

# OFAC Sanctions, Explained

## A Plain-Language Guide to How U.S. Sanctions Work

For people who encounter sanctions at work and need to understand them — no prior experience assumed

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If your job touches payments, trade, onboarding, shipping, or compliance, sooner or later you will run into OFAC sanctions. This guide explains what they are, why they exist, and what to actually check — in plain English, with every technical term defined the first time it appears.

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*Burnin', Briefly: Hot Takes from Mr. Sanctions*

This guide is general information, not legal advice. For decisions about real transactions, consult the official OFAC sources cited here and, where needed, qualified counsel.

## Contents

## What Sanctions Are and Why They Exist

Economic sanctions are restrictions the U.S. government places on doing business with certain countries, organizations, and people. They are a foreign-policy and national-security tool: instead of military force, the government uses access to the U.S. economy and the U.S. dollar as leverage — cutting targets off from money, markets, and the financial system to change their behavior.

In the United States, most sanctions are administered by the **Office of Foreign Assets Control** — OFAC — part of the U.S. Department of the Treasury. OFAC runs dozens of separate sanctions "programs," each aimed at a different problem: Russia's war in Ukraine, Iran's nuclear and missile activity, drug trafficking, terrorism, human-rights abuses, and more. The [OFAC](#) website is the authoritative source for all of them.

Here is the part that surprises newcomers: the rules are different in every program, and the penalties do not require that you *meant* to break them. You can violate U.S. sanctions completely by accident and still be liable. That is why understanding the basics — and knowing what to check before money or goods move — matters for anyone whose work touches international transactions.

### THE THREE THINGS TO TAKE AWAY

- Sanctions restrict who you (or your company) can do business with, and the rules vary by program.
- You generally cannot fix a violation after the fact by saying you did not know — prevention is everything.
- Checking a name against a list is necessary but never enough; ownership, location, and status all matter too.

## Essential Concepts: The Vocabulary You Need First

A handful of terms come up constantly. Learn these and most sanctions conversations become readable.

### Blocking (also called an asset freeze)

Freezing someone's money or property. When a person is "blocked," anyone in the U.S. (or any U.S. person anywhere) who holds their property must freeze it in place — it cannot be paid out, moved, or returned — and must report it to OFAC. The money is not taken by the government; it is locked.

### U.S. person

The category of people and companies that must obey U.S. sanctions: U.S. citizens and green-card holders anywhere in the world, companies formed in the U.S. (including their foreign branches), and anyone physically inside the United States.

### SDN List (Specially Designated Nationals and Blocked Persons List)

OFAC's main blacklist. If a person or company is on the SDN List, U.S. persons generally cannot do business with them and must freeze their property. You can search it for free with OFAC's [Sanctions List Search](#) tool.

### Consolidated (Non-SDN) List

A separate set of lists for people who face narrower restrictions but are not fully blocked. A match here usually means "you can deal with them, but not in these specific ways" — not a complete freeze.

### The 50% Rule

A trap for the unwary: if one or more blocked persons together own 50% or more of a company, that company is automatically blocked too — even though its name is nowhere on any list. You have to look at who owns the company, not just whether the company is listed.

## General license

A standing, pre-approved permission slip. OFAC issues general licenses to allow a whole category of otherwise-prohibited transactions for anyone who meets the stated conditions. You do not apply — if your situation fits the conditions exactly, you may proceed.

## Specific license

A custom permission slip. If no general license covers what you want to do, you apply to OFAC for a one-off authorization for your particular transaction. OFAC may say yes or no.

## Secondary sanctions

A threat aimed at non-U.S. companies. Rather than directly banning a foreign company's conduct, secondary sanctions warn that if it does certain business with sanctioned targets, it could lose access to the U.S. market or banking system. This is why banks all over the world screen against OFAC's lists even when no American is involved.

## Comprehensive vs. selective programs

A comprehensive program (like Cuba, Iran, or North Korea) bans almost all business with an entire country. A selective program (like most of the Russia or counter-narcotics measures) targets only specific named people and companies. Knowing which kind you are dealing with changes everything about what you must check.

## Where the Rules Come From (and Why It Matters to You)

You do not need to be a lawyer to follow sanctions, but it helps to know that the rules stack up in layers, because that tells you where to look when something is unclear.

At the top is a **law passed by Congress**. The most important one is the [International Emergency Economic Powers Act](#) (IEEPA), which lets the President respond to a serious foreign threat by restricting transactions and freezing property. A few older programs — Cuba especially — instead rest on the [Trading with the Enemy Act](#). These emergencies are declared and renewed each year under the [National Emergencies Act](#).

