

Emerging Digital Payments Companies Cannot Overlook Sanctions Protocols

OFAC sends clear warning as BitGo settlement announced

Amid the heavy growth of start-ups in the digital payments and currency space, OFAC's (U.S. Treasury's Office of Foreign Assets Control) announced settlement agreement with BitGo, Inc., sends a clear message: a lack of sanctions compliance can be costly.

Recent enforcement actions such as this one for violations of sanctions compliance have shown that companies of all sizes are vulnerable if they do not have a thoughtful, risk-based compliance program.

According to the settlement agreement, BitGo will pay a fine of \$98,830, more than 10 times the transaction value. While not a large sum, fines of even this amount can cut like a knife when it comes to firms just starting out, plus the potential high cost of legal and remediation efforts. According to statute, the civil monetary penalty could have been between \$183,000 and \$53 million.

This is another stark reminder that companies involved in providing digital currency services directly, or as a "white-label" offering to financial institutions, must implement scalable sanctions compliance controls commensurate with their risk profile. They should understand the sanctions risks associated with providing digital currency services and should take steps necessary to mitigate those risks.

IP addresses and other information that can be valuable from a business operations perspective should also be incorporated into and utilized for compliance purposes. It is wise to follow the adage to "trust, but verify" when it comes to the identities of unknown customers and users or those who cannot present themselves in person; even more so when they could be originating internationally.

The major consequences of failing to build a compliance program upfront is that it will take significant remedial measures at great cost in response to apparent violations, not to mention the additional legal, regulatory, and reputation risks.

Our team at Endurance has extensive experience in the areas of payments, fintech, regulatory compliance, and risk management. Our team can help you navigate the complex landscape.

Disclaimer

This presentation is being furnished on a confidential basis to provide preliminary summary information. The information, tools and material (collectively, information) contained herein is not directed to or intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Endurance Advisory Partners, LLC, to any registration or licensing requirement within such jurisdiction.

The information presented herein is provided for informational purposes only and is not to be used or considered as an offer to sell, or buy securities or other financial instruments, or any advice or recommendation with respect to such securities or other financial instruments. The information may not be reproduced in whole or in part or otherwise made available without the prior written consent of Endurance Advisory Partners, LLC. Information and opinions presented have been obtained or derived from sources believed to be reliable, but Endurance Advisory Partners, LLC makes no representation as to their accuracy or completeness. Endurance Advisory Partners, LLC, accepts no liability for any loss arising from the use of the information contained herein.

This information is subject to periodic update and revision. Materials should only be considered current as of the date of the initial publication, without regard to the date on which you may access the information. Endurance Advisory Partners, LLC, maintains the right to delete or modify the information without prior notice.

Under no circumstances and under no theory of law, tort, contract, strict liability or otherwise, shall Endurance Advisory Partners, LLC be liable to anyone for any damages resulting from access or use of, or inability to access or use, this information regardless of whether they are dire, indirect, special, incidental, or consequential damages of any character, including damages for trading losses or lost profits, or for any claim or demand by any third party, even if Endurance Advisory Partners, LLC knew or had reason to know of the possibility of such damages, claim or demand.