SymphonyAI

Guide - Sanctions exposure across non-financial industries

Sanctions screening is a critical safeguard to avoid disruption, penalties, and reputational damage

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1 Introduction

Sanctions compliance is no longer just a financial services issue. As global supply chains, digital ecosystems, and cross-border partnerships grow more interconnected, organizations across nearly every sector face increasing exposure to sanctions risk. Whether it's through suppliers, customers, or data flows, even an indirect link to a restricted entity can result in business disruption, which can lead to regulatory penalties and reputational damage.

Make no mistake about it, sanctions screening has become a critical safeguard for non-financial industries. From manufacturing and logistics to technology and professional services, an effective screening tool can help institutions detect, prevent, and respond to hidden risks before they become costly violations.

2 How can an indirect link to a sanctioned supplier cause harm?

An indirect link to a sanctioned supplier can expose an organization to serious legal, financial, and reputational harm even if the connection isn't intentional. Regulators often view indirect dealings, such as purchasing materials or services through intermediaries tied to sanctioned entities, as a breach of compliance obligations. This can result in fines, investigation costs, and potential loss of export privileges.

Beyond regulatory risk, such links can disrupt operations if supply chains are suddenly cut off or goods seized, while reputational damage can erode customer trust and investor confidence. With transparency viewed as paramount, organizations are expected to know their entire supply chain - not just direct partners - to prevent sanctions violations and maintain ethical integrity.

Understanding OFAC's 50% Rule

OFAC's 50% Rule states that any entity owned - directly or indirectly - 50% or more in aggregate by one or more sanctioned persons is itself considered a sanctioned entity, even if it does not appear on the sanctions list. This means U.S. persons and businesses are prohibited from dealing with such entities just as they would with those explicitly listed.

Example: If a blocked individual owns 30% of Company A and another blocked individual owns 25%, Company A is automatically treated as a sanctioned entity under the 50% Rule, even though its name doesn't appear on OFAC's Specially Designated Nationals (SDN) list.

3 Types of Exposure

There are many types of areas where organizations can expose themselves to potential sanctions breaches. This guide is meant to highlight a few of the most prominent.

1. Supply Chain and Trade Exposure

Industries that depend on global suppliers and distributors face hidden sanctions risks buried deep within multi-tier networks. Remember, even just one sanctioned supplier or subcontractor can trigger regulatory penalties and reputational harm.

- **Manufacturing and Industrial Goods** – With components and materials sourced worldwide, manufacturers risk indirect exposure to sanctioned entities or embargoed countries. Screening suppliers, distributors, and intermediaries helps ensure compliance across every stage of the production chain.

- **Construction and Engineering** – Large-scale infrastructure projects often involve cross-border funding, joint ventures, and local subcontractors. Screening ensures that no state-owned enterprise or contractor linked to sanctioned regimes participates in the project.

- **Pharmaceuticals and Life Sciences** – Clinical research partners, ingredient suppliers, and logistics providers can expose firms to sanctioned jurisdictions. Sanctions screening safeguards global trial integrity and prevents export violations for controlled substances or technology.

2. Logistics and Transportation Exposure

Companies that move goods across borders face heightened scrutiny under maritime and trade sanctions, particularly in industries linked to shipping or vessel ownership.

- **Shipping and Maritime Logistics** – Vessels, charterers, and cargo owners must be screened to detect links to sanctioned flags, shell companies, or restricted ports. Advanced screening helps prevent behavior like ship-to-ship transfers or Automatic Identification System (a tracking system used to identify vessels) manipulation associated with sanctions evasion.

- **Transportation and Freight Forwarding** – Freight firms coordinate complex international routes and rely on multiple intermediaries. Sanctions screening helps identify restricted consignees, embargoed destinations, or shipments involving dual-use goods before goods leave the dock.

3. Energy and Commodities Exposure

The energy sector operates in geopolitically sensitive regions where sanctions risk is constantly shifting.

- **Energy and Natural Resources** – Oil, gas, and mining companies frequently engage with state-owned entities, joint ventures, or commodity traders in sanctioned jurisdictions. Screening counterparties and trade finance arrangements mitigates the risk of breaching embargoes or sectoral sanctions targeting resource extraction.

What are sectoral sanctions?

Sectoral sanctions are where sanctions apply to countries for instances of war or international violence. For example, many Russian oligarchs and government officials are subject to sanctions despite not necessarily being subject to explicit sanctions – individually named on sanctions lists.

It's also important to note that a sanctioned individual in one country may not be sanctioned in another. However, doing business with a sanctioned entity outside of the US will still cause a financial institution to breach the OFAC's 50 percent rule.

4. Technology and Data Exposure

Technology providers face growing regulatory pressure to prevent the transfer of sensitive technologies or services to restricted users or regions.

