Council sets sanctions for implementation by individual member states.
- The EU sets sanctions autonomously according to broad foreign policy objectives. EU member states can also implement sanctions individually through national legislation.
- The UK typically implements sanctions in accordance with UN and EU sanctions, but the UK Parliament may implement its own sanctions as well.
- US sanctions are set by multiple legal authorities—from executive orders from the President to sanctions rules and regulations set by the Secretary of the Treasury (Office of Foreign Assets Control).

With a clear trend of enforcement actions against organizations outside the traditional banking and financial services focus, any company conducting business across borders—whether through a subsidiary or via an extensive supply chain or third-party network—needs to have a rigorous sanctions risk mitigation strategy and process in place.

## 2 Specific activities can be targeted by sanctions to address humanitarian, national security or foreign policy concerns.

- Counter Narcotics Trafficking
- Counter Terrorism
- Cyber Crime
- Foreign Interference in Elections
- Human Rights Abuses
- Non-Proliferation of WMDs
- Rough Diamond Trade Controls
- Transnational Criminal Organizations

## 3 No organization is immune to sanctions compliance risk.

Financial institutions are a traditional focal point for regulatory authorities, however complex, global supply chains and business expansion into new markets increase sanctions compliance risk exposure. In addition to banking and financial services, sanctions compliance risk impacts manufacturing, medical, extractives, shipping, telecom, technology, transportation and utilities indusries.

## 4 Virtual currencies face vigorous scrutiny moving forward.

While not quite mainstream, use of cryptocurrencies is quickly gaining traction—and the attention of regulators. Why? The anonymity afforded by many cryptocurrencies makes it a prime candidate for criminal uses, including sanctions avoidance.

# 5 Understanding beneficial ownership is crucial for sanctions compliance.

OFAC's guidance specifies that even if an entity isn't listed as SDNs, it will be considered a sanctioned party if one or more listed SDNs own a 50% or greater share in the entity.

This means organizations should undertake additional due diligence to identify beneficial owners of the companies they do business with, particularly if they are in countries with heightened sanctions risk.

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