Articles + Publications | August 19, 2026

From Designation to Delisting: Navigating OFAC's New Reconsideration Portal

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KEY POINTS

- OFAC launched its Reconsideration Portal on June 29, 2026, replacing unstructured email petitions with a structured online intake system for SDN List and other delisting requests.
- The Portal does not change the governing legal standard: under 31 C.F.R. § 501.807, petitioners must still demonstrate either an insufficient basis for the original designation or a material change in circumstances.
- Under new FAQ 1261, a denied petitioner may resubmit only if the subsequent petition presents new arguments or evidence.
- A thoughtful strategy, with thorough documentary evidence, and third party verification whenever possible, should be developed prior to submitting the delisting petition.
- Candor and cooperativeness are the petitioner's main currency with OFAC, and losing credibility with false or misleading statements, or material omissions, is among the most common causes of failed petitions.

When the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) designates an individual or entity — placing them on the List of Specially Designated Nationals and Blocked Persons, or other sanctions lists — the consequences extend far beyond the immediate blocking of property. Banks terminate relationships, counterparties walk away, investors reassess exposure, and transactions stall — often long after the underlying conduct has ended.

For years, the delisting process existed as an unstructured administrative exercise: petitions submitted by email in no standardized format, followed by iterative questionnaire exchanges. OFAC's new Reconsideration Portal (the Portal) changes the mechanism for interacting with OFAC on delisting petitions, but not the fundamental substance or overall timing.

THE PORTAL: WHAT IS NEW

On June 29, OFAC launched the Portal — a web-based system for submitting delisting petitions and questionnaire responses, and requesting certain information underlying OFAC's sanctions determinations. The Portal introduces structured intake fields requiring petitioners to provide at the outset: identifying information and aliases; the Unique Identification Number (UID) from the relevant OFAC sanctions list; the legal authority or authorities under which the designation was made; a narrative statement of the grounds for delisting; and supporting evidentiary materials.

Alongside the Portal, OFAC updated FAQ 897, published new FAQ 1261, and issued two quick-reference guides: *Delisting Petitions Best Practices* and *Quick-Reference Guide: Delisting Petitions*. The Portal and its accompanying guidance make clear what OFAC expects from a serious delisting request — a structured evidentiary presentation: a clearly stated argument for removal, accompanied by adequate evidence that addresses any factual basis for the designation, and an explanation of why the facts presented justify a different outcome.

THE PORTAL CHANGES THE PROCESS, NOT THE STANDARD

OFAC has stated its goal of completing an initial review of Portal submissions within seven to 10 business days. Final adjudication, however, remains extended, often taking well over a year and sometimes even several years.

Under 31 C.F.R. § 501.807, the governing legal question remains whether the petitioner can establish: (1) an insufficient basis for the original designation; or (2) a material change in the circumstances that gave rise to it that now justifies a different outcome. Petitioners must connect their arguments and evidence directly to one or both of those two grounds.

THE CORE STRATEGIC QUESTION: HOW TO CONVINCE OFAC TO RESCIND A DESIGNATION?

A petition that simply documents new ownership, a reconstituted board, or a replaced compliance team may be factually accurate but legally and strategically insufficient. OFAC needs to see the connection between those developments and the specific conduct or relationship that gave rise to the designation. In practice, that means constructing a record that tells a coherent story: what the designated party did, why OFAC acted, what was right and what was wrong in OFAC's justification for its action, what has concretely changed, what evidence substantiates those changes, and why the original sanctions rationale was invalid at the time and/or no longer holds. Each link should be supported by documentation and independent third-party verification to the extent possible.

THE COURTESY DOCUMENT: NOT A SILVER BULLET

One of the Portal's most consequential features is the ability for listed persons to request a "courtesy document" — a limited set of unclassified, nonprivileged (*e.g.*, excluding law-enforcement-sensitive) information underlying OFAC's designation. Nonlisted third parties generally must use the Freedom of Information Act (FOIA) instead to obtain such information.

