

# Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property are Blocked

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The Department of the Treasury's Office of Foreign Assets Control ("OFAC") has issued revised guidance with respect to entities owned 50 percent or more in the aggregate by one or more blocked persons.

OFAC administers and enforces economic sanctions programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers. As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs." Their assets are blocked and U.S. persons are generally prohibited from dealing with them. Individuals and companies may also be blocked pursuant to an Executive Order.

OFAC's original guidance on this issue in 2008 had provided that an individual listed as a blocked person is considered to have an interest in all property and interests in property of an entity in which such individual owns a 50 percent or greater interest. Therefore, if one blocked person owns a 50 percent or greater interest in an entity, the entity itself is considered to be a blocked person as well. The property and interests in property of such an entity are to be blocked regardless of whether the entity itself is listed in an Executive Order or otherwise placed on OFAC's list of SDNs. Consequently, a U.S. person is generally prohibited from engaging in any transactions with such entity, unless specifically authorized by OFAC. The revised guidance has now expanded this to include the interests of more than one blocked person in the aggregate. Thus, if an entity is owned 50 percent or more by one or more blocked persons, whether individually or in the aggregate, directly or indirectly, that entity will now be considered a blocked person and a U.S. entity will be prohibited from engaging in any transactions with such entity, unless specifically authorized by OFAC.

The revised guidance also cautions U.S. persons to take care when considering a transaction with a non-blocked entity in which one or more blocked persons has a significant ownership interest that is less than 50 percent or which one or more blocked persons may control by means other than a majority ownership interest. This is because such entities may be the subject of future designation or enforcement action by OFAC.

OFAC has issued new Frequently Asked Questions pertaining to this revised guidance. The Frequently Asked Questions can be found at <http://www.treasury.gov/resource->

[center/faqs/Sanctions/Pages/ques\\_index.aspx#50\\_percent](#). Additionally, OFAC expects to amend its regulations implementing existing sanctions programs to reflect this guidance.

If you have any questions regarding the revised guidance or OFAC matters in general, please feel free to contact Joseph D. Simon at 516-357-3710 or via email at [jsimon@cullenanddykman.com](mailto:jsimon@cullenanddykman.com), Kevin Patterson at 516-296-9196 or via email at [kpatterson@cullenanddykman.com](mailto:kpatterson@cullenanddykman.com), or Elizabeth A. Murphy at 516-296-9154 or via email at [emurphy@cullenanddykman.com](mailto:emurphy@cullenanddykman.com).

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