



Observatoire ARGA

ARGA Atlas

SANCTIONS AS A TOOL: PRESSURE, LEVERAGE, AND CORPORATE CONFLICTS

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Purpose of the document:

This report examines sanctions as a tool of pressure in cross-border and corporate conflicts. Its purpose is to show that in today's legal and compliance landscape sanctions function not only as a public-law measure of foreign policy or international security, but also as a powerful mechanism for reallocating risk, access, liquidity and business controllability. In legal practice, the key issue is no longer only whether the sanction itself is lawful, but how the sanctions framework is used, interpreted, expanded through overcompliance, and transformed into a tool of commercial, corporate or political-reputational pressure far beyond the formal text of the sanctioning act. The UN, EU and US systems reflect different legal models of sanctions, while FATF and human-rights mechanisms emphasize the role of targeted financial sanctions, evasion risks and the consequences of excessive compliance. It is at that intersection that the modern defense field emerges. (main.un.org)

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1. EXECUTIVE SUMMARY

Sanctions today are not merely lists of prohibitions, but a whole infrastructure of pressure. In the UN system they are based on Article 41 of the UN Charter and implemented through Security Council sanctions regimes and committees; in the EU restrictive measures are used as an official foreign-policy and security tool; and in the United States OFAC-administered sanctions operate in a high-intensity enforcement environment where violations may trigger civil or criminal penalties and civil penalties may be imposed on a strict-liability basis. In practice, this means that the sanctions effect is often shaped not only by the designation itself, but by how markets, banks, insurers, providers and counterparties interpret sanctions risk. (main.un.org)

That is why, in corporate conflicts, sanctions can function as a pressure tool even where the dispute is not formally a "sanctions case." It is enough for a sanctions-sensitive narrative to appear, a link to a designated person to be alleged, secondary exposure to be feared, evasion concerns to be raised, or a counterparty to become commercially toxic, for the private sector to begin acting preemptively. OHCHR and the mandate on unilateral coercive measures separately identify overcompliance and its harmful effects, while FATF points to vulnerabilities in the global financial system relating to evasion

schemes and targeted financial sanctions implementation. In other words, the sanctions tool operates not only through law, but through fear of law. A very human technology. ([OHCHR](#))

The central conclusion is that defense in sanctions-sensitive matters must be dual-layered. On one level, counsel must address the formal source of sanctions exposure: listing, ownership and control, sectoral restrictions, licensing, due diligence, nexus analysis, and possible delisting or challenge. On another level, counsel must separately address overcompliance, de-risking and the corporate reputational reaction, because that is often where the main practical harm arises. In short, sanctions as a pressure tool must be challenged not only in the text of the rule, but in its market and institutional shadow. ([U.S. Department of the Treasury](#))

2. WHY THIS ISSUE HAS LEGAL AND INTERNATIONAL SIGNIFICANCE

The issue matters because sanctions long ago ceased to be only a geopolitical matter. In real legal and corporate practice, they affect ownership structures, banking access, settlement capacity, insurance, logistics, payment chains, M&A, board exposure, vendor relationships and evidentiary perceptions of legitimacy. Even where a person or company is not directly listed, proximity to sanctioned actors, alleged facilitation or circumvention risk, and beneficial-ownership questions can trigger cascading compliance consequences. In that sense, sanctions become not only a rule of prohibition, but a mechanism of market exclusion. ([U.S. Department of the Treasury](#))

Its international significance is reinforced by the difference between sanctions regimes. UN Security Council sanctions have one legal nature and institutional architecture; unilateral coercive measures and restrictive measures imposed by states or regional unions are structured differently and generate separate debates about legality, extraterritoriality and human rights. OHCHR maintains a dedicated mandate on the negative impact of unilateral coercive measures, and recent reports by the Special Rapporteur address both direct sanctions impacts and overcompliance and access to justice. This matters because defense cannot analyze all sanctions as one undifferentiated phenomenon. The source of the measure determines both its legal logic and the available defense lines. ([main.un.org](#))