A petitioner cannot effectively rebut a concern it does not understand. On the other hand, OFAC will rarely disclose significant useful information. The courtesy document may help counsel by confirming or adding a few facts in the overall picture. But, often, connecting a very limited set of dots and making some educated assumptions will still be needed, even with a courtesy document in hand. The questionnaires from OFAC will typically provide an even clearer roadmap, although that comes later in the process. So there can be real advantages to seeking the courtesy document at the outset. However, requesting the courtesy document may complicate the petitioner's ability to obtain a more complete set of information through FOIA. So petitioners should carefully weigh this and other trade-offs before making a request for the courtesy document.

CHANGED CIRCUMSTANCES MUST GET AT THE HEART OF THE ISSUE

The changed circumstances basis for delisting is particularly relevant for companies that have undergone substantial restructuring since designation. But petitioners should be careful about treating restructuring as an end in itself. It is important to do so lawfully and in a manner that gives OFAC confidence the underlying concern has actually been addressed, not merely restructured around. Moreover, OFAC's guidance cautions that efforts to create changed circumstances through asset transfers or divestitures can themselves give rise to sanctions risks — and in certain circumstances should be coordinated with OFAC in advance.

For companies considering restructuring (*e.g.*, divestiture) or management changes involving blocked persons or property, sanctions counsel should evaluate both compliance and delisting implications before moving forward. A poorly planned transaction undertaken to facilitate delisting can end up undermining the petition itself, and beyond that may generate risk, merely in submitting the petition, by informing OFAC of a potentially problematic transaction.

MULTIPLE DESIGNATIONS MAY REQUIRE MULTIPLE ANSWERS

OFAC's guidance makes clear that a petitioner must address each basis for designation. A petitioner should not assume that defeating one designation theory resolves the matter as a whole. Before preparing a petition, counsel should analyze: which legal authorities apply, which designation criteria were invoked or otherwise may apply, which facts support each criterion, and what evidence addresses each one specifically. Moreover, the strategies and policies underlying different designation authorities may be distinct. A holistic approach is critical.

A DENIAL IS NOT THE END — BUT REQUIRES NEW GROUNDS

FAQ 1261 confirms that a sanctioned person may submit a subsequent petition following a denial. However, a subsequent petition must present new arguments or evidence capable of supporting a different determination. If the petitioner simply repeats its prior submission, OFAC will deny again by reference to its earlier decision without reconsidering the merits.

CREDIBILITY IS KEY

Most importantly, any initial misstatements or material omissions in communications with OFAC, including statements that OFAC could view as misleading, can doom the petitioner's credibility and with it the chances for delisting. Filing prematurely — before the evidentiary record is ready, along with a thoughtful strategy and review by counsel's careful and skeptical eye — is a common mistake. From the first communication with OFAC, full and thoughtful disclosure, with complete candor, is essential.

PRACTICAL TAKEAWAYS

- **Start with the designation, not the Portal.** Understand exactly why OFAC imposed the sanctions — including the specific legal authorities (along with the policies underlying them) and factual predicates — before deciding how to argue for removal.
- **Consider the pros and cons of requesting the courtesy document.** Whatever the best sources, identify the specific factual issues driving the designation, as that must also drive the petition response.
- **Build the record before filing.** A compelling petition depends on evidence that already exists. Developing the record after filing is a disadvantage that can be difficult to overcome.
- **Match remediation to the sanctions concern, and make it irreversible or verifiable whenever possible.** Concrete action addressing the specific conduct or relationship that prompted designation is far more persuasive than a generic compliance overhaul. Additionally, asking OFAC to trust you is often not a winning strategy — anything that a third party can verify or that is clearly irreversible will be much more credible than bare assertions.

- **Analyze every designation authority separately.** Multiple legal bases may require separate factual, legal, and policy strategies.
- **Think carefully before creating "changed circumstances."** Restructuring steps can themselves create sanctions risks and in some cases may even merit prior coordination with OFAC.
- **Do not treat a denial as a reason to simply try again.** A subsequent petition must offer something materially new.
- **Full candor from the outset is critical.** If you lose credibility with OFAC, you will face a much steeper uphill climb toward the ultimate goal of delisting.
- **Filing quickly may not be necessary.** The Portal has made the delisting process more accessible to those who are not accustomed to dealing with OFAC. That is not a reason to file before the full strategy and evidentiary record are ready.

For questions about OFAC delisting petitions, sanctions compliance, or export controls, please contact a member of Troutman Pepper Locke's Sanctions + Trade Controls Practice Group.

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