Below the law, the **President issues an Executive order** that names the threat and spells out who can be targeted and why. OFAC then writes detailed **regulations** (published in Title 31 of the Code of Federal Regulations) and issues the day-to-day instruments: additions to the lists, general licenses, and FAQs. One rulebook, [31 CFR Part 501](#), applies across all programs and covers the practical mechanics — recordkeeping, reporting, licensing procedures, and how penalties are decided.

### KEY COMPLIANCE TAKEAWAY

When a program's own rules do not answer your question, the answer is usually in the Executive order or law above it, or in the cross-program rulebook (Part 501) — not in another program's rules.

## What Sanctions Actually Stop You From Doing

Not all programs work the same way. They fall into a few recognizable types, and spotting the type is the first thing to do.

### Freezing property: the core tool

Most programs work by **blocking** — freezing the property of targeted people. If your company holds money or goods in which a blocked person has an interest, you must freeze it and report it, not return it.

### WATCH OUT — "FREEZE" AND "REFUSE" ARE NOT THE SAME

There are two different correct responses, and picking the wrong one is itself a violation. If a blocked person has

an interest in the funds, you must **block** them — freeze and hold the money, then report it. If a transaction is simply not allowed but no blocked person's property is involved, you usually **reject** it — refuse to process it and send it back. Real-world example: a bank that returns money it should have frozen has just committed a separate violation. When in doubt, hold the transaction and ask before doing either. [\(FAQ #127\)](#)

## Why some whole countries are off-limits

A few programs are *comprehensive* — they ban nearly all business with an entire country and its government (Cuba, Iran, North Korea, and certain regions of Ukraine). In these, it does not matter that a particular customer is not on any list: the country itself is the target, so checking names alone will miss the problem entirely.

## Why a clean name-check can still be dangerous

Most programs are *selective* — they target specific listed people and companies. But "selective" does not mean "list-checking is enough," because of the 50% Rule (next section) and because some people are blocked by their status (for example, most Cuban nationals) without ever being listed by name.

## Restrictions that stop short of a full freeze

Some sanctions only ban *certain* dealings — say, lending new money to a named company or buying its new shares — while leaving ordinary business permitted. These are easy to get wrong precisely because the company is not fully blocked, so people assume everything is fine.

## Why foreign companies care: secondary sanctions

Secondary sanctions let the U.S. pressure *non-U.S.* companies by threatening their access to the U.S. market if they do certain business with sanctioned targets. There is usually no "small enough to ignore" threshold here.

### WATCH OUT — THERE IS OFTEN NO "TOO SMALL TO MATTER"

With secondary sanctions, a small transaction is not automatically safe. The test is frequently whether a transaction is "significant," judged case by case, with no published dollar cutoff and no pre-approved general license to fall back on. Assuming a minor deal is harmless is a common and expensive mistake. (Note: a non-U.S. person generally is not penalized for doing something a U.S. person could do without a license [\(FAQ #7\)](#).)

### KEY COMPLIANCE TAKEAWAY

Before looking at any transaction, ask: is this a whole-country ban or a named-target program, a full freeze or a narrow restriction, and does it reach foreign companies through secondary sanctions? Those answers decide what you must do.

## Reading OFAC's Lists Without Getting Burned

OFAC keeps several lists, and they do not all mean the same thing. A match on one list can mean "freeze everything"; a match on another can mean "just avoid these specific dealings." OFAC's free [Sanctions List Search](#) tool checks the main lists at once and tells you which list a name is on [\(FAQ #369\)](#).

If your match is on...	It generally means...	What you do
<b>The SDN List</b>	The person is fully blocked.	Freeze any of their property you hold and report it; do not do business with them.
<b>The Consolidated (Non-SDN) List</b>	They face a narrower, specific restriction — not a full freeze.	Avoid only the specific prohibited dealings; ordinary business may still

If your match is on...	It generally means...	What you do
		be allowed. Check the program.
<b>No list at all</b> (but 50%+ owned by blocked persons)	They are blocked anyway, by the 50% Rule.	Treat them as fully blocked even though their name is not listed.
<b>No list at all</b> (status-based, e.g., Cuban nationals)	They may be blocked by status under a comprehensive program.	Check the program's rules — a clean name-check does not clear them.

**WATCH OUT — "NO MATCHES FOUND" DOES NOT MEAN "ALL CLEAR"**

Plenty of blocked parties never appear on a list by name: companies owned 50%+ by blocked persons, blocked governments, and most Cuban nationals. A screen that comes back clean still leaves you responsible for checking ownership and status. The list is a floor, not a ceiling.

