Sanctions in a Snap:
Developments in Sanctions

Sanctions Update

Hughes Hubbard's "Sanctions in a Snap" is intended to provide a clear and concise summary of recent developments from the Office of Foreign Assets Control (OFAC). We hope you find it helpful in assessing U.S. economic sanctions compliance risk against current U.S. government designation and enforcement priorities.

Highlights from September 2025 include civil monetary penalties against a freight forwarder and a digital asset platform that set forth clear compliance expectations. Companies should also carefully consider the Mexican cartel and fentanyl-related designation actions described below, which portend significant OFAC focus on Rosarito, Mexico, and online pharmacies.

In total, OFAC issued 123 designations and identified four vessels as blocked property in September. Those designations primarily focus on Mexico, Yemen, the United Arab Emirates (UAE) and China.

$1.6M Civil Monetary Penalty Against Freight Forwarder

On Sept. 3, OFAC announced a $1,610,775 settlement with Fracht FWO Inc., a Texas-based freight forwarder, to resolve potential civil liability arising from apparent violations of the Iran, Venezuela, counterproliferation and counterterrorism sanctions programs. According to OFAC, in May 2022 Fracht indirectly contracted with a blocked Venezuelan freight charter that transported goods from Mexico to Argentina onboard a blocked Iranian aircraft crewed by Iranian nationals. Fracht remitted payments of $885,00 and $110,000 to its Mexico-based broker related to those transactions.

OFAC found that the apparent violations were egregious and not voluntarily self-disclosed, because a different U.S. government agency became aware of the violations prior to Fracht's disclosure of the same to OFAC. Based on those findings, OFAC assessed the base penalty equivalent to the statutory maximum of $2,147,700.

OFAC reduced the base penalty because Fracht accelerated the integration of certain significant compliance enhancements immediately upon discovering the apparent violations. Further, the company demonstrated commitment to compliance by increasing its annual compliance budget by more than $1 million. Nonetheless, under the terms of the settlement agreement, Fracht must submit five annual certifications of its ongoing compliance commitments to OFAC.

Root cause of the apparent violations: Circumvention of established compliance procedures and controls in response to business demands.

$750,000 Civil Monetary Penalty Against Digital Assets Platform

On Sept. 22, OFAC announced a $750,000 settlement with ShapeShift AG, a now-defunct Switzerland-incorporated, Colorado-based digital asset platform, to resolve potential civil liability arising from apparent violations of the Cuba, Iran, Sudan and Syria sanctions programs. According to OFAC, between 2016 and 2018, ShapeShift provided thousands of services to individuals based in those then-comprehensively sanctioned countries, with a cumulative transaction value of about $12.6 million.

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OFAC found that the apparent violations were not egregious and not voluntarily self-disclosed. Based on those findings, OFAC assessed the base penalty equivalent to the applicable schedule amount of $39,515,000.

OFAC reduced the base penalty in recognition of the company's nonoperating status, which means it is both unable to pay more and unlikely to engage in subsequent violative transactions.

Root cause of the apparent violations: Lack of risk-based sanctions compliance program and specifically no geo-blocking implementation.

Enhanced Mexico-Related Risks

Companies and financial institutions operating in or trading with Mexico should carefully consider how OFAC statements in two counter-narcotics trafficking designation press releases may fundamentally enhance their sanctions risk exposure.

Rosarito, Mexico

On Sept. 18, OFAC announced Sinaloa cartel-related designations and identified the beachside community of Rosarito, Mexico, as being "controlled" by that cartel. OFAC's finding that the city is controlled by the Sinaloa cartel means that as a matter of law, certain entities associated with the city qualify as agents of the cartel, pursuant to OFAC regulations. Companies and financial institutions should therefore carefully consider how to mitigate the risk arising from their dealings involving the town.

Online Pharmacies

On Sept. 24, OFAC announced fentanyl-related designations against two Indian nationals and an online pharmacy. The press release explains the role of online pharmacies in the illicit fentanyl trade:

> In the last few years, online suppliers of controlled substances, including from India, have contributed to the fentanyl crisis by supplying illicit fentanyl and other synthetic opioids, as well as related precursor chemicals, to the United States. Separately, Mexican cartels acquire precursor chemicals from these online suppliers for use in their clandestine fentanyl laboratories.

