



# Compliance at a Crossroads: OFAC Enforcement Trends, Venezuela Sanctions, and the Growing Importance of Decision-Grade Due Diligence

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Global sanctions compliance continues to evolve at a pace that leaves little room for static compliance programs or superficial screening models. Recent developments discussed by **Javier Coronado, Partner at Diaz Reus International Law Firm, and Juan Carlos Medrano, President of J&A Global Compliance**, reinforce a central reality for organizations operating internationally: sanctions risk management increasingly depends on understanding not only who appears on a list, but also the broader economic reality, transaction structure, ownership chains, and regulatory expectations surrounding a transaction.

From OFAC sanctions evasion alerts to Venezuela-related authorizations and enforcement dynamics, organizations face a more sophisticated regulatory environment—one where compliance failures may arise from incomplete diligence rather than intentional misconduct.

## **Sanctions Compliance Is No Longer a Name-Matching Exercise**

One of the recurring themes in the discussion was a misconception still common across industries: the assumption that sanctions compliance begins and ends with screening counterparties against watchlists.

While screening remains essential, modern enforcement expectations extend well beyond simple name checks.

Recent OFAC guidance and enforcement activity increasingly emphasize the importance of understanding the **underlying economic substance of transactions**,

including beneficial ownership, transactional behavior, intermediary involvement, payment flows, and efforts designed to obscure the true nature of a commercial relationship.

For financial institutions, multinational corporations, logistics providers, commodity traders, and professional service firms, this shift has practical consequences.

The relevant question is no longer merely:

*"Does my counterparty appear on a sanctions list?"*

Instead, organizations must ask:

- Who ultimately owns or controls the parties involved?
- What jurisdictions, sectors, or government actors are implicated?
- Does the transaction structure create indirect sanctions exposure?
- Are there indicators of sanctions evasion risk?
- Can the organization document why its compliance decision was reasonable?

Increasingly, regulators expect companies to answer these questions with evidence—not assumptions.

## **The 50% Rule: Why Beneficial Ownership Still Matters**

Among the most consequential—and frequently misunderstood—features of OFAC compliance is the **50% Rule**.

Organizations sometimes assume that if an entity does not explicitly appear on the **Specially Designated Nationals and Blocked Persons List (SDN List)**, the entity is automatically permissible to engage with.

That assumption can create substantial exposure.

Under OFAC guidance, entities may themselves be considered blocked—even if they do not appear by name on sanctions lists—when they are owned, directly or indirectly, 50 percent or more by one or more blocked persons.

This creates an operational challenge that many organizations underestimate.

Sanctions exposure may emerge through:

- layered corporate structures;
- indirect ownership arrangements;
- nominee shareholders;
- shell entities;

- investment vehicles;
- hidden control mechanisms.

As highlighted during the discussion, compliance teams increasingly need to evaluate **economic reality rather than formal appearances**.

This reinforces the growing importance of robust beneficial ownership analysis, enhanced due diligence procedures, and a compliance framework capable of identifying risks that screening software alone may fail to capture.

## **Venezuela Sanctions: Evolving Authorizations Do Not Equal Broad Relief**

Another key focus of the conversation involved the evolving sanctions landscape related to Venezuela.

Recent regulatory developments—including **General Licenses 46 through 57**, sector-specific authorizations, and public attention surrounding certain delisting developments—have generated market speculation regarding potential openings within the Venezuela sanctions framework.

However, interpreting these developments as broad sanctions relaxation would be a mistake.

The Venezuela program remains highly complex, dynamic, and conditional.

Licenses issued by OFAC should not be understood as dismantling the sanctions regime. Rather, they function as **targeted authorizations within a broader system of prohibitions**.

That distinction matters.

A transaction may appear commercially viable because a license exists somewhere within the regulatory architecture. Yet the practical analysis requires a much narrower question:

### **Does this particular transaction fall squarely within the authorization's scope and conditions?**

In many cases, the answer depends on a detailed review of:

- transaction type;
- participating entities;
- jurisdictional nexus;
- contractual framework;

- payment mechanisms;
- sectoral exposure;
- residual prohibitions.