The issue is especially important in corporate conflicts, where sanctions language can be used as an accelerator of pressure. Formally, sanctions are meant to pursue foreign-policy, security or non-proliferation objectives. But in the business environment, even the suggestion of sanctions exposure can be used to rupture relationships, force restructuring negotiations under duress, freeze operational channels or discredit management. The more complex the international corporate group or supply chain, the easier it is for sanctions risk to become weaponized through compliance. And the harder it becomes to distinguish genuine legal enforcement from managed toxicity. ([fatf-gafi.org](#))

3. NORMATIVE AND INSTITUTIONAL FRAMEWORK

At the universal level, UN Security Council sanctions are grounded in Article 41 of the UN Charter. Official Security Council materials explain that sanctions are used to support political settlement of conflicts, non-proliferation and counter-terrorism, and that the active regimes are managed by sanctions committees supported by monitoring groups, expert panels or similar mechanisms. There is also a Consolidated List intended to facilitate implementation. This is a model in which sanctions form part of a formal collective security architecture. ([main.un.org](#))

At the EU level, restrictive measures are an official foreign-policy tool implemented through EU decisions and regulations. European Commission materials on sanctions explicitly describe them as a means of imposing economic and political costs and maintaining pressure on targeted regimes and supporting structures. Although one Russia-related sanctions page does not exhaust the EU system, it clearly illustrates the operational logic of the EU model: sanctions as a pressure architecture coupled with an anti-circumvention focus. At the same time, the EU has developed separate instruments

against economic coercion, which is important for understanding the wider environment in which measures of pressure and counter-pressure are increasingly institutionalized. ([European Commission](#))

In the US model, OFAC's enforcement framework is central. Official Treasury materials repeatedly state that sanctions violations may result in civil or criminal penalties and that OFAC may impose civil penalties on a strict-liability basis. This radically shapes market behavior: private actors know that sanctions compliance risk does not necessarily require proof of intent for civil exposure to arise, and so they tend toward aggressive de-risking. The formal sanction quickly becomes a behavioral signal for the wider financial and corporate environment. ([U.S. Department of the Treasury](#))

From the AML/CFT and counter-proliferation perspective, FATF Recommendations play an important role, including Recommendation 7 on targeted financial sanctions relating to proliferation financing. FATF's updated standards expressly tie proliferation-financing risk to the breach, non-implementation or evasion of targeted financial sanctions obligations, and its 2025 report identifies serious vulnerabilities in the global financial system regarding sanctions-evasion schemes. This shows that sanctions are embedded not only in foreign-policy law but in the wider international architecture of risk governance. ([fatf-gafi.org](#))

4. KEY MECHANISMS OF PRACTICE AND ABUSE

The first mechanism is the direct legal effect of designation. Once a person or entity is placed on a sanctions list, formal consequences arise: asset freezes, travel bans, transaction prohibitions, service restrictions or reporting duties, depending on the regime. In the UN model, the targeted sanctions list and committee structure organize the implementation of such measures; in the OFAC model, blocking sanctions and ownership rules create a broad practical perimeter around designated parties; and in the FATF model, targeted financial sanctions implementation further amplifies the compliance layer. A formal sanction thus becomes the anchor for wider private enforcement. ([main.un.org](#))

The second mechanism is overcompliance. OHCHR and related special-procedures materials emphasize that the negative impact of unilateral sanctions is intensified not only by the measures themselves, but by overcompliance, including refusals of services, financial exclusion, denial of access and broader collateral harm. In corporate cases this is critical: sometimes the primary injury is not the listing itself, but the excessive reaction of banks, insurers, counterparties and platforms that go beyond what the law strictly requires. Overcompliance is attractive to institutions because under-compliance can be punished and over-compliance often is not. Predictably elegant in the worst possible way. ([OHCHR](#))

The third mechanism is the sanctions-evasion narrative as leverage. FATF's 2025 work on complex proliferation-financing and sanctions-evasion schemes shows that authorities and private actors are increasingly alert to indirect structures, intermediaries, facilitators and layered arrangements. On one hand, this reflects a real enforcement problem. On the other, in corporate conflicts such categories may be used expansively, where disputed business structures or contested beneficial ownership are reframed as suspicious circumvention behavior. Here legal and compliance defense must be precise: one cannot rebut a sanctions-evasion suspicion with wounded dignity alone. A structure-by-structure answer is required. ([fatf-gafi.org](#))

