
October 8, 2026

Treasury Announces First-Ever Penalty Under the Outbound Investment Security Program

On October 7, 2026, the U.S. Department of the Treasury (“Treasury”) announced its first civil penalty under the Outbound Investment Security Program (the “OISP”). Treasury fined Amidi, LLC (“Amidi”) \$200,000 for failing to notify Treasury of an investment that Amidi’s controlled foreign entity, a Chinese fund, made in a Chinese embodied artificial intelligence company.¹ In line with the recent EMCORE divestment order under the Committee on Foreign Investment in the United States (“CFIUS”),² this action shows that Treasury is monitoring the market for unfiled transactions and will act even when the investment is relatively small. It also comes as Treasury prepares to implement the Comprehensive Outbound Investment National Security Act of 2025 (the “COINS Act”), which will expand the OISP to additional countries and technology sectors.³ Below, we summarize the enforcement action, the features of the transaction that likely drew Treasury’s attention, how the COINS Act may alter the OISP framework, and the implications of this action for corporate investors.

The Enforcement Action

Under the OISP, a U.S. person must notify Treasury of any transaction by its controlled foreign entity that would be notifiable if a U.S. person had engaged in it.⁴ On April 19, 2025, Amidi’s subsidiary, a Chinese fund, invested approximately \$92,478 in Shanghai Qiongche Intelligent Technology Company Limited (“Noematrix”). Noematrix is a private Chinese company that develops artificial intelligence, robotics, and embodied intelligence.⁵ Treasury identified the transaction through its “regular and ongoing compliance and market monitoring efforts,” rather than through a voluntary self-disclosure,⁶ determined that it required a notification, and that Amidi failed to file that notification. While Treasury decided that the transaction required notification, it did not describe the investment itself as prohibited.⁷

¹ U.S. Dep’t of the Treasury, Press Release, *Treasury Announces Enforcement Penalty for Violation of Outbound Program* (Oct. 7, 2026) (“Treasury Release”), available [here](#). Treasury issued the penalty in July 2026. *Id.*

² See Paul, Weiss, *Order Requires Chinese Acquirer to Divest From U.S. Technology Company* (Jan. 15, 2026), available [here](#).

³ Treasury Release; see also Paul, Weiss, *2025 Year in Review: National Security* (Jan. 23, 2026), available [here](#); Paul, Weiss, *Treasury Department Issues Final Rule Regulating Outbound Investment to Protect National Security* (Dec. 6, 2024) (“Final Rule Memo”), available [here](#).

⁴ Treasury Release; see also U.S. Dep’t of the Treasury, *Outbound Investment Security Program: Enforcement Overview and Guidance* (Jan. 17, 2025) (“Enforcement Guidance”), available [here](#); Final Rule Memo.

⁵ Treasury Release.

⁶ *Id.*

⁷ See *id.*; U.S. issues first outbound investment fine over Chinese robotics AI deal, South China Morning Post (Oct. 8, 2026) (“SCMP”), available [here](#).

Treasury's Penalty Assessment

The International Emergency Economic Powers Act ("IEEPA") authorizes Treasury to impose a civil penalty up to the greater of twice the transaction value or an inflation-adjusted statutory amount (currently \$377,700).⁸ Here, Treasury imposed a penalty of \$200,000—more than twice the value of the investment.⁹ Treasury did not explain how it calculated the penalty, but it stated that it weighs the aggravating and mitigating factors in its Outbound Investment Security Program Enforcement Overview and Guidance when deciding whether to bring an enforcement action.¹⁰

Why This Transaction?

Although Treasury has not explained why it selected this matter, a number of potential reasons stand out:

- **Focus Sector.** Noematrix develops artificial intelligence, robotics, and embodied intelligence, and AI is one of the three sectors currently covered by the OISP. Moreover, the Administration has previously identified AI and "emerging and foundational" technologies as areas where it intends to "restrict foreign adversary access,"¹¹ and as the Assistant Secretary of the Treasury for Investment Security stated in connection with this enforcement action: "The Outbound Investment Security Program is an important tool aimed at addressing the advancement of key technologies by countries of concern that could pose risks to U.S. national security."¹²
- **Notification Failure, Not a Prohibited Investment.** A missed filing is a clear, easily proven violation. Treasury did not need to establish that the transaction was prohibited.
- **Known U.S. Parent.** Treasury noted that "Amidi is also the parent entity of the organization that does business as Plug and Play Tech Center,"¹³ a well-known Silicon Valley company. Amidi's investment thus created a direct link between a known U.S. investor and a covered sector, making the transaction a natural focus for Treasury's market monitoring.

