



**Enforcement Release: May 1, 2023**

## **OFAC Settles with Poloniex, LLC for \$7,591,630 Related to Apparent Violations of Multiple Sanctions Programs**

Poloniex, LLC, a Delaware company with its principal place of business in Boston, Massachusetts that operated an online trading and settlement platform previously doing business as Poloniex Inc. (hereinafter collectively “Poloniex”) has agreed to remit \$7,591,630 to settle its potential civil liability for 65,942 apparent violations of multiple sanctions programs. Between January 2014 and November 2019, the Poloniex trading platform allowed customers apparently located in sanctioned jurisdictions to engage in online digital asset-related transactions—consisting of trades, deposits, and withdrawals—with a combined value of \$15,335,349, despite having reason to know their location based on both Know Your Customer information and internet protocol address data. The settlement amount reflects OFAC’s determination that Poloniex’s apparent violations were not voluntarily self-disclosed and were not egregious.

### **Description of the Apparent Violations**

Poloniex operations began in January 2014 by offering an online digital assets trading and settlement platform (“Poloniex Trading Platform”) that allowed customers to fund their accounts and conduct trading activity. Sixteen months later, in May 2015, Poloniex implemented a sanctions compliance program, which provided for a review of KYC information for new customers in jurisdictions subject to comprehensive OFAC sanctions; existing customers were not retroactively screened in this manner.

As a result, customers who had self-identified before May 2015 as residing in a sanctioned jurisdiction (*i.e.*, customers who provided an address located within a sanctioned jurisdiction to Poloniex during the KYC process at the time of account opening) were generally able to continue using Poloniex’s platform. Poloniex also began monitoring IP address data in May 2015 to detect logins from sanctioned jurisdictions. Poloniex conducted additional diligence on such logins, including contacting the owner of the relevant account, and closed certain accounts based on that diligence. Poloniex did not begin implementing a block on such IP addresses until June 2017. Poloniex implemented sanctions controls related to customers in the Crimea region of Ukraine only in August 2017.

Although Poloniex made efforts to identify and restrict accounts with a nexus to Iran, Cuba, Sudan, Crimea, and Syria pursuant to its compliance program, certain customers apparently located in these jurisdictions continued to use Poloniex’s platform to engage in online digital asset-related transactions (the “Apparent Violations”).

The controls that Poloniex had introduced by late 2017 began to substantially reduce the rate of additional Apparent Violations. Circle Internet Financial Limited (“Circle”) acquired Poloniex in February 2018 and implemented additional internal sanctions compliance controls that significantly reduced the rate of additional Apparent Violations. While Poloniex continued to develop its internal controls after being acquired by Circle, some Apparent Violations, primarily

related to a small number of accounts opened by persons then located in Crimea, continued in 2018 and 2019. Poloniex operated the Poloniex Trading Platform until it was sold to a third party in November 2019. Poloniex currently has no business operations and no employees.

As a result of its compliance deficiencies, between approximately July 28, 2015 and September 2, 2019, Poloniex processed 65,942 online digital asset-related transactions with a combined value of approximately \$15,335,349 for 232 customers apparently located in sanctioned jurisdictions, predominantly in Crimea, but also in Cuba, Iran, Sudan, and Syria. Specifically, Poloniex engaged in the following Apparent Violations: 57,263 Apparent Violations of section 1(a)(iii) of Executive Order 13685 of December 19, 2014, “Blocking Property of Certain Persons and Prohibiting Certain Transactions with Respect to the Crimea Region of Ukraine”; 3,784 Apparent Violations of the Cuban Assets Control Regulations, 31 C.F.R. § 515.201; 1,466 Apparent Violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. § 560.204; 3,428 Apparent Violations of the now-repealed Sudanese Sanctions Regulations, 31 C.F.R. § 538.205;<sup>1</sup> and one Apparent Violation of the Syrian Sanctions Regulations, 31 C.F.R. § 542.207.

