

# Optimize OFAC compliance and keep pace with changing market dynamics

Key considerations to achieve a risk-responsive sanctions compliance strategy

### Shifting market conditions increase your exposure to sanctions and compliance risks



### The rapid expansion of

digital commerce
accelerates
transaction speed
and drives
globalization of
commerce



#### Decentralized, cross-border commerce

demands more resources to effectively manage risks



### Overlapping regulatory expectations and

multiple sanctions regimes are complex to navigate



#### Expectations for faster, nearfrictionless transactions

create operational pressure to compress onboarding times and conversion rates



Virtual assets provide pseudoanonymity and are difficult to linearly tie-back to an individual or

entity

## Bad actors and organizations capitalize on these same conditions to facilitate sanctions evasion, financial crimes and fraud



Financial criminals leverage digital commerce and virtual assets to hide behind faceless transactions



Cross-border transactions provide a proxy route to mask criminal activities, sanctions evasion and money laundering



Bad actors avoid detection by utilizing mule accounts, virtual private network (VPN) and proxies

### The intersection of the digital and traditional economies is a key focus for investigation

Regulatory oversight and policy have expanded to encompass the digital space and virtual assets. The transition point where virtual currency moves into the traditional financial system is an area for heightened regulatory scrutiny.



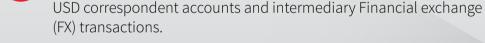
**Financial Action Task Force's** (FATF) Interpretative Note on Recommendation 15 formalizes regulatory expectations for virtual asset service providers.



**The Office of Foreign Assets Controls** (OFAC) has significantly expanded oversight into digital commerce and virtual currencies.



**Recent OFAC enforcements** encompass a broad definition of the U.S. financial system, including USD and non-USD transactions,





OFAC is also reviewing organizations that **conduct business** with a person or sanctioned territory utilizing a U.S.-based server or U.S.-origin software. This means it is crucial to understand how transactions are processed.



# Sanctions risk is everywhere. The optimal response is a robust and risk-responsive compliance strategy.

A proactive, risk-based compliance strategy combines dynamic, digital identity intelligence with extensive sanctions and enforcements coverage. Capture a near real-time view of an individual or entity with a due diligence approach that includes these essentials:



picture of an identity by combining physical and digital intelligence

Digital identity insights on

deliver a unified and transparent

**Up-front screening protocols** that



transaction behavior, device and location information

Current coverage of worldwide

sanctions lists including OFAC,



European Union (EU), United Nations (UN) and Her Majesty Treasury (HMT)



includes family members and associates of sanctioned entities, branches and operational units of sanctioned banks and entities owned or controlled by sanctioned subjects

Agility to tailor risk assessments to

**Deeper sanctions intelligence** that



adjust to reflect emerging threats and market changes

Repeated periodic monitoring of the

meet specific thresholds and readily



relationship

account across the lifecycle of the

# and the Asia Pacific Region? The situation between mainland China and Hong Kong remains fluid. As the climate around compliance and sanctions evolves, it is important to pay close attention to changing regulatory

Keeping up with sanctions changes in Hong Kong

requirements that include

Recent announcements from the Section 7031(c) of the FY 2019



Mainland China

Section 7 of the Hong Kong Human
Rights and Democracy Act of 2019

**U.S. government** regarding the imposition of sanctions against

individuals in Hong Kong and



International Emergency Economic Powers Act (IEEPA)

**Global Magnitsky Sanctions** 



Operations, and Related Programs
Appropriations Act (US-travel ban)

Hong Kong Autonomy Act

Regulatory requirements from the

**Department of State**, Foreign



Commission (SFC) and Hong Kong Monetary Authority (HKMA)

Monetary Authority of Singapore (MAS),

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prioritizes business growth while helping your business proactively avoid sanctions risk.

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