

US Government Issues Regulations Covering Cybercrime Sanctions

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The federal government has adopted new regulations that allow the Office of Foreign Assets Control (OFAC) to freeze the assets of individuals involved in, or suspected of being involved in, cybercrimes. The [Cyber-Related Sanctions Regulations](#), which were published by OFAC in the *Federal Register*, took effect December 31, 2015. President Barack Obama promised to make cybersecurity a priority, and the regulations implement his [Executive Order 13694](#), issued on April 1, 2015, which declare cybercrime a national emergency. The executive order states that any property or interests in property of a person involved in a cybercrime shall be blocked, and any transaction in violation of the executive order is prohibited.

The regulations prohibit making contributions or provisions of any funds, goods, or services to any person whose property or interests in property has been blocked; receiving any funds, goods, or services from any such person; and engaging in any other transactions that the executive order prohibits. In general, any transfers that violate the regulations' provisions will be considered null and void if made after the effective date (the earlier of the date of actual or constructive notice that an individual's or entity's property and interests in property are blocked).

The regulations instruct any US individual or entity that holds blocked funds to hold or place such funds in a blocked interest-bearing account. Such funds may not be invested in financial instruments with a maturity exceeding 180 days. The expense of maintaining blocked property (subject to certain limited exceptions) is the responsibility of the owner of such blocked property.

The regulations provide certain exceptions to the use of blocked funds. A person whose funds have been frozen may use them for certain legal services and emergency medical services. The frozen assets may also be used to pay normal service charges that the asset owner owes to the account. The regulations also refer to existing regulations, which describe procedures for an individual or entity to follow if it wishes to unblock an account because of mistaken identity or administrative reconsideration.

The regulations were published in an abbreviated form to provide immediate guidance; OFAC intends to publish a more comprehensive set of regulations, which may include additional interpretive and

definitional guidance, at a later point. OFAC maintains a list of persons subject to these sanctions.

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