The fourth mechanism is de-risking by association. The private sector reacts not only to formal designation, but also to adjacency, control risk, reputational contamination and enforcement fear. OFAC's strict-liability environment and FATF's risk-based expectations together create a setting in which institutions often withdraw first and analyze later. In corporate warfare, that allows sanctions-sensitive allegations to function as leverage in negotiations, shareholder disputes, asset-protection conflicts and transnational restructurings, even where the legal basis is still contested. Sanctions

thereby become not merely a legal measure, but a negotiation weapon. ([U.S. Department of the Treasury](#))

5. TYPICAL SCENARIOS AND APPLICATION MODELS

The first typical scenario is direct listing with collateral corporate freeze. After a person or entity is placed on a sanctions list, pressure spreads to affiliates, service providers, lenders, insurers and counterparties. Even where the regime text formally targets only specific transactions or assets, private actors may suspend much more broadly. The corporate group then faces not only legal prohibition, but operational paralysis. This is especially common where enforcement fear is high and licensing practice is narrow or uncertain. ([main.un.org](#))

The second scenario is the contested ownership or control case. OFAC practice and public guidance around blocked property and ownership exposure create a setting in which beneficial ownership, indirect control, board influence or percentage thresholds become decisive. Even without direct listing, corporate counterparties may behave as if exposure already exists. In such cases, defense must work with governance evidence, ownership mapping, control analysis and transaction structuring, not merely with general insistence that the company is “separate.” Formal separateness without evidentiary architecture comforts almost no one. ([U.S. Department of the Treasury](#))

The third scenario is the sanctions-evasion allegation within a broader commercial conflict. FATF’s focus on complex evasion schemes makes intermediated transfers, routing structures and trade-finance anomalies especially sensitive. In the context of a corporate dispute, the opposing side may try to frame certain business decisions as suspicious sanctions workarounds. Even where no state investigation has begun, private compliance functions may already react. That is where the case shifts from pure dispute management into sanctions-defense mode. ([fatf-gafi.org](#))

The fourth scenario is humanitarian and human-rights spillover in both private and public measures. OHCHR materials on unilateral coercive measures and sanctions, business and human rights highlight broader rights effects, including access to services, education, labor and social rights, as well as the impact of overcompliance. In corporate cases, this matters not only as an abstract ethical observation. It can become part of litigation and advocacy where sanctions implementation or over-implementation cuts access to wages, medical services, legal representation, housing or basic economic functioning. ([OHCHR](#))

6. MAIN RISKS, CONFLICT ZONES AND PROBLEM POINTS

The first risk is conflation of different sanctions regimes. Defense that fails to distinguish UN sanctions, EU restrictive measures, US OFAC programs and the FATF-related targeted financial sanctions context is almost guaranteed to make strategic mistakes. Each regime has its own legal basis, competent bodies, compliance language and pathways of challenge. “Sanctions in general” is convenient for headlines. For defense, it is close to useless. ([main.un.org](#))

The second risk is treating overcompliance as a non-legal annoyance. OHCHR materials show that overcompliance can have serious human-rights consequences. In corporate practice, overcompliance often causes the bulk of the harm long before any formal challenge succeeds. If counsel ignores bank behavior, insurance withdrawal, vendor exits and counterparty panic because “that is not the sanctions act itself,” the client may lose the business war while still polishing a memo on formal legality. Impressively efficient failure. ([OHCHR](#))

The third risk is weak nexus analysis. In sanctions-sensitive corporate conflicts, everything depends on whether the alleged connection to a sanctioned person, prohibited sector or evasion structure is real, inferential, outdated, overstated or fabricated. Without precise nexus analysis, defense cannot

distinguish actual legal exposure from weaponized compliance fear. That is where ownership, control, transaction flows, licensing options and evidentiary chronology matter most. ([U.S. Department of the Treasury](#))

