



## ANNUAL COMPLIANCE REVIEW

# 2022

*The sanctions year: Russia, Ukraine, crypto, and the limits of speed*

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## A Note from the Founder

If 2021 was the year compliance became strategic, 2022 was the year it became geopolitical. Russia invaded Ukraine on February 24. Within ten days, the US, the EU, the UK, Canada, and Japan had issued the most aggressive coordinated sanctions package in modern history. SDN lists doubled. Russian central bank reserves were frozen. SWIFT messaging was cut off for seven Russian banks. Yacht seizures became a news cycle. Oligarchs became a screening hit category that previously had to be hand-built and was suddenly off the shelf. Sanctions compliance, which most banks had treated as a sub-discipline of AML, moved overnight onto its own operating model.

What this review tries to capture is what it actually meant to run a compliance program through that year. The fines were big. Danske Bank crossed two billion dollars in December. USAA paid 140 million in March. But the harder question was operational: could you screen against a list that was changing weekly, in a customer base that was global, with technology that had been built for a steady-state world? The answers exposed a generation of investment decisions that had favored cost over capability, and they triggered a wave of vendor change and platform replacement that would continue for the next two years.

I am writing this as the founder of a sanctions and AML technology company, and I will tell you plainly: 2022 was the year the industry learned that speed of update was a compliance control, not a feature. The institutions that had bought the cheapest data feed found themselves a day behind on critical designations. A day behind, when an oligarch's new shell company is being added to the SDN, is the difference between blocking and facilitating.

### Trends and Year-over-Year Comparison

Compared to 2021, the shift was from rebuild to operate. The AML Act framework was still being absorbed. Then Russia happened, and sanctions teams that had been resourced for a steady-state OFAC list found themselves on a war footing. The trend moving into 2023 was clear: sanctions compliance was no longer a sub-function of AML, it was a discipline of its own, with its own tooling, its own analyst skill set, and its own board reporting line. Crypto, mixers, and decentralized finance moved from edge cases to mainstream sanctions targets after the OFAC designation of Tornado Cash in August.

2022 doubled enforcement totals compared to 2021. The Paul Weiss year-in-review pegged AML and sanctions penalties at roughly 3.88 billion dollars. That was the new floor, not the ceiling. Danske Bank alone accounted for more than half of that total. The pattern of multi-agency, coordinated, criminal-and-civil resolutions, which had been emerging since the late 2010s, fully crystallized in 2022. DOJ took the criminal piece. FinCEN took the BSA piece. OFAC took the sanctions piece. SEC took the accounting and disclosure piece. Home-country regulators took the parallel domestic piece. The era of the single-agency AML resolution was effectively over.

Another structural trend: enforcement against individuals returned. The 2010s had been a decade in which institutions paid but executives did not. 2022 reset that posture. BitMEX founders were sentenced. Danske Bank's former CEO was charged in Denmark. The FinCEN whistleblower program created in 2021 was beginning to mature, and the AML Act's individual liability provisions were being tested in practice. The

implication for boards: BSA officer compensation, indemnification, and tenure decisions began to receive serious attention.

## The Five Most Important Items of 2022

This is the short list. If a Chief Compliance Officer reads nothing else in this review, these are the five developments that mattered most in 2022, why they mattered, and what they meant for a working AML program.

### 1. Russia sanctions reshape the global compliance map

Within days of the February 24 invasion, OFAC, OFSI, the EU, and a coalition of partners issued thousands of new designations. The Russian central bank, the National Wealth Fund, and the Finance Ministry were blocked. Sectoral sanctions were tightened. The G7 imposed a price cap on Russian oil. Compliance teams operated on 24-hour update cycles for the first half of the year, with secondary sanctions risk added to every Russia-adjacent customer review.

Operationally, the year exposed every weakness in legacy sanctions tooling. Batch screening that ran nightly was insufficient when designations were updated mid-day. Vendors that took 48 hours to incorporate OFAC updates lost contracts. Programs that had stored customer screening hits in PDF format had to manually re-process tens of thousands of historical hits against new lists. By the second half of 2022, the survey of large banks showed roughly half had begun a sanctions-platform replacement program, with budget reallocated from other compliance line items.

### 2. Danske Bank pays over 2 billion dollars in December

On December 13, 2022, Danske Bank pleaded guilty to conspiracy to defraud US banks and agreed to a global resolution of more than 2 billion dollars, comprising 1.2 billion to the DOJ, 178.6 million to the SEC, and 612.4 million to Denmark's Special Crime Unit. The case stemmed from approximately 200 billion dollars of suspicious transactions through its Estonian branch between 2007 and 2015.

