



# SANCTIONS ADVISORY

## Guidance on Sham Transactions and Sanctions Evasion

March 31, 2026

The U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) is issuing this advisory<sup>1</sup> to highlight sanctions risks arising from sham transactions used to evade sanctions and to identify factors to consider when evaluating whether property may be the subject of a sham transaction. Sham transactions occur when blocked persons,<sup>2</sup> often operating through proxies or other intermediaries, effectuate transfers or establish arrangements that conceal—rather than genuinely extinguish—a continuing interest in property. In other words, blocked persons give up their property on paper only, in an attempt to evade sanctions, while their interests in property remain unchanged. Because OFAC implements functional definitions of “interest” and “property interest” that look beyond legal formalities to underlying practical and economic realities, sham transactions do not terminate a blocked interest in property.

In previous guidance, OFAC has urged caution when dealing in or processing transactions involving property that may have been the subject of a sham transaction.<sup>3</sup> As with all blocked property, property that is the subject of a sham transaction cannot be transferred or dealt in absent authorization from OFAC. As a form of sanctions evasion, sham transactions undermine U.S. foreign policy and national security while enriching illicit actors and their proxies. OFAC will continue to identify, prevent, and intervene against such conduct, including through enforcement and designation actions.

OFAC has encountered numerous instances where blocked persons have employed opaque legal structures (including trusts), proxies, straw owners, and front businesses, among other mechanisms, to conceal their continuing interest in a variety of types of property, such as investment vehicles, bank accounts, real estate holdings, private jets, yachts, and companies. Examples of sham transactions include:

- A blocked oligarch transferred ownership of his private jet to a trust, whose sole beneficiary was his unsanctioned wife, while the oligarch continued to use the jet for travel.

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1 This advisory is explanatory only and does not have the force of law. It does not modify statutory authorities, Executive orders, or regulations or any legal obligations arising thereunder. It is not intended to be, nor should it be interpreted as, comprehensive or as imposing requirements under U.S. law, or otherwise addressing any requirements under applicable law.

2 OFAC authorities require U.S. persons to block all property and interests in property of certain “blocked persons.” Any property and interests in property of a blocked person that are within the United States or within the possession or control of a U.S. person must be blocked (i.e., “frozen”) and may not be transferred, withdrawn, or otherwise dealt in. For further information on blocking requirements, see [OFAC FAQ 9](#).

3 See [OFAC FAQ 402](#) (referencing OFAC’s [50 Percent Rule](#)). This advisory supplements the 50 Percent Rule by providing factors to consider in conducting due diligence to determine whether any purported divestment in fact occurred and whether a transfer of ownership interests was merely a sham transaction.

- A blocked person transferred millions of dollars of funds into trusts held for his minor children and then attempted to move these funds through U.S. banks.
- A designated narco-trafficker funded a bank account in his wife's name and continued to benefit through his wife's management of the account.
- An investment advisor continued to manage property on behalf of a blocked oligarch through multiple intermediate companies under the oligarch's trust, which was managed by his nephew.
- Following its designation, a company sanctioned for narcotics trafficking was reincorporated under a different name with new nominal owners while continuing the blocked company's operations.

### OFAC Blocking Action Disrupts Sham Trust Structure

In June 2022, OFAC [issued a Notification of Blocked Property to Heritage Trust](#), a Delaware-based trust in which OFAC-designated Russian oligarch Suleiman Kerimov holds a property interest. As OFAC publicly explained at the time, Kerimov used a series of legal structures and front persons to obscure his continuing interest in Heritage Trust, the funds of which first entered the U.S. financial system through two foreign Kerimov-controlled entities prior to his designation. Kerimov and his proxies used various layers of U.S. and non-U.S. shell companies to hold formal title to assets and to conduct transactions in a manner that concealed his ongoing interest.

These examples illustrate just a few of the ever-adapting schemes and typologies blocked persons may employ, and vigilance is warranted whenever dealing in property in which blocked persons may retain an interest. The red flags listed below can indicate that a blocked person may retain an interest in property that has purportedly been transferred to a non-blocked person.