The fourth risk is underestimating strict-liability environments. OFAC's official statements that civil penalties may be imposed on a strict-liability basis explain why private actors often prefer exit over nuance. For the client, this means that even a legally arguable position may still fail commercially unless counsel builds a separate risk-mitigation file for banks and counterparties. Abstract correctness and market survivability are not the same thing. The market remains stubbornly unromantic. ([U.S. Department of the Treasury](#))

7. INTERNATIONAL AND EUROPEAN STANDARDS

At least five stable standards emerge from the official materials. First, sanctions in the UN system are targeted measures administered through formal Security Council regimes and committees. Second, the EU uses restrictive measures as an official foreign-policy tool and pairs them with anti-circumvention logic. Third, in the United States sanctions enforcement includes strict-liability civil exposure, which deeply shapes private compliance behavior. Fourth, FATF treats targeted financial sanctions and evasion risk as part of the global AML/CFT and counter-proliferation framework. Fifth, OHCHR and the Special Rapporteur on unilateral coercive measures emphasize that sanctions, and especially overcompliance, can have significant human-rights impacts. Together, these standards show that sanctions defense must be simultaneously public-law based, compliance-oriented and rights-sensitive. ([main.un.org](#))

Those same sources also reveal the limit. No serious sanctions analysis can stop at the question, "is the client on a list?" One must also examine the legal basis, designation logic, ownership and control perimeter, possible licensing, collateral effects, overcompliance dynamics and practical access to remedy. Sanctions as a pressure tool operate precisely through the expansion of consequences beyond the formal legal trigger. Defense must therefore be broader than a formal dispute about listing. ([main.un.org](#))

8. PRACTICAL CONCLUSIONS AND A LEGAL-RESPONSE MODEL

The first practical task is exact sanctions mapping. Counsel must determine which regime applies; whether there is direct designation; whether there is ownership or control exposure; whether the issue concerns blocking sanctions, sectoral measures, trade restrictions, proliferation-related TFS, anti-circumvention concerns, or only reputational overreaction. Without that map, the client and counsel will end up arguing with a shadow instead of the source of risk. ([main.un.org](#))

The second task is to separate legal defense and compliance defense, but keep them coordinated. Legal defense addresses listing challenge, scope, licensing, ownership analysis, due process and rights effects. Compliance defense addresses counterparty reassurance, evidence packets, beneficial-ownership clarification, operational ring-fencing and the disproportionality of de-risking. If these functions are mixed, the result is usually either a memo too academic for a bank or a text too commercial for a court. Both are useless. ([OHCHR](#))

The third task is to treat overcompliance as a primary issue where the facts justify it. OHCHR materials already provide normative language for challenging excessive collateral impacts. In practice this means documenting denied services, bank actions, payment blocks, rejected transactions, contract terminations and other spillover effects. Overcompliance cannot always be appealed neatly, but it can often be contested, narrowed or managed if addressed early and with evidence. ([OHCHR](#))

The fourth task is to build a clean nexus file. In any sanctions-sensitive corporate dispute, counsel should prepare a structured file on ownership, control, governance, transaction pathways, source of funds, counterparties, licensing posture and chronology of allegations. This is the best answer both to real legal risk and to weaponized insinuation. The sanctions environment loves fog. Defense should answer with structure, documents and sequence. (fatf-gafi.org)

The fifth task is to connect sanctions defense with broader strategic survival. If sanctions pressure is destabilizing banking, payroll, litigation funding, logistics or market access, those are not side issues. They shape the client's ability to continue any legal fight. Sanctions as a pressure tool function precisely by pushing the target out of operational normality. Preserving function is therefore part of preserving rights. That inference is strongly supported by the interaction between official sanctions frameworks, FATF risk architecture and OHCHR's concern with overcompliance impacts. (fatf-gafi.org)

9. CONCLUSION

Sanctions today are not only a measure of public law, but an environment of managed risk. They operate through lists, ownership rules, transaction controls, anti-circumvention logic, strict-liability fear, private de-risking and reputational contagion. For that reason, in corporate and transnational conflicts sanctions may function as a powerful tool of pressure even where the dispute is not formally reducible to the sanctions regime itself. The legal reality is simple: sanctions adjacency alone may be enough for the client's economic life to begin collapsing faster than formal legal defense can be assembled. (main.un.org)