Beyond the fine itself, the resolution set the template for the modern AML case: parallel actions by DOJ, SEC, and the home regulator, with executive accountability, mandatory independent compliance monitor, and a multi-year remediation plan. Danske had self-reported, had cooperated, and had already replaced its senior management. The fine was still over 2 billion. The lesson for every other institution: cooperation reduces the fine but does not eliminate it, and the remediation cost (monitor, infrastructure, reputational) often dwarfs the penalty itself.

### 3. OFAC sanctions Tornado Cash

On August 8, 2022, OFAC designated the Tornado Cash crypto mixer as an SDN, the first time a piece of open-source code was directly sanctioned. The designation listed dozens of Ethereum smart-contract addresses associated with the protocol. Compliance implications were immediate: addresses associated with the protocol had to be screened, customers who had previously interacted with it had to be triaged, and crypto-native firms had to defend against the de-anonymization argument in court.

Coinbase and the Coin Center filed lawsuits challenging the designation. The legal questions (whether OFAC can designate software, whether US persons can be barred from interacting with code) remained unresolved at year-end and would continue into 2023. For traditional banks, the practical implication was clear: indirect exposure to Tornado Cash through customer wallet activity now created a sanctions-screening obligation that

screening platforms had not been built to detect. Crypto address screening moved from a niche feature to a required capability.

#### **4. USAA Federal Savings Bank pays 140 million dollars**

On March 17, 2022, USAA FSB admitted that its AML controls were inadequate and paid 140 million dollars in penalties to FinCEN and the OCC. The bank had failed to implement an adequate AML program and had repeatedly failed to address known deficiencies despite prior regulatory warnings. The case is the textbook example of why early remediation matters.

The findings were also a study in how not to manage a regulatory commitment. USAA had received multiple supervisory letters identifying the same weaknesses over multiple exam cycles. Each cycle, the bank had proposed remediation plans that were partially executed. By the time the resolution closed, the cumulative cost (penalties, remediation spend, consent-order-driven program rebuilds, lost customer trust) far exceeded what early investment would have cost. For boards, the case became required reading on the economics of compliance underinvestment.

#### **5. FinCEN issues the Beneficial Ownership Final Rule**

On September 29, 2022, FinCEN issued the final rule implementing the beneficial ownership reporting requirements under the Corporate Transparency Act. Reporting was set to begin January 1, 2024. The rule defined reporting companies, beneficial owners, company applicants, and the 23 exemptions in detail.

Compliance teams began re-engineering customer onboarding to consume FinCEN BOI data once it became available. The Access Rule (governing how financial institutions and law enforcement could query the registry) was still to come, but the data definitions were now stable enough for system design to begin. Most large banks initiated multi-quarter projects in the fourth quarter of 2022 to build BOI ingestion pipelines, knowing they would have at least a year of lead time before the rule went live.

## Other Material Developments

Beyond the top five, 2022 produced a set of regulatory, enforcement, and supervisory developments that did not dominate the headlines but materially affected how compliance programs are designed and tested. The items below are the ones that came up most in the program reviews and customer conversations we ran throughout the year.

### **FinCEN issues a Russia-specific alert**

On March 7, 2022, FinCEN issued FIN-2022-Alert001 advising financial institutions to identify and report Russian sanctions evasion, including through crypto. The alert detailed red flags: layering through shell companies, use of mixers, transactions involving SDN-adjacent counterparties, sudden changes in customer behavior after February 24, and use of high-risk jurisdictions for Russia-adjacent flows. Filing volume on Russia-related SARs spiked through Q2 and remained elevated for the rest of the year.

### **OFAC sanctions Blender.io**

In May 2022, OFAC designated Blender.io, a crypto mixer used by the North Korean Lazarus Group to launder funds from the Ronin Bridge hack. The Blender action preceded Tornado Cash and signaled OFAC's willingness to target obfuscation infrastructure directly. Blender's operators eventually rebranded as Sinbad, which was itself sanctioned in November 2023.

### **Russia oil price cap takes effect**

On December 5, 2022, the G7 and EU implemented a 60-dollar-per-barrel price cap on Russian seaborne crude oil, enforced by attestation through the maritime services supply chain. Compliance teams at banks, insurers, and traders had to design attestation tracking workflows from scratch. The price cap was the first major sanctions program to rely on a service-attestation enforcement model rather than direct prohibitions, and its design has since been studied as a template for other commodity-based sanctions.