Organizations operating in energy, banking, commodities, logistics, maritime services, or cross-border trade should therefore resist the temptation to equate licensing activity with generalized permissibility.

## **Licenses Do Not Eliminate Compliance Obligations**

A critical operational point emphasized during the discussion concerns how organizations interpret OFAC licenses.

General licenses often create confusion because they do not require individualized applications or approvals.

Yet the absence of a filing requirement does not eliminate compliance responsibility.

Instead, it shifts the burden onto organizations to determine—accurately and defensibly—whether their conduct satisfies every condition embedded in the authorization.

That distinction becomes particularly important in complex sanctions environments such as Venezuela.

License-based transactions may involve:

- contractual requirements;
- jurisdictional limitations;
- restricted payment channels;
- sectoral limitations;
- prohibited government connections;
- continuing restrictions tied to other sanctioned jurisdictions or activities.

Failure to comply with these conditions can generate consequences extending beyond formal enforcement.

In practice, organizations may encounter:

- blocked payments;
- rejected wire transfers;
- frozen assets;
- disrupted commercial operations;
- heightened banking scrutiny;
- reputational consequences.

Accordingly, disciplined compliance teams increasingly rely on **decision-grade documentation**—records that explain what was reviewed, what risks were identified, what conditions were analyzed, and why a compliance determination was reasonable.

## **Non-U.S. Persons Should Not Assume Immunity**

Another important theme discussed during the program involved the misconception that sanctions obligations concern only companies physically operating within the United States.

Modern OFAC enforcement demonstrates otherwise.

Sanctions risk frequently reaches beyond U.S. borders through multiple jurisdictional touchpoints.

Exposure may arise through:

- transactions denominated in U.S. dollars;
- U.S. correspondent banking systems;
- U.S. financial institutions;
- U.S.-origin goods or services;
- contractual U.S. nexus;
- activities involving persons subject to U.S. jurisdiction.

For non-U.S. companies operating in Latin America, Europe, the Middle East, or Asia, this means sanctions compliance is no longer a specialized U.S. concern—it is a practical international business requirement.

Cross-border organizations increasingly need governance models capable of evaluating how transactions intersect with U.S. sanctions frameworks, even when the core business activity occurs outside the United States.

## **Practical Takeaways for Compliance Teams and Decision Makers**

The discussion ultimately points toward several practical lessons for organizations navigating today's sanctions environment.

First, **screening alone is insufficient**. Effective sanctions compliance requires understanding ownership, control, economic substance, and transactional context.

Second, organizations should approach licenses conservatively. Authorization should never be assumed; it must be verified against the precise terms of the applicable regulatory framework.

Third, sanctions programs—particularly those involving Venezuela—continue to evolve rapidly. Continuous monitoring of licenses, FAQs, enforcement guidance, alerts, and policy developments is essential.

Finally, organizations should invest in **documented, defensible decision-making processes** capable of withstanding scrutiny from regulators, banks, counterparties, and internal governance bodies.

In a sanctions landscape defined by complexity and constant change, compliance maturity increasingly depends not on checking boxes, but on demonstrating informed judgment, disciplined governance, and operational readiness.

Sanctions compliance today sits at the intersection of law, risk management, international policy, and operational decision-making.

The evolving enforcement environment, developments within the Venezuela sanctions program, and OFAC's continued focus on sanctions evasion underscore a broader lesson for organizations operating globally:

**effective compliance is no longer about simply avoiding prohibited names—it is about understanding the full architecture of risk behind a transaction.**

For legal departments, compliance teams, financial institutions, and multinational businesses, that requires a shift toward deeper diligence, stronger governance, and more sophisticated decision frameworks.

Because in today's regulatory environment, the difference between a permissible transaction and a sanctions problem often lies not in intent—but in preparation.