- **Telecommunications and Technology** – Vendors of hardware, software, or cloud infrastructure must screen customers and resellers to prevent sanctioned states or restricted end-users from accessing controlled technologies. With export control regimes tightening globally, sanctions screening supports compliance with both national security and trade regulations.

5. Consumer and Commercial Transaction Exposure

As commerce becomes increasingly borderless, consumer-facing businesses must ensure they don't engage in transactions with sanctioned persons or embargoed destinations.

- **Retail and E-Commerce** – Online sellers and payment processors serve global audiences, making it critical to verify buyers, sellers, and delivery addresses. Screening ensures platforms don't facilitate purchases or shipments to sanctioned countries or entities, protecting both compliance and brand integrity.

6. Professional Services Exposure

Advisory and fiduciary firms often serve clients engaged in international business, requiring careful due diligence to avoid indirect exposure to sanctions violations.

- **Legal, Accounting, and Consulting Services** – Professional firms that advise on mergers, acquisitions, or tax matters must verify client backgrounds and funding sources. Sanctions screening helps detect if clients, counterparties, or ultimate beneficial owners are subject to restrictions, preserving the firm's regulatory standing and ethical reputation.

What is Ultimate Beneficial Ownership?

An Ultimate Beneficial Owner (UBO) is an individual who ultimately owns or controls a legal entity or arrangement. The specific definition of a UBO may vary slightly depending on the jurisdiction, but generally, it includes:

- Natural persons who directly or indirectly own or control a certain percentage of shares or voting rights in a legal entity (typically 25% or more).
- Natural persons who exercise control over the legal entity through other means, such as the right to appoint or remove most of the board of directors.
- If no natural person is identified under the above criteria, the senior managing official(s) of the legal entity may be considered the UBO(s).

It's important to note that a UBO must always be a natural person, not another legal entity. The goal is to identify the individuals who ultimately benefit from the ownership or control of the entity, regardless of the layers of ownership or control that may exist.

4 SymphonyAI provides dynamic sanctions screening software solutions

Sanctions compliance now extends far beyond the financial sector. Whether moving goods, managing data, or providing professional advice, any organization with international relationships or dependencies must screen for sanctioned entities. Effective sanctions screening not only protects against fines and enforcement actions but also strengthens supply chain resilience, operational integrity, and stakeholder trust.

At SymphonyAI, we provide a unified platform that combines financial crime prevention, sanctions screening, and entity resolution, powered by AI and built for the modern enterprise company. Whether you're investigating vendors or shipping across countries, our software helps you stay compliant, agile, and audit-ready.

SymphonyAI's sanctions screening solutions improve detection accuracy, accelerate investigations, enhances the customer experience, and allows for scalable compliance, which can easily be configured to suit your needs.

With 350+ watchlists (in 60+ languages), 2000+ rules, a 98% accuracy rate in identifying true positives, and 70% decrease in false positives, it provides effective sanctions screening for businesses of all sizes.

By prioritizing the highest risk alerts and using intelligent name matching and AI-driven data analytics that process in real-time, SymphonyAI's dynamic sanctions screening software maximizes investigator efficiency alongside improved detection accuracy.

Want to know more? Visit the sanctions screening page.

Discover SensaAI for Sanctions

SymphonyAI also offers SensaAI for Sanctions. Augment your existing detection solutions to dramatically enhance matching capabilities with gen AI and predictive AI that analyzes and structures previously unstructured text and significantly reduces false positives.

The result is a real-time AI upgrade for screening with a seamless, streamlined process.

Learn more about SensaAI for Sanctions.

Alternatively, get in touch to schedule a meeting and see how AI-led sanctions screening can transform your compliance operations.

About SymphonyAI

SymphonyAI, 2024 Microsoft Partner of the Year for Business Transformation – AI Innovation, is building the leading enterprise AI SaaS company for digital transformation across the most critical and resilient growth verticals, including retail, consumer packaged goods, finance, manufacturing, media, and IT/enterprise service management. SymphonyAI verticals have many leading enterprises as clients. Since its founding in 2017, SymphonyAI has grown rapidly to 3,000 talented leaders, data scientists, and other professionals. SymphonyAI is an SAI Group company, backed by a $1 billion commitment from Dr. Romesh Wadhwani, a successful entrepreneur and philanthropist.

SymphonyAI provides AI-focused SaaS solutions developed from the ground up for fighting financial crime. An end-to-end offering compiled from more than 25 years of knowledge in tackling money laundering and fraud, our award-winning product ecosystem comprises an innovative and modern approach to financial crime investigation using world-leading predictive and gen AI. From KYC/CDD and transaction monitoring through to payments fraud, entity resolution, and sanctions, PEP, and adverse media screening, SymphonyAI is a trusted name in finance technology with more than a third of the world's top 100 banks enjoying the power, efficiency, effectiveness and productivity that our solutions provide.

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