

OFAC's SDN List: Scope, Key Sanctions Programs, and Delisting Considerations

Introduction

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") maintains the Specially Designated Nationals and Blocked Persons List (the "SDN List"),^[1] a central tool of U.S. economic sanctions policy. Individuals and entities designated on the SDN List ("SDNs") are subject to significant restrictions, including the blocking of their property within U.S. jurisdictions and a general prohibition on transactions with U.S. persons and entities.

The implications of designation extend beyond listed parties. Companies and individuals that engage in transactions with SDNs—whether directly or indirectly—may themselves face enforcement action or become targets of sanctions. In certain circumstances, non-U.S. persons may also be exposed to so-called "secondary sanctions," which can result in loss of access to the U.S. financial system.

Recent U.S. sanctions activity has focused on a range of geopolitical and transnational threats, including Russia's actions in Ukraine, Iran and Iran-sponsored organizations such as Hizballah (also spelled Hezbollah), and drug trafficking organizations in Latin America. These developments underscore the breadth of U.S. sanctions authorities and the importance of effective compliance measures.

The SDN List: What It Is and Why It Matters

The SDN List is a publicly available list identifying individuals, entities, vessels, and aircraft designated as subject to U.S. sanctions. Designations are made pursuant to statutes and executive orders and are administered by OFAC.

When a party is designated as an SDN:

- All property and interests in property within U.S. jurisdiction must be blocked; and
- U.S. persons (including U.S. companies and their foreign branches) are generally prohibited from engaging in transactions or dealings with the

SDN, subject to limited exceptions (e.g., authorized transactions under OFAC licenses).

In practice, designation often results in the termination of banking relationships, exclusion from the U.S. financial system, and broad commercial isolation. Businesses that transact with SDNs may face significant legal, financial, and reputational risks.

Key U.S. Sanctions Programs

OFAC administers numerous sanctions regimes targeting countries, sectors, and activities. The following are some of the most significant current sanctions programs:

- **Russia-Related Sanctions [2]**
The **Ukraine-/Russia-Related Sanctions Program (31 C.F.R. Part 589)** (implemented through a series of Executive Orders, including E.O. 13660, 13661, 13662, and subsequent orders) targets Russian individuals, financial institutions, and key sectors of the Russian economy in response to Russia's actions in Ukraine.
- **Counterterrorism Sanctions [3]**
The **Global Terrorism Sanctions Regulations (31 C.F.R. Part 594)** and related authorities, including Executive Order 13224 (as amended), target terrorist organizations and those providing them with support. These authorities are frequently used to designate Iran-backed groups such as Hizballah and persons and entities supporting such groups.
- **Iran Sanctions [4]**
The **Iranian Transactions and Sanctions Regulations (31 C.F.R. Part 560)** impose broad restrictions on dealings involving Iran, including its government, financial system, and key industries, as well as Iran-backed groups such as Hizballah.
- **Transnational Criminal Organizations [5]**
The **Transnational Criminal Organizations Sanctions Regulations (31 C.F.R. Part 590)** implement Executive Order 13581 (as amended) and target significant transnational criminal organizations and their networks. These authorities allow OFAC to designate organizations and individuals involved in a range of illicit activities, including organized

crime, corruption, trafficking, and other activities that threaten the stability of international financial systems and governance structures.

- **Counter Narcotics Trafficking Sanctions [6]**
The **Foreign Narcotics Kingpin Sanctions Regulations (31 C.F.R. Part 598)** implement the Foreign Narcotics Kingpin Designation Act and target significant foreign narcotics traffickers and their organizations. These authorities enable OFAC to designate major drug trafficking organizations, their leaders, and associated networks that play a material role in the international narcotics trade.

Removal from the SDN List

Although designation on the SDN List is highly consequential, it is not necessarily permanent. OFAC provides an administrative process through which designated parties may seek removal (commonly referred to as “delisting” or a request for reconsideration).

Importantly, under most of its sanctions programs, OFAC has issued a general license authorizing the provision of certain legal services to SDNs, including representation of SDNs in connection with delisting requests. Thus, U.S. lawyers (who otherwise would be prohibited from engaging in transactions with SDNs) may represent listed entities in connection with delisting requests to OFAC and are authorized to receive payment of professional fees and reimbursement of incurred expenses for the provision of authorized legal services.

Legal Standard

Under **31 C.F.R. § 501.807**, a petitioner may request removal by demonstrating that:

- the designation was based on an insufficient factual or legal basis; or
- the circumstances underlying the designation no longer apply.

Petitioners may present evidence of mistaken identity or of remedial measures taken, such as changes in ownership, management, or business activities. OFAC has emphasized that sanctions are intended, in part, to bring about a “positive change in behavior,” and it evaluates delisting requests on a case-by-case basis.

General Procedure

The delisting process typically involves:

- Submission of a written petition for reconsideration to OFAC;
- Provision of detailed supporting documentation addressing the basis for designation;
- Engagement with OFAC, including responding to requests for additional information; and
- A final determination by OFAC.

Successful petitions generally require a well-supported factual record and a clear explanation addressing the basis for designation. Common grounds for removal include mistaken identity, insufficient evidence supporting designation, or material changes in circumstances.

In practice, the process can be lengthy and fact-intensive. Petitioners often must engage in detailed exchanges with OFAC and may need to demonstrate substantial compliance and remediation efforts.

Conclusion and Best Practices

Given the breadth and evolving nature of U.S. sanctions, companies should maintain robust compliance programs, including screening counterparties against sanctions lists, conducting risk-based due diligence, and monitoring regulatory developments.

For prospective transactions, due diligence should include screening counterparties and, where appropriate, their beneficial owners, control persons, key intermediaries, and payment instructions; reviewing ownership, geographic, and transactional red flags; and escalating potential issues for legal review before transactions are executed and funds, goods, or services are transferred.

A written sanctions compliance program should assign responsibility for sanctions review, establish onboarding and periodic rescreening procedures, document the resolution of potential hits, maintain records of diligence and decisions, provide employee training, and set protocols for blocking, rejecting, or suspending transactions when required.

Companies that engage—directly or indirectly—with SDNs face significant legal, financial, and reputational risks. Proactive compliance and early identification of potential exposure are critical.

Organizations with questions regarding U.S. sanctions compliance, potential exposure, or delisting options should consult experienced U.S. counsel for guidance and assistance.

[1] <https://sanctionssearch.ofac.treas.gov/>

[2] <https://ofac.treasury.gov/sanctions-programs-and-country-information/ukraine-russia-related-sanctions>

[3] <https://ofac.treasury.gov/sanctions-programs-and-country-information/counter-terrorism-sanctions>

[4] <https://ofac.treasury.gov/sanctions-programs-and-country-information/iran-sanctions>

[5] <https://ofac.treasury.gov/sanctions-programs-and-country-information/transnational-criminal-organizations>

[6] <https://ofac.treasury.gov/sanctions-programs-and-country-information/counter-narcotics-trafficking-sanctions>