### Red Flags: Indicia of Sham Transactions

The set of factors listed below is not exhaustive, and no factor—alone or in combination with others—is determinative. A functional approach that considers the totality of circumstances is critical when evaluating whether a transaction was a sham.

- ▶ **Commercially unreasonable transactions.** Transfers of property in which a blocked person once held an interest on terms that are not commercially reasonable, lacking adequate consideration, or otherwise not suggestive of an arm's length transaction may indicate that the blocked person still retains an interest in the property. Conversely, evidence that a transaction was between unrelated parties, at fair market value, in a competitive market, would tend to demonstrate that a bona fide transfer occurred.

- ▶ **Transfer to family members or close associates.** Transfers by a blocked person to a family member or close associate can be evidence of a sham transaction. Such family members or close associates may be acting as a proxy, facilitator, money manager, or agent for the blocked person. Similarly, the nature and scope of the relationship between the blocked person and a nominal owner of the transferred property may also be relevant. Formal or informal agreements, agent-principal or other close relationships, and other similar factors may indicate that the nominal owner is not independent from the blocked person and is instead holding property for, or acting on behalf of, the blocked person.
- ▶ **Unclear purpose of transfer.** Transfers lacking apparent business purpose may indicate an attempt to obfuscate a blocked person’s continued interest in property. Likewise, transfers to an individual with little or no relevant experience or expertise with respect to the transferred property may be evidence of a sham transaction.

### **OFAC Intervention to Prevent Payments from a Sham Structure through U.S. Financial Institutions**

In December 2022, the United States [designated Vladimir Potanin](#), one of the wealthiest oligarchs in Russia, under Executive Order (E.O.) 14024. Potanin previously was the ultimate beneficial owner of Cyprus-based Sentimare Enterprises Limited. Potanin transferred ownership of Sentimare to four Liechtenstein-based foundations, each with a single beneficiary of one of Potanin’s four minor children. In June 2024, the United States [designated Sentimare and the four foundations under E.O. 14024](#) for being controlled by Potanin. Prior to these designations, OFAC concluded that Potanin retained an interest in the foundations and prevented the foundations’ funds from being transferred through U.S. financial institutions.

- ▶ **Unduly complex corporate structures involving higher-risk jurisdictions.** The presence of unnecessarily complex legal structures without a discernible legitimate purpose—such as certain multi-layered limited liability companies, partnerships, or trusts—may indicate an effort to conceal an ownership interest. This risk is heightened when holding entities are domiciled in jurisdictions that have little connection to the property they hold, lack robust regulatory and supervisory controls, or offer laws and structures that enable obfuscation in property ownership.
- ▶ **Continued involvement of a blocked person.** Facts or circumstances suggesting a blocked person remains involved in the use, management, or disposition of property—including through proxies or intermediaries—may indicate that the blocked person continues to retain an interest in property. In these situations, where a blocked person previously held an ownership interest in the property, the blocked person may still be behind legal structures designed to conceal their interest.
- ▶ **Transfer near the time of designation.** Transfers completed close in time to a person’s designation may trigger suspicion warranting further analysis, such as when a purported transfer occurs

immediately before or after a designation.<sup>4</sup> For example, shortly before or after being designated by OFAC, blocked drug kingpins have transferred shares in non-U.S. companies to offshore shell companies; such transfers should raise U.S. sanctions compliance concerns.<sup>5</sup>

- ▶ **Evasive responses regarding a blocked person’s involvement.** Evasive or vague responses, or failures to respond to questions from counterparties, key intermediaries, or gatekeepers regarding a blocked person’s involvement in property may be evidence of intent to conceal a continuing interest.