All Mexican financial institutions should consider the involvement of online pharmacies to be an indicator of enhanced compliance risk and should implement controls accordingly. Further, Mexican banks and nonbank financial institutions should consider online pharmacies as a "red flag" akin to the other indications of enhanced risk identified in FinCEN's fentanyl advisories. By way of background, the recent FinCEN orders targeting Mexican financial institutions allege that those entities facilitated payments for the procurement of fentanyl precursor chemicals.

Additional Sanctions Actions in September 2025:

In addition to the OFAC enforcement and designation actions summarized above, the U.S. government announced the following in September 2025:

- **Designations** (additions to the Specially Designated Nationals and Consolidated Sanctions Lists):
  - Sept. 2 – A network of shipping companies and vessels led by an Iraqi-Kittitian businessman for allegedly smuggling Iranian oil disguised as Iraqi oil.
  - Sept. 3 – A Chinese chemical company and two Chinese nationals for allegedly manufacturing and selling synthetic opioids and dangerous analgesic chemicals to

Americans. These chemicals are often used as cutting agents and are mixed with synthetic opioids and other illicit drugs.
    - Sept. 4 – Three non-governmental organizations for allegedly having engaged in efforts by the International Criminal Court to investigate, arrest, detain or prosecute Israeli nationals without Israel's consent.
    - Sept. 8 – An alleged network of Southeast Asian cyber scam centers that purportedly stole billions of dollars from Americans.
    - Sept. 11 – 32 individuals and entities allegedly involved in fundraising, smuggling and weapons procurement activities for Ansarallah (the Houthis).
    - Sept. 12 – Two Sudanese individuals for their alleged involvement in the Sudanese civil war and their connections to Iran.
    - Sept. 16 – Two Iranian individuals and an international network based in Hong Kong and the UAE for allegedly coordinating funds transfers for Iran.
    - Sept. 17 – Four Iran-aligned militia groups as Foreign Terrorist Organizations.
    - Sept. 22 – The Lex Instituto de Estudos Juridicos LTDA for its alleged support of Brazilian Supreme Federal Court Justice Alexandre de Moraes. OFAC concurrently sanctioned De Moraes' wife, Viviane Barci de Moraes, for her alleged role as head of the Lex Instituto.
    - Sept. 23 – The State Department designated Barrio 18 as a Foreign Terrorist Organization and a Specially Designated Global Terrorist. Barrio 18 is a large gang active throughout the Western Hemisphere.
    - Sept. 25 – A Burmese and North Korean network for allegedly supporting North Korean weapons programs through the sale of weapons to the Burmese junta.

- Sanctions List Removals:
    - Sept. 3 – OFAC removed sanctions imposed against (1) a Belarusian national previously designated under the Global Magnitsky program and (2) a Libyan national previously designated under the Libyan Sanctions program.

- General Licenses:
    - International Criminal Court-Related General License 10 (Sept. 4), "Authorizing the Wind Down of Transactions Involving Certain Persons Blocked on September 4, 2025."
    - Belarus General License 11 (Sept. 11), "Authorizing Transactions Involving Open Joint Stock Company Belavia Belarusian Airlines."
    - Russia-Related General License 13O (Sept. 29), "Authorizing Certain Administrative Transactions Prohibited by Directive 4 under Executive Order 14024."

- Regulations and Guidance:
    - Sept. 15 – OFAC issued a reminder for holders of blocked property to file 2025 Annual Reports by Sept. 30.
    - Sept. 19 – OFAC published an updated Unblocking/Transfer Report Form to support compliance with reporting requirements.
    - Frequently Asked Questions:
        - Russian Harmful Foreign Activities Sanctions FAQ 999 and FAQ 1118 updated on Sept. 29 to incorporate GL 13O.

- **Sept. 25** – OFAC issued a final rule amending the Syria-Related Sanctions Regulations (31 CFR Part 569), which renames those regulations the Promoting Accountability for Assad and Regional Stabilization Sanctions Regulations and incorporates certain executive orders.

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