

New Sanctions Regulations Threaten Foreign Financial Institutions with Severance from the U.S. Financial System

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Last Friday, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) published regulations that implement the Hizballah International Financing Prevention Act of 2015. The listing criteria for these regulations echo those in the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), which was largely responsible for economically isolating Iran. Although frequently mischaracterized as extraterritorial in nature, the prohibitions of secondary sanctions are limited to domestic financial institutions.

The Hizballah Financial Sanctions Regulations, [31 CFR 566](#), prohibit U.S. financial institutions from opening or maintaining certain accounts for foreign financial institutions listed for knowingly providing significant transactions for Hizballah, or any person designated for acting for or on behalf of, or being owned or controlled by that terrorist organization. OFAC identifies Hizballah-related designated persons with the text [“Subject to secondary sanctions pursuant to the Hizballah Financial Sanctions Regulations”] in their respective List of Specially Designated Nationals (SDN List) entries.

In addition to the publication of the regulations, OFAC revised the SDN List entries of 99 individuals and entities to include that descriptive text. A review of the nationalities and locations of these designated parties reveals Hizballah’s global reach, and the resulting risk exposure. To date, OFAC has identified Hizballah connections to the following countries:

- The United States
- Canada
- Venezuela
- Colombia
- Brazil
- Chile
- Paraguay
- Senegal
- The Gambia
- Sierra Leone
- Côte d’Ivoire
- Nigeria
- Lebanon
- Iraq
- Iran
- The United Arab Emirates
- Afghanistan
- Pakistan
- China (including Hong Kong)

- Australia

As noted above, the Hizballah Financial Sanctions Regulations follow the listing criteria set forth in CISADA. However, OFAC will likely use its new authority more liberally than CISADA. The agency will also probably not engage in lengthy outreach with foreign banks as it did prior to using its CISADA authority. Foreign financial institutions should therefore not assume that OFAC will provide opportunities to exit Hizballah accounts prior to being included on the Hizballah Financial Sanctions Regulations List (HFSR List).

We will continue to monitor developments in sanctions targeting Hizballah financing and issue updates as significant events occur.

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