### **FATF gray-lists UAE**

In March 2022, the FATF added the UAE to its gray list, citing strategic deficiencies in its AML and CFT regime. The designation triggered enhanced due diligence requirements at correspondent banks worldwide for UAE-based counterparties. Many institutions adjusted their correspondent banking risk appetite for the year, with some exiting specific UAE corridors entirely while others doubled down on enhanced monitoring.

### **OCC and Fed expand BSA enforcement focus**

The OCC and Federal Reserve continued a multi-year pattern of issuing public enforcement actions for BSA failures. The pattern of findings (transaction monitoring quality, SAR filing timeliness, model validation, and program governance) was consistent across institutions of every size. The OCC in particular began publicly naming program governance as a recurring root cause, signaling that BSA officer authority, escalation paths, and board reporting would be examined more closely going forward.

### **Crypto exchange enforcement accelerates**

Kraken paid 362,158 dollars to OFAC in November 2022 for sanctions violations involving Iran. The case was small in dollar terms but large in precedent: an exchange paid for sanctions exposure on transactions its

compliance program should have caught at IP-address level. Bittrex paid 29.3 million dollars across OFAC and FinCEN for sanctions and BSA violations involving Iran, Crimea, Sudan, Syria, and Cuba.

### **BSA filing volume hits a record**

FinCEN reported record SAR and CTR filings for 2022, with the SAR total exceeding 3.6 million. The volume amplified an existing concern about the signal-to-noise ratio in BSA reporting, and accelerated the AML Act provision requiring Treasury to study a more risk-based reporting framework. Defensive filing (filing a SAR just in case) remained a recognized pathology, and several institutions began publishing internal metrics on the percentage of their SARs that produced law-enforcement follow-up as a way to improve filing quality.

### **Section 311 actions targeting Russia**

FinCEN used Section 311 of the USA PATRIOT Act to designate two Russia-linked entities as primary money laundering concerns in 2022. The Section 311 power, which had been used sparingly since 2001, became a more active tool, and compliance teams refreshed their procedures for handling Section 311 prohibitions on correspondent accounts.

### **Casino enforcement intensifies in Australia**

AUSTRAC pursued cases against Crown Resorts and Star Entertainment during 2022 that would result in some of the largest AML penalties ever imposed on casinos. The cases were watched globally because they tested how AUSTRAC would apply its enforcement framework to consumer-facing businesses with cash-intensive operations. The eventual penalties (Crown at 450 million AUD, Star at 100 million AUD) set the global benchmark for casino AML accountability.

## Notable Fines and Enforcement Actions

The table below lists the headline AML, BSA, and sanctions enforcement actions of 2022, along with the regulator and the penalty amount. Where the action involved multiple regulators in a coordinated resolution, the combined amount is shown and the agencies are listed in the regulator column. This is not exhaustive: it is the set of cases that drove the most attention from compliance teams and boards during the year.

Company	Regulator	Amount	Notes
Danske Bank	DOJ / SEC / Danish SOIK	2.06 billion USD	Estonia branch laundering, December 2022
USAA Federal Savings Bank	FinCEN / OCC	140 million USD	BSA program failures, March 2022
Wells Fargo	OCC / CFPB	3.7 billion USD (broader resolution)	AML-adjacent issues among multiple consumer violations
Bittrex	OFAC / FinCEN	29.3 million USD	Sanctions and BSA violations involving Iran, Crimea, Sudan, Syria, Cuba
Kraken	OFAC	362,158 USD plus compliance investment	Iran transactions facilitation
BitMEX	DOJ / FinCEN (parallel resolution)	100 million USD (FinCEN portion)	BSA violations, founders sentenced 2022
Trustco Bank	FDIC	5 million USD	BSA program weaknesses
Anchorage Digital Bank	OCC	Consent order, no fine	First public BSA action against a crypto-native bank
Santander UK	FCA	107.7 million GBP	Five-year AML failures impacting business banking
Crown Resorts (precursor)	AUSTRAC	Pre-settlement remediation	Set up the 450 million AUD 2023 settlement

## Closing Note

Coming out of 2022, every CCO I spoke to had the same shortlist of concerns: the speed of sanctions updates, the readiness of crypto coverage, the quality of transaction monitoring tuning, and the depth of the bench. None of those concerns were new. What was new was that 2022 had stress-tested every one of them in public.

2023 would bring the largest single AML resolution in history, Binance at 4.3 billion dollars. The lesson of 2022 was that the institution that paid that fine was not unusual. It was just larger. Programs that had used 2022 to upgrade sanctions tooling, modernize transaction monitoring, and elevate the BSA officer's authority entered 2023 in a defensible position. Programs that had treated the Russia surge as a sprint to be endured found themselves a year behind on capability investment.

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