The central conclusion is practical to the point of cruelty. Defense in such matters must work simultaneously on legal qualification, ownership and control analysis, anti-overcompliance strategy and the preservation of operational viability. It is not enough to ask, "are there sanctions?" One must ask how the sanctions contour is being used, who is interpreting it, where it is being expanded beyond law, and how to stop legal risk from becoming coercive leverage. In modern international business, sanctions often prevail not because the norm is too strong, but because the fear around it is better organized than the defense. (fatf-gafi.org)

APPENDIX A. TERMINOLOGY

Targeted sanctions. Individualized measures such as asset freezes, travel bans or other restrictions applied to specific persons, groups or entities within a formal sanctions regime. (main.un.org)

Restrictive measures. The EU's official term for sanctions-type foreign-policy measures used to impose economic and political pressure. (European Commission)

Targeted financial sanctions (TFS). Sanctions-related financial obligations that FATF treats as part of the international standard for counter-proliferation and related risk governance. (fatf-gafi.org)

Overcompliance. Going beyond formal sanctions requirements by public or private actors, resulting in broader restrictions than the law expressly demands. (OHCHR)

De-risking. The reduction or termination of relationships with a client, counterparty or sector because of perceived regulatory, sanctions or compliance exposure, often beyond what is formally required. This is an analytical term used here to describe behavior flowing from official enforcement and risk frameworks. (U.S. Department of the Treasury)

APPENDIX B. MATRIX OF RISKS / POWERS / LEGAL CONSEQUENCES

Direct designation.

Legal risk: asset freeze, transaction bans, travel restrictions, service disruption.

Legal limit: depends on the specific sanctions regime and its legal basis.

Consequence: immediate legal and operational restriction.

Practical note: the first step is regime-specific mapping, not generic panic. (main.un.org)

Ownership / control exposure.

Legal risk: a company or asset is treated as connected to a sanctioned person.

Legal limit: depends on the ownership and control rules of the relevant regime.

Consequence: banking and counterparty withdrawal even without separate listing.

Practical note: prepare governance and ownership evidence early. ([U.S. Department of the Treasury](https://www.treasury.gov))

Evasion allegation.

Legal risk: a disputed structure is framed as sanctions circumvention.

Legal limit: requires a factual nexus, not mere insinuation.

Consequence: enhanced scrutiny, reputational damage, transaction paralysis.

Practical note: respond with a structure-by-structure explanation and chronology. ([fatf-gafi.org](https://www.fatf-gafi.org))

Overcompliance.

Legal risk: service denial or account closure beyond formal legal requirement.

Legal limit: often weakly policed in practice, despite serious collateral effects.

Consequence: operational suffocation without a direct legal order.

Practical note: treat it as a primary defense issue, not background noise. ([OHCHR](https://www.ohchr.org))

Strict-liability enforcement climate.

Legal risk: private actors exit rather than evaluate nuance.

Legal limit: in some regimes, civil enforcement does not require proof of intent.

Consequence: aggressive de-risking and defensive market behavior.

Practical note: build separate legal and compliance files. ([U.S. Department of the Treasury](https://www.treasury.gov))

OFFICIAL SOURCES

- UN Security Council sanctions pages and consolidated list. The basic official framework for understanding UN sanctions, sanctions committees and targeted-measures architecture. (main.un.org)
- European Commission and EUR-Lex materials on EU restrictive measures. The main official sources on the logic of EU sanctions, their objectives and the anti-circumvention environment. ([European Commission](https://ec.europa.eu))
- U.S. Treasury / OFAC official materials. Core sources on enforcement posture, strict-liability civil exposure and market-shaping compliance effects. ([U.S. Department of the Treasury](https://www.treasury.gov))
- FATF Recommendations and the 2025 report on sanctions-evasion schemes. The principal international standards on targeted financial sanctions, proliferation-financing risk and evasion vulnerabilities. ([fatf-gafi.org](https://www.fatf-gafi.org))
- OHCHR materials on unilateral coercive measures, overcompliance and sanctions, business and human rights. Key sources on the human-rights consequences of sanctions and excessive compliance. ([OHCHR](https://www.ohchr.org))