

American sanctions and their extraterritorial reach

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American sanctions, described above as regards their reach, call for some clarification of their mechanics. The Office of Foreign Assets Control of the US Treasury administers lists and programmes whose primary sanctions apply to US persons and to dollar transactions. The secondary sanctions of these programmes threaten foreign persons who deal with designated targets, exposing them in turn to listing.¹ A Geneva trader or bank with no activity in the United States remains exposed through the dollar, the currency of commodity trading, every payment in which passes through American correspondent banks, and through the risk of designation.

This reach has produced Geneva cases: traders sanctioned by the United States for activities linked to Venezuela, Iran or Russia, banks forced to close relationships in order to preserve their access to the dollar, and disputes between clients and banks over the blocking of transactions that Swiss law did not prohibit.² Sanctions compliance in Geneva is thus doubly determined: by Swiss law, which sets what is prohibited, and by American law, which sets what can be financed in dollars. As Part J recalled, these sources are in English, so that reading them has become a basic skill of compliance teams.

1 Notes

1. Davis Polk, “Russia sanctions update: U.S. expands secondary sanctions regime for foreign financial institutions” (December 2023): Executive Order 14114 of 22 December 2023 authorising OFAC to impose secondary sanctions on foreign financial institutions facilitating transactions for the benefit of Russia’s military-industrial base; “Unlike primary sanctions prohibitions, which apply to conduct by U.S. persons or with a U.S. nexus, the secondary sanctions authorized under EO 14114 may be imposed even when a financial institution acts entirely

outside of U.S. jurisdiction”; possible sanctions ranging from restrictions on US correspondent accounts to full blocking and inclusion on the SDN list. ↩

2. US Treasury, press releases of 18 February 2020 (Rosneft Trading S.A., a company under Swiss law controlled by Rosneft, and its president Didier Casimiro, designated under E.O. 13850 for having brokered the sale and transport of PdVSA Venezuelan crude) and 12 March 2020 (TNK Trading International S.A., another Swiss subsidiary of Rosneft that had taken over the Venezuelan cargoes); Wikipedia (en), art. “2Rivers”: trader founded in 2010 by Tahir Garayev, established in Geneva until 2022 and then in Dubai, which became “the largest trader circumventing Western sanctions on Russian crude”, sanctioned by the United Kingdom on 17 December 2024, OFAC investigation into the price cap reported in October 2024; swissinfo.ch, 16 June 2023 (Paramount SA, Geneva, and Paramount DMCC, Dubai). ↩

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