



**APRIL 23, 2026**

**CIRCULAR NO. 07/26**

**TO MEMBERS OF THE ASSOCIATION**

**Dear Member:**

**OFAC ISSUES GUIDANCE ON SHAM TRANSACTIONS AND SANCTIONS EVASION**

On March 31, 2026, the US Office of Foreign Assets Control (“OFAC”) published a sanctions advisory titled “Guidance on Sham Transactions and Sanctions Evasion” (the “Advisory”).

The Advisory provides guidance on how to recognize and protect against sham transactions which may represent attempts to evade sanctions. As the Advisory notes, a sham transaction occurs when a sanctioned individual, often operating through proxies or intermediaries, makes transfers or establishes arrangements that conceal, rather than extinguish, a continuing interest in property. These arrangements are intentionally structured to evade US sanctions, and regulators such as OFAC focus on the true economic substance of a transaction rather than just formal legal documentation. As a result, even if ownership is nominally transferred, the asset remains blocked if the sanctioned person retains any interest.

From a legal and compliance perspective, any property of a blocked individual must be frozen and cannot be transferred or used without authorization. Sham transactions are treated as sanctions evasion and can lead to serious consequences, including financial penalties, enforcement actions, and additional designations.

A functional approach that considers the totality of circumstances is critical in evaluating whether a transaction is a sham. Red flags include:

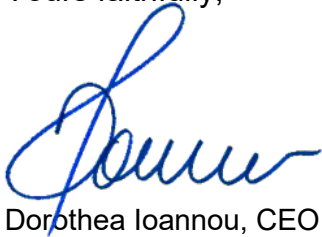
- suspicious deal structures;
- transfers to close associates or family members;
- unduly complex ownership arrangements;
- continued involvement of the blocked person in managing or benefiting from an asset;
- suspicious timing of transfers; and
- evasive or incomplete disclosures about ownership.

The Advisory highlights trusts and similar legal arrangements as potential vehicles for sanctions evasion. While they can serve legitimate purposes, trusts have been used to obscure beneficial ownership or maintain indirect control by blocked parties. OFAC has pursued enforcement where an individual should reasonably have known that a blocked person used a proxy to retain control over decisions concerning a trust. The Advisory also summarizes multiple recent enforcement actions in which OFAC penalized persons for violating Ukraine/Russia-related sanctions by engaging in

transactions which indirectly involved blocked persons who acted through intermediaries to conceal their involvement.

Members are encouraged to review the full Advisory available [here](#). Members are reminded that cover is not available for any trade that breaches applicable sanctions. Members are advised that they should conduct thorough due diligence on the parties, cargoes, vessels, and other service providers that are or may be involved before they engage in any trade with a high sanctions risk. Finally, Members are reminded to keep records of their due diligence investigations and findings.

Yours faithfully,



Dorothea Ioannou, CEO  
Shipowners Claims Bureau, Inc., Managers for  
**THE AMERICAN CLUB**