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Entities Owned by Persons Whose Property and Interest in Property are Blocked (50% Rule)

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These Frequently Asked Questions (FAQs) respond to inquiries received by the Department of the Treasury's Office of Foreign Assets Control (OFAC) relating to the status of entities owned by individuals or entities whose property and interests in property are blocked under Executive orders and regulations administered by OFAC (blocked persons). These FAQs provide additional clarity regarding revised guidance that OFAC issued on August 13, 2014, which can be found on OFAC's website [here](#), amending earlier guidance that had been issued on February 14, 2008 (OFAC's 50 Percent Rule). The revised guidance states that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked regardless of whether such entities appear on OFAC's Specially Designated Nationals and Blocked Persons List (SDN List) or the annex to an Executive order. The revised guidance expands upon the earlier guidance by addressing entities owned 50 percent or more in the aggregate by more than one blocked person.*

For the purposes of clarification, see specific FAQs below. If you require additional guidance with respect to the application of OFAC's 50 Percent Rule, you may contact OFAC and submit information pertaining to the specific facts and circumstances. [10-31-2017]

**OFAC also applies a 50 percent rule to entities on the [Sectoral Sanctions Identifications List \(SSI List\)](#) created in July 2014 in the Ukraine-/Russia-related sanctions context. The property and interests in property of persons on the SSI List (and entities owned 50 percent or more in the aggregate by one or more persons subject to the SSI List restrictions) are not required to be blocked; instead a more limited set of transaction restrictions applies to them. In the context of the SSI List restrictions, therefore, these FAQs can be used to identify which subordinate entities are subject to the SSI List restrictions only and are not meant to suggest that any additional actions (such as blocking) apply to those entities. The references to "33 percent or greater ownership" and "ownership of a majority of the voting interests" in Directive 4, as amended on October 31, 2017, do not change the applicability of OFAC's 50 percent rule in the Directive 4 context. For additional information, see FAQs [373](#), [537](#), and [538](#).*

398. Does OFAC consider entities over which one or more blocked persons exercise control, but do not own 50 percent or more of, to be blocked pursuant to OFAC's 50 Percent Rule?

No. OFAC's 50 Percent Rule speaks only to ownership and not to control. An entity that is controlled (but not owned 50 percent or more) by one or more blocked persons is not considered automatically blocked pursuant to OFAC's 50 Percent Rule. OFAC may, however, designate the entity and add it to the SDN List pursuant to a statute or Executive order that provides the authority for OFAC to designate entities over which a blocked person exercises control. OFAC urges caution when considering a transaction with an entity that is not a blocked person (a non-blocked entity) in which one or more blocked persons have a significant ownership interest that is less than 50 percent or which one or more blocked persons may control by means other than a majority ownership interest. Such non-blocked entities may become the subject of future designations or enforcement actions by OFAC. In addition, persons should be cautious in dealings with such a non-blocked entity to ensure that they are not, for example, dealing with a blocked person representing the non-blocked entity, such as entering into a contract that is signed by a blocked person. Please also note that some sanctions programs (such

as Cuba and Sudan) block persons without an OFAC designation; these blockings are based on criteria separate from OFAC's 50 Percent Rule. [08-13-2014]

399. Does OFAC aggregate ownership stakes of all blocked persons when determining whether an entity is blocked pursuant to OFAC's 50 Percent Rule?

Yes. On August 13, 2014, OFAC indicated in its revised 50 Percent Rule guidance that OFAC's 50 Percent Rule applies to entities owned 50 percent or more in the aggregate by one or more blocked persons. Accordingly, if Blocked Person X owns 25 percent of Entity A, and Blocked Person Y owns another 25 percent of Entity A, Entity A is considered to be blocked. This is so because Entity A is owned 50 percent or more in the aggregate by one or more blocked persons. For the purpose of calculating aggregate ownership, the ownership interests of persons blocked under different OFAC sanctions programs are aggregated. [08-13-2014]

400. As explained in FAQ 398, OFAC's 50 Percent Rule does not apply if one or more individuals who are blocked persons (blocked individuals) control, but do not own 50 percent or more of, an entity. Can persons engage in negotiations, enter into contracts, or process transactions involving a blocked individual when that blocked individual is acting on behalf of the non-blocked entity that he or she controls (e.g., a blocked individual is an executive of a non-blocked entity and is signing a contract on behalf of the non-blocked entity)?