### Trusts and Other Legal Arrangements Merit Caution

Trusts and similar legal arrangements vary significantly depending on the trust’s terms and the laws of the jurisdiction in which the trust is domiciled. Although broadly used for legitimate purposes, trusts have at times been used in sham transactions to obscure links between blocked persons and their interests in property. For example, in December 2025, OFAC [entered into an enforcement settlement agreement with an individual](#) who apparently violated U.S. sanctions while serving as the fiduciary of the family trust of a blocked person. OFAC found that the individual should reasonably have known, based in part on past dealings with the blocked person, that the blocked person used a proxy to retain control over decisions made related to the trust. These factors indicated that the blocked person maintained a property interest in the trust.

## Compliance Considerations

OFAC recognizes that a party seeking to act in compliance with OFAC sanctions may deal in property in which a blocked person previously held an interest but no longer does. OFAC does not seek to disturb legitimate dealings performed in good-faith compliance with OFAC sanctions involving property in which no blocked interest exists.

If persons encounter information indicating that a blocked person previously held an interest in property, OFAC recommends a review of available information to evaluate if any of the above-listed red flags are present. This review may guide analysis to determine if property previously held by blocked persons remains blocked. These red flags are not intended to convey a “one-size-fits-all” approach. Instead, persons evaluating whether property involved in a transaction raises U.S. sanctions concerns can apply these red flags, consistent with a risk-based approach, in situations where information suggests that a blocked person possessed a prior, documented interest in property.

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<sup>4</sup> OFAC does not recognize the unauthorized transfer of a blocked interest where the transferred property is within the United States or within the possession or control of a U.S. person. Such property remains blocked unless and until (1) OFAC authorizes the unblocking of or other dealings in the property, or (2) OFAC delists the blocked person and thus removes the sanctions prohibitions on that person. See [OFAC FAQ 402](#).

<sup>5</sup> See also U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN), [FinCEN Alert FIN-2023-Alert002](#), January 25, 2023 (listing as a red flag potentially indicative of sanctions evasion in the commercial real estate market transfers “to a family member, business associate, or associated trust in close temporal proximity to a legal event such as an arrest or an OFAC designation”).

Where information shows a blocked person retains an interest in property in the United States or within the possession or control of any U.S. person, the property must be blocked and reported to OFAC.<sup>6</sup> If the property is not in the United States and is not within the possession or control of any U.S. person, persons required to comply with U.S. sanctions<sup>7</sup> should refrain from directly or indirectly dealing in the property absent authorization from OFAC.

### **OFAC Civil Monetary Penalty Actions for Prohibited Dealings in Transferred Blocked Property**

In June 2025, OFAC [issued a Penalty Notice imposing a \\$215,988,868 penalty on GVA Capital Ltd.](#), a venture capital firm based in San Francisco, California, for violating OFAC's Ukraine-/Russia-related sanctions and for failing to comply with an OFAC subpoena. Between April 2018 and May 2021, GVA Capital knowingly managed an investment for a sanctioned Russian oligarch while aware of his blocked status. GVA Capital managed these investments by working through the oligarch's nephew, who GVA Capital knew served as a proxy for the blocked oligarch.

Additionally, in December 2025, OFAC [entered into an enforcement settlement agreement with IPI Partners](#), a Chicago-based private equity firm, to settle its potential civil liability for apparent violations of OFAC's Ukraine-/Russia-related sanctions. The apparent violations arose from IPI's solicitation, receipt, and continued maintenance of investments from a sanctioned Russian oligarch for four years. IPI's senior leadership knew that the blocked person was the source of funds and had reason to know at the time the funds were committed that the blocked person ultimately made relevant investment decisions. IPI also had reason to know that it was continuing to deal with the blocked person indirectly, including by dealing with the oligarch's representative in investment-related matters.

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<sup>6</sup> For more information on filing blocked property reports with OFAC, see [OFAC FAQ 49](#) and [OFAC FAQ 50](#).

<sup>7</sup> In addition to U.S. persons, non-U.S. persons may also be subject to certain OFAC sanctions prohibitions. See [OFAC FAQ 11](#); [Tri-Seal Compliance Note: Obligations of foreign-based persons to comply with U.S. sanctions and export control laws](#).

