

**PENALTIES FOR VIOLATING U.S. TRADE SANCTIONS  
ARE DRAMATICALLY INCREASED**

On October 1, 2007, the Congress passed the International Emergency Economic Powers Enhancement Act (S. 1612), which will dramatically increase civil and criminal penalties for violating any license, order, regulation, or prohibition issued under the International Emergency Economic Powers Act (“IEEPA”). Most U.S. trade sanctions programs, such as the trade embargoes against Iran and Sudan and the prohibitions on dealing with terrorist organizations, are issued under IEEPA and enforced by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”). The bill will now go to the President for his signature, and its enactment will mark another advance in the Bush Administration’s national export enforcement initiative.

The details of the legislation are important. S. 1612 would (1) increase the maximum civil penalty for violating IEEPA-based trade sanctions from \$50,000 to \$250,000, or twice the amount of the transaction that is the basis of the violation, *whichever is greater*; and (2) increase the maximum criminal penalty from \$250,000 to \$1,000,000, and raise the maximum term of imprisonment from ten to 20 years. Moreover, according to the statute, the new civil and criminal penalties would apply to violations on which enforcement action *is pending* or was commenced on or after the date of the measure’s enactment. Thus, these increased penalties could be applied to any OFAC case pending in the Office of Enforcement.

Faced with harsher penalties and greater vigilance on the part of the Administration and Congress to enforce U.S. trade sanctions laws, U.S. multinational businesses should take this opportunity to reassess their compliance programs to ensure that existing compliance measures are adequate to prevent potential OFAC violations and avoid such penalties.

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