## The 50% Rule: The Most Important Thing Not Written on Any List

This rule causes more accidental violations than almost anything else, so it is worth getting right. Under OFAC's [official guidance](#), if blocked persons own 50% or more of a company — added up together, directly or through other companies — that company is **automatically blocked**, even though it is not on the SDN List.

### You add up all the blocked owners

Suppose Blocked Person X owns 25% of a company and Blocked Person Y owns another 25%. Individually neither hits 50% — but together they do, so the company is blocked ([FAQ #399](#)). And you combine owners even if they are blocked under *different* sanctions programs.

### You follow ownership through layers

Ownership can hide behind shell companies. If a blocked person owns a company that owns another company, you trace the chain down: each company that is 50%+ owned by blocked persons is itself blocked ([FAQ #401](#)). You have to find the real owners at the bottom.

#### WATCH OUT — 49% PLUS CONTROL IS NOT A LOOPHOLE

The 50% Rule is strictly about **ownership** percentages. A company that is controlled by blocked persons but owned just under 50% is not automatically blocked *by this rule* — but that is not a green light. OFAC warns that it may target such companies at any time, and several programs (Cuba, Iran, North Korea, Syria, Venezuela) block companies based on **control or status** under separate rules. A 49%-blocked, blocked-controlled company is a high-risk relationship, not a safe one.

#### KEY COMPLIANCE TAKEAWAY

Always check who owns your counterparty, not just whether the counterparty is listed; a company that is half-owned by blocked persons is blocked even when its name appears nowhere.

## When You're Allowed to Proceed: Permissions and Exceptions

Because the bans are broad, the system has three ways to lawfully do something that would otherwise be prohibited. Knowing which one applies tells you whether you can act on your own, must ask OFAC first, or cannot act at all.

## Exceptions written into the law

Some activities are carved out by the statute itself — notably personal communications, sharing information and informational materials (like news and books), and ordinary travel-related transactions. Because Congress wrote these in, OFAC cannot remove them by regulation. They apply to most (but not all) programs.

## General licenses: permission you already have

A **general license** is OFAC's way of pre-authorizing a whole category of transactions. You do not apply — if your facts fit every condition, you may proceed ([FAQ #7](#)). The catch: you must meet *all* the conditions, and a general license from one program does not authorize anything in another program.

## Specific licenses: asking OFAC directly

If no general license covers you, you can apply for a **specific license** — a custom authorization for your particular transaction — through OFAC's [License Application Page](#). OFAC decides case by case ([FAQ #74](#)).

### GOOD TO KNOW — DON'T APPLY IF A GENERAL LICENSE ALREADY COVERS YOU

OFAC will not issue a specific license for something a general license already permits. If a general license fits your facts, just rely on it (and keep records showing you met its conditions) instead of applying ([FAQ #751](#)).

## What This Means for Your Organization

How sanctions apply depends on who you are. Here is the practical breakdown.

### If you are a U.S. person or U.S. company

- You must comply fully — freeze blocked property, avoid prohibited transactions, and report as required.
- You are responsible for your foreign branches, and you can be liable if you cause or "facilitate" a violation through an overseas affiliate.
- Payments cleared in U.S. dollars usually pass through a U.S. bank — which means a transaction you thought was purely foreign can still pull in U.S. sanctions.

### If you are a non-U.S. person or company

- U.S. primary sanctions do not bind you directly, but secondary sanctions can still threaten your access to the U.S. market and dollar system.
- If you touch the U.S. financial system — for example by clearing dollars — you can come within U.S. jurisdiction for that transaction.

### For everyone

1. Identify all the parties, countries, goods, and routes in a transaction.
2. Figure out which program(s) might apply and whether they are comprehensive or selective.
3. Screen the names against OFAC's lists — and then check ownership (the 50% Rule) and status.
4. If there is a sanctions connection, decide whether to freeze or refuse — and look for an exception or license.
5. Keep records (OFAC requires five years) and report when required.
6. When anything is unclear, stop and escalate before money or goods move.

### THE PAYOFF OF A REAL COMPLIANCE PROGRAM

OFAC publishes a [Framework for OFAC Compliance Commitments](#) describing the five things it expects in a sanctions compliance program: management commitment, risk assessment, internal controls, testing and auditing, and training. You are not legally required to follow it — but if a violation ever happens, having had a genuine, well-documented program is exactly what persuades OFAC to go easier on you.

#### KEY COMPLIANCE TAKEAWAY

Build the habit of checking parties, program type, lists, ownership, and licenses on every cross-border transaction — and write down what you did, because that record is your best protection if something slips through.

## What Happens If You Get It Wrong

Two facts shape every enforcement outcome, and newcomers are often surprised by both.

