

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.

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