No. OFAC sanctions generally prohibit transactions involving, directly or indirectly, a blocked person, absent authorization from OFAC, even if the blocked person is acting on behalf of a non-blocked entity. Therefore, U.S. persons should be careful when conducting business with non-blocked entities in which blocked individuals are involved; U.S. persons may not, for example, enter into contracts that are signed by a blocked individual. [08-13-2014]

401. OFAC's 50 Percent Rule states that the property and interests in property of entities directly or indirectly owned 50 percent or more in the aggregate by one or more blocked persons are considered blocked. How does OFAC interpret indirect ownership as it relates to certain complex ownership structures?

"Indirectly," as used in OFAC's 50 Percent Rule, refers to one or more blocked persons' ownership of shares of an entity through another entity or entities that are 50 percent or more owned in the aggregate by the blocked person(s). OFAC urges persons considering a potential transaction to conduct appropriate due diligence on entities that are party to or involved with the transaction or with which account relationships are maintained in order to determine relevant ownership stakes. Please see [FAQ 116](#) for additional guidance on due diligence standards for intermediary parties to wire transfers. Please refer to the examples below for further guidance on determining whether an entity is blocked pursuant to OFAC's 50 Percent Rule.

Example 1: Blocked Person X owns 50 percent of Entity A, and Entity A owns 50 percent of Entity B. Entity B is considered to be blocked. This is so because Blocked Person X owns, indirectly, 50% of Entity B. In addition, Blocked Person X's 50 percent ownership of Entity A makes Entity A a blocked person. Entity A's 50 percent ownership of Entity B in turn makes Entity B a blocked person.

Example 2: Blocked Person X owns 50 percent of Entity A and 50 percent of Entity B. Entities A and B each own 25 percent of Entity C. Entity C is considered to be blocked. This is so because, through its 50 percent ownership of Entity A, Blocked Person X is considered to indirectly own 25 percent of Entity C; and through its 50 percent ownership of Entity B, Blocked Person X is considered to indirectly own another 25 percent of Entity C. When Blocked Person X's indirect ownership of Entity C through Entity A and Entity B is totaled, it equals 50 percent. Entity C is also considered to be blocked due to the 50 percent aggregate ownership by Entities A and B, which are themselves blocked entities due to Blocked Person X's 50 percent ownership of each.

Example 3: Blocked Person X owns 50 percent of Entity A and 10 percent of Entity B. Entity A also owns 40 percent of Entity B. Entity B is considered to be blocked. This is so because, through its 50 percent ownership of Entity A, Blocked Person X is considered to indirectly own 40 percent of Entity B. When added to Blocked Person X's direct 10 percent ownership of Entity B, Blocked Person X's total ownership (direct and indirect) of Entity B is 50 percent. Entity B is also blocked due to the 50 percent aggregate ownership by Blocked Person X and Entity A, which are themselves both blocked persons.

Example 4: Blocked Person X owns 50 percent of Entity A and 25 percent of Entity B. Entities A and B each own 25 percent of Entity C. Entity C is not considered to be blocked. This is so because, even though Blocked Person X is considered to indirectly own 25 percent of Entity C through its 50 percent ownership of Entity A, Entity B is not 50 percent or more owned by Blocked Person X, and therefore Blocked Person X is not considered to indirectly own any of Entity C through its part ownership of Entity B. Blocked Person X's total ownership (direct and indirect) of Entity C therefore does not equal or exceed 50 percent. Entity A is itself a blocked person, but its ownership of Entity C also does not equal or exceed 50 percent.