First, **you can be liable even if you had no idea**. For civil (non-criminal) penalties, OFAC does not have to prove you meant to break the rules — an honest mistake is still a violation. (Deliberate violations can be prosecuted as crimes.) Penalties can be large and are recalculated for inflation each year.

Second, **what you do before and after matters enormously**. Under OFAC's [Economic Sanctions Enforcement Guidelines](#), OFAC weighs factors like whether the conduct was willful, how sophisticated you are, whether you had a real compliance program, and how you responded. Its options range from doing nothing, to a warning letter, to a monetary penalty, to referring the case for criminal prosecution.

#### GOOD TO KNOW — TELLING OFAC FIRST CAN CUT THE PENALTY ROUGHLY IN HALF

If you discover a violation and report it to OFAC yourself — before OFAC finds out another way, with a complete account — that "voluntary self-disclosure" is a major mitigating factor that, in a non-egregious case, can roughly halve the base penalty. Combined with a real compliance program, prompt self-reporting is the most effective way to limit the damage once a problem is found.

#### WATCH OUT — NEVER HIDE SANCTIONS INFORMATION TO GET A PAYMENT THROUGH

Deleting or altering names and details in a payment so it sails past screening (sometimes called "stripping") is treated as deliberate and is a fast track to the most severe penalties, including criminal referral. If a transaction looks problematic, stop it — do not disguise it.

#### KEY COMPLIANCE TAKEAWAY

Assume you can be penalized for honest mistakes, so invest in preventing them — and if one happens anyway, act on it immediately and consider self-reporting, because that is what turns a disaster into a manageable problem.

## Official Answers to Common Questions

These are OFAC's own answers to the foundational questions, restated in plain language. The bottom line comes first.

#### Q: Can I do something that's normally prohibited?

**Bottom line:** Sometimes — through an exception or a license. [\(OFAC FAQ #7\)](#)

Some activities (personal communications, information, travel-related transactions) are exempt by law. Otherwise, a general license may pre-authorize it if you meet the conditions, or you can apply to OFAC for a specific license. A foreign company generally is not penalized for doing what a U.S. person could do without a license.

**Q: What's the difference between the two kinds of licenses?****Bottom line:** A general license is automatic if you qualify; a specific license is one you apply for. [\(OFAC FAQ #74\)](#)

A general license authorizes a category of transactions for everyone who meets its conditions, with no application. A specific license is issued to a particular applicant for a particular transaction. Either way, you must follow every condition exactly.

**Q: Do I freeze the money, or just refuse the transaction?****Bottom line:** Freeze it if a blocked person has an interest; otherwise refuse and return it. [\(OFAC FAQ #127\)](#)

If a blocked person's property is involved, you must block (freeze and report) it unless a license says otherwise. If the transaction is just prohibited and no blocked property is involved, you generally reject it. Doing the wrong one is itself a violation.

**Q: If two different blocked people each own part of a company, is it blocked?****Bottom line:** Yes, if their combined ownership is 50% or more. [\(OFAC FAQ #399\)](#)

OFAC adds up the stakes of all blocked owners. A 25% stake plus another 25% stake equals 50%, so the company is blocked — and owners blocked under different programs are still added together.

**Q: Should I apply for a license if a general license already covers me?****Bottom line:** No — just rely on the general license. [\(OFAC FAQ #751\)](#)

OFAC will not grant a specific license for something already permitted by a general license. Rely on the general license and keep records showing you met its conditions.

**Q: What if I froze something by mistake?****Bottom line:** You can unfreeze it and file a correction report. [\(OFAC FAQ #1196\)](#)

If you blocked property due to mistaken identity or a typo, you may unblock it and file an unblocking report citing FAQ 1196. But unfreezing property that a blocked person really does have an interest in, without OFAC's permission, can get you penalized — so be sure it truly was an error.

## Where to Find Official Information

When you need the real, current rule, go to the source. These are the official OFAC and U.S. government pages — always check them rather than relying on summaries (including this one) for an actual decision.

If you need...	Go to...
To search the sanctions lists	<a href="#">OFAC Sanctions List Search</a>
To download the list data	<a href="#">Sanctions List Service</a>
The non-SDN lists and what they mean	<a href="#">Additional Sanctions Lists</a>
Everything about a specific program	<a href="#">Sanctions Programs and Country Information</a>
To apply for a license	<a href="#">OFAC License Application Page</a>
Answers to common questions	<a href="#">OFAC Frequently Asked Questions</a>
OFAC's compliance expectations	<a href="#">A Framework for OFAC Compliance Commitments</a>
The 50% Rule, in OFAC's words	<a href="#">Revised Guidance on the 50% Rule</a>
OFAC's home page	<a href="http://ofac.treasury.gov">ofac.treasury.gov</a>

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