BLOCKDAEMON

DATA SHEET

The Role of OFAC Compliance in Institutional Staking

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1 Introduction

Digital assets are now part of mainstream finance. Many banks, funds, and large companies use them each day. With this growth come more rules and closer review. Regulators expect clear controls. They also expect good records that show those controls work.
Compliance is not optional for institutions, enterprises, or funds. It protects customers and capital. It reduces fines, outages, and brand damage. In short, it builds trust.

Sanctions rules are a key part of this picture. In the United States, the **Office of Foreign Assets Control** (OFAC) enforces those rules. OFAC blocks dealings with listed people, groups, and addresses. These rules apply to all digital asset activities. For staking, OFAC would expect the same compliance measures as with other digital asset services. This report explains why OFAC matters and how Blockdaemon's systems meet these rules.

2 What Is OFAC?

The Office of Foreign Assets Control (OFAC) is part of the **U.S. Department of the Treasury**. OFAC enforces economic and trade sanctions. Sanctions are rules that block certain money and trade. These rules protect U.S. national security and foreign policy.

OFAC uses two main tools. The first tool is sanctions programs. These programs target certain countries, groups, and activities. The second tool is the Specially Designated Nationals and Blocked Persons List (SDN List). The SDN List names people, companies, and sometimes wallet addresses. **U.S. persons** must not do business with names on this list.

Companies check the SDN List before they send funds or include transactions. OFAC updates the list often. The agency may add or remove names at any time. OFAC also blocks companies that are owned **50% or more** by listed people. This is called the "50 Percent Rule."

These rules apply to **U.S. persons**. That means U.S. citizens, U.S. companies, and anyone in the United States. As a U.S. based company, Blockdaemon is subject to OFAC rules.

3 OFAC and Crypto

The OFAC now watches crypto closely. In 2021, OFAC shared guidance for the virtual currency industry. It said sanctions rules apply to crypto the same way they apply to cash. It also told firms to build clear, risk-based controls.

In August 2022, OFAC sanctioned Tornado Cash, a crypto mixing service. The Treasury said more than **$7 billion** in crypto moved through it since 2019. It also said hackers tied to North Korea used it to move stolen funds.

Some exchanges have paid fines for breaking sanctions rules. In 2022, Bittrex agreed to pay OFAC $24,280,829.20. On the same day, the **Financial Crimes Enforcement Network (FinCEN)** announced a $29,280,829.20 penalty tied to the same conduct.

Breaking OFAC rules can bring legal trouble, big fines, and bad press. Banks and partners may step away. OFAC also posts its cases and penalties so the public can see them.

4 Blockdaemon's Approach: OFAC-Compliant Staking

Blockdaemon staking enforces OFAC compliance by default. All transactions are screened before inclusion in a block, ensuring every block produced by a Blockdaemon validator meets regulatory standards.

Attestation policy is set in advance and used the same way each time. Some operators attest to any valid chain head. Others do not attest to blocks they would not have proposed. Blockdaemon documents the stance so audits see steady behavior.

Metrics show reject rates, top reasons, the current list version and signature status, time since the last update, and rounds affected by fail-closed behavior. Logs keep short records of accept or reject decisions, tied to transaction hash, rule, and list version. Teams can replay recent traffic with a frozen list to show the same results. Data is kept only as long as needed and with access controls.

There are limits, however. This design does not force network-wide exclusion. Other proposers may include transactions that Blockdaemon nodes filter. The duty here is to avoid facilitating such transactions when proposing and to keep records of each decision.

In practice, compliant results become the default. Screening sits on the only path into the mempool. The list is local, signed, versioned, and hot-updated. The beacon client builds from clean transactions. The validator signs only blocks that meet the same policy. Clear audit trails show what was done and why.

