



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

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**OFAC Settles with Uphold HQ Inc. for \$72,230.32 Related to Apparent Violations of Multiple Sanctions Programs**

Uphold HQ Inc. (Uphold), a Larkspur, California-based money services business, has agreed to pay \$72,230.32 to settle its potential civil liability for apparent violations of multiple sanctions programs administered by the Office of Foreign Assets Control (OFAC). Between March 2017 and May 2022, Uphold or its affiliates processed 152 transactions totaling \$180,575.80 in apparent violation of OFAC's sanctions against Iran, Cuba, and Venezuela. These apparent violations included processing transactions for customers who self-identified as being located in Iran or Cuba and for employees of the Government of Venezuela (GoV). The settlement amount reflects OFAC's determination that Uphold's apparent violations were non-egregious and voluntarily self-disclosed.

**Description of the Apparent Violations**

Uphold is a global multi-asset digital trading platform founded in 2014 and based in the United States where customers can move, convert, and hold currency (traditional and virtual) or commodities to enable foreign exchange and cross-border remittances. As further described below, Uphold or its affiliates maintained accounts and processed transactions for customers who identified themselves at account onboarding as being: (i) located in either Iran or Cuba or (ii) GoV employees.

*Apparent Violations Related to Iran and Cuba*

Between March 2017 and May 2022, Uphold, or certain of its non-U.S. affiliates, maintained accounts for customers who provided information during the account onboarding process indicating their location in Iran or Cuba. For example, in some cases, while creating an account with Uphold, customers submitted their address location by selecting a non-sanctioned country from a drop-down menu, but also indicated their location in a sanctioned jurisdiction (*i.e.*, Iran or Cuba) in the free text address field, which Uphold did not screen for sanctions compliance. In other cases, customers provided an identification document from a sanctioned jurisdiction, but Uphold did not screen or flag such documentation for sanctions compliance.

As a result, Uphold or its affiliates processed 53 transactions totaling \$22,870.02 for customers who self-identified as being located in Iran and 25 transactions totaling \$142,683.74 for customers who self-identified as being located in Cuba. In addition, Uphold or its affiliates engaged in 16 transactions with an Iranian virtual currency exchange totaling \$13,705.50.

This conduct resulted in 69 apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. §§ 560.204, 560.206, and 560.215; and 25 apparent violations of the Cuban Assets Control Regulations, 31 C.F.R. § 515.201 (together with the apparent violations of

the Venezuela Sanctions Regulations referenced below, the “Apparent Violations”).

### *Apparent Violations Related to Venezuela*

Executive Order (E.O.) 13884, issued on August 5, 2019, blocked the property and interests in property of the GoV, and defined the GoV to include “any political subdivision, agency, or instrumentality” of the GoV, “any person owned or controlled, directly or indirectly” by the GoV, and “any person who has acted or purported to act directly or indirectly for or on behalf of” any such entity.<sup>1</sup>

Between August 9, 2019 and October 19, 2020, Uphold processed 58 transactions totaling \$1,316.54 on behalf of two customers who self-identified in the course of enhanced customer diligence as employees of GoV-owned Petroleos de Venezuela S.A. (PdVSA), in apparent violation of E.O. 13884 and the Venezuela Sanctions Regulations, 31 C.F.R. § 591.201. In the fall of 2021, Uphold began collecting enhanced customer diligence information, which included employment information, from customers who met certain predefined criteria, but did not use this information to ensure compliance with E.O. 13884 until May 2022.

### **Penalty Calculation and General Factors Analysis**

The statutory maximum civil monetary penalty applicable in this matter is \$44,468,494. OFAC determined that the Apparent Violations were voluntarily self-disclosed and were non-egregious. Accordingly, under OFAC’s Economic Sanctions Enforcement Guidelines (Enforcement Guidelines), the base civil monetary penalty amount applicable in this matter equals the sum of one-half of the transaction value for each Apparent Violation, which is \$90,288.90. The settlement amount of \$72,230.32 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be **aggravating factors**:

- (1) Uphold and its affiliates failed to exercise due caution or care when it onboarded or conducted diligence on customers who provided information indicating sanctions risks, such as being located in a sanctioned jurisdiction or being an employee of the GoV, and implemented inadequate screening and other compliance processes to identify, analyze, and address these risks.
- (2) Based on information provided by users to Uphold when opening accounts, Uphold or its affiliates had reason to know it was processing payments on behalf of persons in Iran and Cuba, and employees of the GoV.

OFAC determined the following to be **mitigating factors**:

- (1) OFAC has not issued a Penalty Notice or Finding of Violation to Uphold in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations.

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<sup>1</sup> E.O. 13884 was incorporated into the amended Venezuela Sanctions Regulations (VSR), 31 C.F.R. part 591, on November 22, 2019.

- (2) Uphold cooperated with OFAC’s investigation into the Apparent Violations by responding timely to requests from OFAC, providing well-organized and detailed documentation and spreadsheets, and by entering into a tolling agreement with OFAC.
- (3) Uphold undertook numerous remedial measures in response to the Apparent Violations, including:
  - Suspension of account access to all of the users described above;
  - Implementation of an information technology solution to screen customer information provided in free text fields and identification documents;
  - Weekly quality assurance testing of screening systems;
  - Independent testing of screening systems;
  - Implementation of automatic restrictions applicable to users who attempt to send transfers to beneficiaries in sanctioned jurisdictions;
  - Real-time virtual currency wallet address screening;
  - Additional and enhanced sanctions training to all staff;
  - Increased compliance department resources in line with growth of the business; and
  - Implementation of periodic sanctions risk assessments.

## **Compliance Considerations**

This case underscores the importance of financial institutions—including those that provide services related to virtual and traditional currencies—maintaining robust controls to screen information provided by customers to identify sanctions risks. In particular, information provided by customers during the account opening and diligence processes, such as identification and location information, should be considered for screening. Financial institutions should also consider ways to address the potential for customers to circumvent such screening controls.

With respect to Venezuela-related transactions, OFAC noted in Frequently Asked Question ([FAQ 680](#)) that it expects financial institutions to conduct due diligence on their own direct customers to confirm that those customers are not persons whose property and interests in property are blocked, such as employees of the GoV, including state-owned entities.

## **OFAC Enforcement and Compliance Resources**

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (Framework) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC’s perspective on the essential components of a sanctions compliance program. The Framework also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The Framework includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to:  
<https://home.treasury.gov/policy-issues/office-of-foreign-assets-control-sanctions-programs-and-information>.