Example 5: Blocked Person X owns 25 percent of Entity A and 25 percent of Entity B. Entities A and B each own 50 percent of Entity C. Entity C is not considered to be blocked. This is so because Blocked Person X's 25 percent ownership of each of Entity A and Entity B falls short of 50 percent. Accordingly, neither Entity A nor Entity B is blocked and Blocked Person X is not considered to indirectly own any of Entity C through its part ownership of Entities A or B. [08-13-2014]

402. How does OFAC's 50 Percent Rule apply to situations in which one or more blocked persons owned 50 percent or more of an entity, but subsequent to their designations one or more blocked persons divest their ownership stakes in the entity in a transaction that occurs entirely outside of U.S. jurisdiction such that the resulting combined ownership of the entity by blocked persons is less than 50 percent? How should a person treat property or interests in property of such an entity (1) in future transactions (post-divestment) and (2) that was properly blocked while the entity was owned 50 percent or more by one or more blocked persons?

According to OFAC's 50 Percent Rule, entities are considered blocked if they are owned 50 percent or more (directly or indirectly) in the aggregate by one or more blocked persons. If one or more blocked persons divest their ownership stake such that the resulting combined ownership by blocked persons is less than 50 percent, the entity is no longer considered automatically to be a blocked entity. Any such divestment transactions must occur entirely outside of U.S. jurisdiction and must not involve U.S. persons, as any blocked property or interests in property that come into the possession or control of a U.S. person must be blocked and reported to OFAC, and OFAC does not recognize any subsequent unlicensed transfers, through changes in ownership or otherwise, of such property.

Entities in which the aggregate of one or more blocked persons' ownership stakes has fallen below 50 percent are not considered blocked pursuant to OFAC's 50 Percent Rule, and therefore property of such entities that comes into the United States or the possession or control of a U.S. person while the aggregate of one or more blocked persons' ownership stakes is below 50 percent is not considered blocked by OFAC's 50 Percent Rule. OFAC urges caution when dealing with or processing transactions involving such entities, as those entities may become the subject of future designations or enforcement actions by OFAC. Sufficient due diligence should be conducted to determine that any purported divestment in fact occurred and that the transfer of ownership interests was not merely a sham transaction.

When the property of an entity owned 50 percent or more by a single blocked person comes within the United States or within the possession or control of a U.S. person and is blocked, the property remains blocked unless and until (1) OFAC authorizes the unblocking of or other dealings in the property or (2) OFAC removes the blocked person from the SDN List. The property remains blocked even if the blocked person's ownership of the entity subsequently falls below 50 percent. This is so because the blocked person is considered to have an interest in the blocked property, and OFAC does not recognize the unlicensed transfer of the blocked person's interest after the property becomes blocked in the United States or in the possession or control of a U.S. person.

Persons holding such property may request authorization from OFAC's Licensing Division to transfer or otherwise deal in that property (the electronic application can be found on OFAC's website [here](#)), and OFAC will evaluate such requests on a case-by-case basis.

Similarly, when the property of an entity owned 50 percent or more in the aggregate by more than one blocked person comes within the United States or in the possession or control of a U.S. person and is blocked, the property remains blocked unless and until (1) OFAC authorizes the unblocking of or other dealings in the property or (2) OFAC removes from the SDN List one or more of the blocked persons such that the aggregate ownership by blocked persons falls below 50 percent. If the aggregate ownership of the entity by blocked persons falls below 50 percent not due to SDN List removal actions by OFAC but instead due to actions by one or more of the blocked persons, including the entity itself, the property remains blocked. This is so because the group of blocked persons is considered to have an interest in the blocked property, and OFAC does not recognize the unlicensed transfer of any of the blocked persons' interests after the property becomes blocked in the United States or in the possession or control of a U.S. person. Persons holding such property may request authorization from OFAC's Licensing Division to transfer or otherwise deal in that property (the electronic application can be found on OFAC's website [here](#)), and OFAC will evaluate such requests on a case-by-case basis. [08-13-2014]