

In 2nd Term, Trump Has New Iran Sanctions Enforcement Tool

By **Caleb Hayes-Deats, Jason Zuckerman and Matthew Stock** (June 18, 2025, 2:25 PM EDT)

Israel's recent attacks on Iran have complicated, and perhaps endangered, negotiations between the U.S. and Iran over the fate of Iran's nuclear program. Just in the past several days, President Donald Trump and Iran's supreme leader have exchanged heated rhetoric, escalating tensions.

For now, though, the U.S.' official policy toward Iran remains one of "maximum pressure." As it did in Trump's first term, that pressure includes economic sanctions prohibiting the sale of Iranian petroleum products.

But while Trump's approach to sanctions remains the same, sanctions enforcement has changed since his first term. In late 2022, Congress expanded an existing whistleblower program to include violations of U.S. economic sanctions.[1] Now, both U.S. citizens and noncitizens alike stand to gain significant financial rewards if they report sanctions violations to the U.S. Department of the Treasury or the U.S. Department of Justice.

This relatively new whistleblower program may significantly expand enforcement of economic sanctions. The U.S. has long asserted that sanctions apply to foreign entities whose U.S.-dollar transactions pass through U.S. correspondent banks. But historically, such transactions in sanctioned goods have been difficult to detect.

The whistleblower program could close that enforcement gap, increasing enforcement of sanctions against foreign traders.

The Sanctions Whistleblower Program

Originally enacted in 2021, the Treasury Department's whistleblower program rewards individuals who report violations of certain statutes the department enforces, including the Bank Secrecy Act.

The rewards range from a minimum of 10% to a maximum of 30% of any penalties the government ultimately collects over \$1 million. Any individual or group of individuals can be a whistleblower, and award eligibility is not limited to U.S. citizens. Whistleblowers can also report anonymously if they are represented by counsel.

To qualify for an award, the whistleblower must "voluntarily [report] original information" or analysis



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that is not already known to the U.S. government or available in public records.

In 2022, Congress expanded this program to cover violations of economic sanctions against designated entities and foreign states imposed under the International Emergency Economic Powers Act and other statutes.

The penalties for such violations can be substantial. For example, in 2023, the company British American Tobacco PLC paid over half a billion dollars to resolve allegations that it exported tobacco to North Korea.

With such large penalties at stake — and correspondingly large whistleblower awards — the inclusion of sanctions in the Treasury Department's whistleblower program creates a powerful incentive for individuals to disclose violations of U.S. sanctions.

The Breadth of U.S. Sanctions

U.S. economic sanctions broadly prohibit transactions with persons or entities that the president has deemed to present a threat to U.S. national security. The prohibition most obviously applies to transactions by U.S. persons or entities. But the Treasury Department's Office of Foreign Assets Control also imposes penalties for so-called causing violations, where a foreign person causes a U.S. person or entity — most often a bank — to unwittingly violate sanctions.

The global nature of the banking system means that the U.S. government can allege causing violations with increasing frequency. If, for instance, a company in the United Arab Emirates wishes to sell Iranian oil to an African buyer paying exclusively in dirhams or rand, it can do so without violating U.S. sanctions. But if the parties transact instead in dollars at any step of the transaction, then the government could argue that they have violated U.S. sanctions.

The reason has to do with the banking system. The hypothetical buyer's African bank likely processes dollar transactions through a correspondent account at a bank in New York, which would transfer the funds to a New York correspondent account held by the seller's bank. Those New York correspondent banks are U.S. entities subject to U.S. law.

In the government's view, by processing the payment for Iranian oil, the correspondent banks would have violated U.S. sanctions. If the buyer and seller knew or should have known of the oil's Iranian origin, then the government would likely argue that they caused a sanctions violation and could face civil or criminal liability, even if they had no idea that U.S. law applied to their transaction.

How Whistleblowers Change Sanctions Enforcement

The U.S. has asserted the authority to penalize causing violations for years, but such violations were previously difficult to detect and prove. Enforcement authorities often have little visibility into foreign transactions and struggle to identify those that involve sanctioned goods. And the records kept by U.S. correspondent banks frequently do not show every step in a transaction, making it difficult to prove that sellers and buyers knowingly transacted in sanctioned goods.

Whistleblowers, however, could change that. Foreign entities that buy or sell sanctioned cargo rely on many different individuals to do so. Those individuals range from the entities' employees to brokers, commodity traders, shippers and even their counterparties' employees. Any of those individuals could

blow the whistle and claim significant financial rewards if the U.S. collects penalties for the violations they disclose.

Armed with those whistleblower reports, the U.S. government may detect transactions it otherwise would not have.

The assistance does not stop there: The whistleblower can also help the government gather evidence that the parties willfully violated sanctions, leading to higher penalties or even criminal charges. Whistleblowers could provide OFAC and the DOJ with a road map of a sanctions evasion scheme, conserving government resources and enabling swifter investigations.

For example, a whistleblower could provide documents central to the scheme, identify the individuals orchestrating and carrying it out, and provide an insider account of how the scheme operates.

The success of the sanctions whistleblower program remains to be seen. But the success of similar whistleblower programs, which have led to billions of dollars in penalties, suggests that it could lead to more effective enforcement of U.S. sanctions. And the amount of potential awards for sanctions whistleblowers provides a significant financial incentive. For example, in the British American Tobacco case, 10% of the penalties would have been over \$50 million, and 30% would have been over \$150 million.

If whistleblowers follow the money and come forward at the rate suggested by other, similar whistleblower reward programs, economic sanctions may prove a more powerful tool in Trump's second administration than it did in his first.

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[1] <https://www.congress.gov/bill/117th-congress/senate-bill/3316?r=8&s=1>.