Beyond this default service, Blockdaemon works with Hypernative Inc as an optional extra. This is an "enhanced solution", including avoidance of OFAC-Sanctioned Addresses, and granular controls for additional transaction scrutiny. It lets customers set extra rules. It also adds more ways to look at risky activity. The block-building math stays the same and rewards stay strong. A fail-safe mode keeps the system safe if something looks wrong.

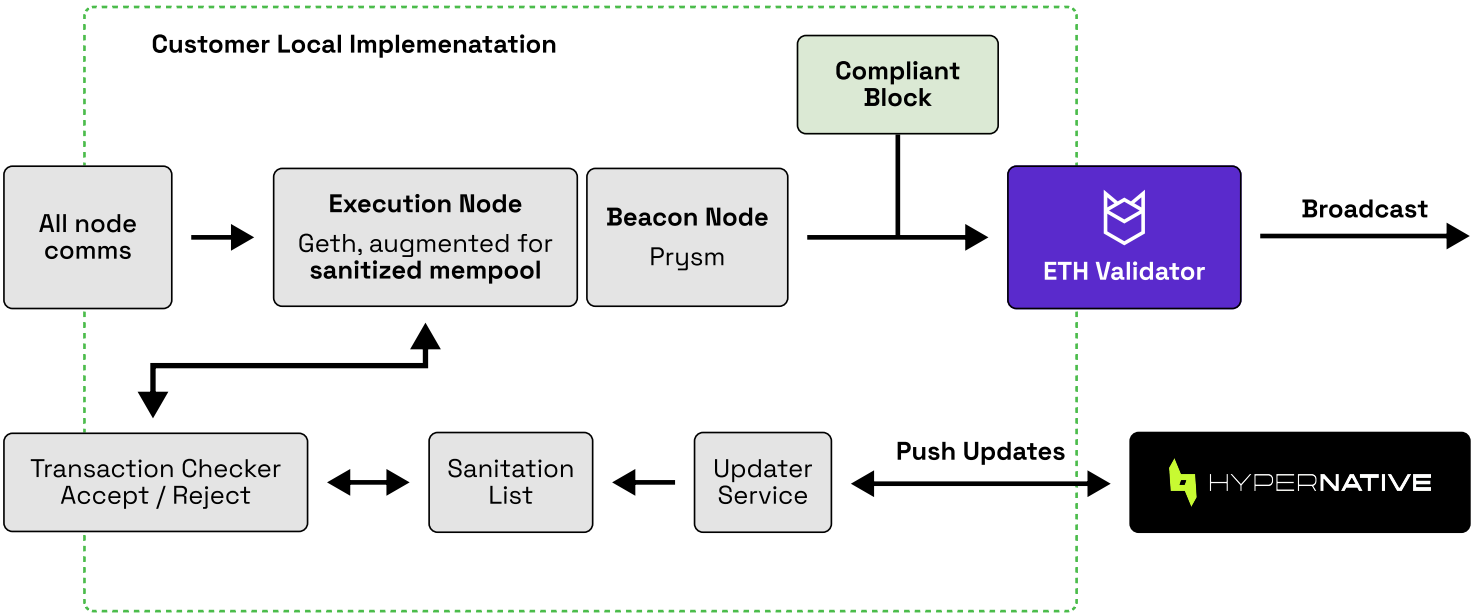

Figure 1: Blockdaemon's OFAC Compliant Staking Architecture

5 Looking Ahead: Compliance as an Industry Standard

Regulatory oversight will only grow stronger. Expect more agencies to publish guidance, faster-changing compliance lists, and reviews that assess both process and proof. Edge screening, signed sources, local validation, and fail-closed pathways will soon be the norm.

For large customers, “compliant by design” becomes table stakes. Partners will need to show current data, deterministic rules, and the same answer each time. Blockdaemon will continue to invest here while continuing to lead with secure, compliant, and institutional-grade infrastructure.

Ensure your staking strategy meets the highest security and compliance standards. Connect with Blockdaemon today to explore OFAC-compliant solutions built for institutions.