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

The statutory maximum civil monetary penalty applicable in this matter is \$19,692,872,800. OFAC determined that the Apparent Violations were not 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 applicable schedule amount, which in this case is \$99,237,000. The settlement amount of \$7,591,630 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Poloniex failed to exercise due caution or care for its sanctions compliance obligations when it operated with no sanctions compliance program for more than a year (January 2014 to May 2015) after beginning to offer digital asset services worldwide. Even when it implemented a sanctions compliance program, Poloniex did not apply it consistently across sanctioned jurisdictions nor to pre-existing accounts.
- (2) Poloniex had reason to know that the users involved in the Apparent Violations were located in sanctioned jurisdictions based on those users’ physical address data and IP address data.

---

<sup>1</sup> Effective October 12, 2017, pursuant to Executive Order 13761 (as amended by Executive Order 13804), U.S. persons are no longer prohibited from engaging in transactions that were previously prohibited solely under the Sudanese Sanctions Regulations (“SSR”). Consistent with the revocation of these sanctions, OFAC removed the SSR from the Code of Federal Regulations on June 29, 2018. However, the revocation of the SSR does not affect past, present, or future OFAC enforcement investigations or actions related to any apparent violations of the SSR arising from activities that occurred prior to October 12, 2017.

- (3) Poloniex conveyed economic benefit to 232 persons in several jurisdictions subject to OFAC sanctions, and thereby harmed the integrity of multiple OFAC sanctions programs.

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

- (1) Neither Poloniex nor Circle has received a penalty notice or Finding of Violation from OFAC in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations.
- (2) Poloniex was a small start-up at the time of most of the Apparent Violations.
- (3) After Circle acquired the Poloniex Trading Platform in early 2018, and before OFAC began its investigation, Circle implemented its own compliance measures for the Poloniex Trading Platform, which further improved Poloniex's sanctions compliance program. Those measures, in addition to other subsequent remedial measures, included:
  - Freezing users' accounts until KYC verification was completed;
  - Implementing an automated review and verification tool for identity documents;
  - Implementing a protocol that prevented users from activating an account if the profile information matched a sanctioned country;
  - Implementing geolocation restrictions with respect to Syria, Iran, Cuba, Sudan, and North Korea;
  - Closing any accounts that listed "Crimea" in the profile information, and identification and blocking of IP ranges associated with certain internet service providers operating in Crimea;
  - Creating a "Crimea IP blacklist" and "Crimean city/region keywords list" against which all account information was screened; and
  - Enhancing its training program and hiring additional experienced compliance personnel.
- (4) Poloniex and Circle provided substantial cooperation in connection with OFAC's investigation into the Apparent Violations.
- (5) Due to the specific characteristics of how the Poloniex Trading Platform's internal system processed a customer's orders to trade in online digital assets, many individual transactions were for a relatively small amount (including some for less than \$1). Moreover, the volume of Apparent Violations represented a very small percentage of the total volume of transactions on the Poloniex Trading Platform annually.

## Compliance Considerations

This action highlights that online digital asset companies—like all financial service providers—are responsible for ensuring that they do not engage in transactions prohibited by OFAC sanctions, such as providing services to persons in comprehensively sanctioned jurisdictions. To mitigate such risks, online digital asset companies should develop a tailored, risk-based sanctions compliance program.

OFAC's [Sanctions Compliance for the Virtual Currency Industry](#) explains that OFAC strongly encourages a risk-based approach to sanctions compliance. An appropriate compliance program for members of the online digital assets industry will depend on a variety of factors, including the type of business involved, its size and sophistication, products and services offered, customers and counterparties, and geographic locations served. It should be predicated on and incorporate five essential components of compliance: (1) management commitment; (2) risk assessment; (3) internal controls; (4) testing and auditing; and (5) training.

This enforcement action, similar to other recent cases involving online digital asset companies, emphasizes the importance for new companies and those involved in emerging technologies to incorporate sanctions compliance into their business functions at the outset, especially when the companies seek to offer financial services to a global customer base. This case also highlights the importance of using all available location-related information for sanctions compliance purposes and integrating such information into a risk-based sanctions compliance program to mitigate the risk of providing services to persons in sanctioned jurisdictions. Companies implementing new compliance controls should also ensure that they apply those controls not only to new customers, but to existing ones as well.

## 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 [Civil Penalties and Enforcement Information | Office of Foreign Assets Control \(treasury.gov\)](#).

For more information regarding OFAC regulations, please visit: [Home | Office of Foreign](#)

[Assets Control \(treasury.gov\)](https://www.treasury.gov)