

OFAC AMENDS REPORTING RULE ON BLOCKED, UNBLOCKED, OR TRANSFERRED BLOCKED PROPERTY

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The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) released an [advance version](#) of its Final Rule on October 7, 2024, amending parts of 31 C.F.R. § 501.603. The Final Rule governs reports on unblocked property. The Final Rule will take effect 30 days after its publication in the Federal Register.

Overview of OFAC's Reporting Requirements

OFAC's reporting regulations, found in 31 C.F.R. §§ 501.101-501.606, apply broadly across its sanctions programs unless specific sanctions program regulations state otherwise. The requirements for reporting blocked, unblocked, and transferred property are set out in 31 C.F.R. § 501.603, and apply to all U.S. natural and legal persons U.S. persons.

Current Reporting Rules for Blocked and Unblocked Property

Under the current rule (31 C.F.R. § 501.603), all U.S. persons must report property that is blocked or unblocked under OFAC regulations. Blocked property includes interests owned by individuals or entities designated as sanctioned persons, or entities owned 50% or more by such persons.

- **Initial Blocking Report:** A U.S. person must file a report with OFAC within 10 days after blocking property. (31 C.F.R. § 501.603(b)(1)(i)).
- **Annual Blocking Report:** U.S. persons must submit an annual report of all blocked property by September 30 each year. (31 C.F.R. § 501.603(b)(2)(1)).
- **Unblocking Reports:** Reports are required when blocked property is unblocked or transferred unless a specific or general license renders additional reporting redundant. (31 C.F.R. § 501.603(b)(3)(i)).

The Final Rule's Changes to Unblocking Reporting

The Final Rule specifically clarifies when reports on unblocked property are not required, updating 31 C.F.R. § 501.603(b). The four instances where unblocking reports will no longer be necessary are as follows:

1. **Authorized Debits for Service Charges:** No unblocking report will be required for "authorized debits to blocked accounts for normal service changes." This provision

maintains the substance of the current regulation, but lists as the first of the four situations in which “[r]eports do not need to be filed under” 31 C.F.R. § 501.603(b).

2. **Transfers Between Blocked Accounts:** Financial institutions will not need to report “[a]uthorized transfers of funds or credit by a financial institution between blocked accounts in its branches or offices.”
3. **Unblocking Under Licenses:** An unblocking report will not be required for “[u]nblocking or transfer of blocked property that is explicitly authorized by a specific or general license, unless the specific or general license includes a condition requiring the submission of a separate unblocking report.” This provision, like the first above, maintains the substance of the current regulation.
4. **Unblocking After Removal from the SDN List:** No unblocking report will be required when property is unblocked due to the removal of a person from OFAC’s Specially Designated Nationals (SDN) list.

OFAC explains that these provisions aim to streamline compliance by clarifying situations in which unblocking reports are unnecessary.

OFAC FAQ 1196: “What should I do if I blocked and reported property in error due to mistaken identity or typographical or similar errors?”

In tandem with the Final Rule, OFAC published new [OFAC FAQ 1196](#), addressing situations in which property is mistakenly blocked due to mistaken identity or typographical or similar errors. OFAC advises that in such cases, an unblocking report should be filed pursuant to 31 C.F.R. § 501.603(b), with a citation to FAQ 1196 to indicate that the property was blocked mistakenly, and not pursuant to a general or specific license.

Conclusion

The Final Rule introduces clarifying changes to reporting requirements applicable to unblocked property. U.S. persons and entities subject to OFAC’s jurisdiction should update their compliance programs accordingly. Importantly, the changes take effect 30 days after the rule is published in the Federal Register, not from the date of the advance release on October 7, 2024.