COINS Act Changes

The COINS Act, signed into law on December 18, 2025, also provides important context for this enforcement action. The Act requires Treasury to issue implementing regulations by March 13, 2027, and those regulations are expected to significantly reshape the OISP framework.¹⁴ Until then, the current OISP rules remain in effect, and investors must continue to comply with them in full. Among the most notable anticipated changes are:

- **Expanded Sectors.** The addition of high-performance computing and supercomputing, and hypersonic systems to the OISP framework, and authority for Treasury to add further technology categories by regulation.
- **Expanded Countries of Concern.** With the addition of Cuba, Iran, North Korea, Russia and Venezuela under the Maduro regime to the framework, this change may be largely symbolic given existing sanctions on those jurisdictions.
- **Revised Covered Foreign Person Test.** The replacement of the current 50% test, which is based on revenue, net income, capital expenditures or operating expenses, with tests based on control and ownership, would cover persons that are subject to the direction or control of a country of concern or certain related persons, or that are 50% or more owned, directly or indirectly, by them.
- **De Minimis and Other Exceptions.** The implementation of a *de minimis* threshold and of exceptions for ancillary transactions by financial institutions, such as payment processing and underwriting, and for a U.S. person's acquisition of a covered foreign person's entire interest in an entity located outside a country of concern.

⁸ 31 C.F.R. § 850.701, available [here](#); Notice on Penalty Inflation Adjustments for Civil Monetary Penalties, 90 Fed. Reg. 8429 (Jan. 29, 2025), available [here](#); Off. of Mgmt. & Budget, M-26-11, Cancellation of Penalty Inflation Adjustments for 2026 (Apr. 17, 2026), available [here](#).

⁹ See SCMP.

¹⁰ See *id.*; Treasury Release; see Enforcement Guidance.

¹¹ America First Investment Policy (Feb. 21, 2025), available [here](#).

¹² Treasury Release.

¹³ *Id.*

¹⁴ National Defense Authorization Act for Fiscal Year 2026, Pub. L. No. 119-60, div. H, tit. LXXXV, 139 Stat. 718 (2025) (Comprehensive Outbound Investment National Security Act of 2025), available [here](#); U.S. Dep't of the Treasury, *Outbound Investment Security Program, Frequently Asked Questions* § XI, FAQ 2 (updated Dec. 23, 2025), available [here](#).

- **Feedback Mechanism.** The establishment of a process for parties to obtain non-binding feedback, on a confidential basis or as anonymized public guidance, on whether a proposed transaction would involve a prohibited technology.

Key Takeaways

This action makes clear that Treasury is enforcing the OISP's notification requirements regardless of deal size. While a future *de minimis* threshold under the COINS Act may eventually exclude investments of this size, the current rules continue to apply in full in the meantime. Corporate investors may wish to consider:

- **Look-Back Review.** Review all transactions completed on or after January 2, 2025, including small and minority investments by non-U.S. subsidiaries and funds, for any missed notifications.¹⁵ As discussed in our December 2024 memorandum, the current rules distinguish between prohibited and notifiable transactions based on the specific technologies and activities involved.¹⁶
- **Controlled Foreign Entity Coverage.** Make sure outbound investment policies, approval processes and training extend to controlled foreign entities.
- **Diligence Documentation.** Document the "reasonable and diligent inquiry" the OISP requires, including representations obtained from investment targets.¹⁷
- **Remediation and Self-Disclosure.** Where a gap is identified, assess remediation and voluntary self-disclosure in light of the mitigating factors in Treasury's Enforcement Guidance.
- **COINS Act Readiness.** Map exposure to the new sectors and to the revised ownership-based test ahead of Treasury's rulemaking.

We expect Treasury's outbound enforcement to remain active as the program expands under the COINS Act. FinCEN's proposed whistleblower rule would also cover OISP violations as IEEPA-based violations, and FinCEN is already accepting tips.¹⁸

¹⁵ See Final Rule Memo.

¹⁶ See Paul, Weiss, *Treasury Department Issues Final Rule Regulating Outbound Investment to Protect National Security* (Dec. 6, 2024), available [here](#); see also Enforcement Guidance.

¹⁷ See Final Rule Memo; 31 C.F.R. § 850.104, available [here](#).

¹⁸ See Paul, Weiss, *Race to Report—DOJ and FinCEN Expand Incentives for Corporate and Individual Reporting of Anti-Money Laundering and National Security Violations*, available [here](#).

Treasury Announces First-Ever Penalty Under the Outbound Investment Security Program

* * *

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

James Brower

+1-202-223-7442

jbrower@paulweiss.com

John P. Carlin

+1-202-223-7372

jcarlin@paulweiss.com

Daniel J. Gerkin

+1-202-223-7407

dgerkin@paulweiss.com

David K. Kessler

+1-212-373-3614

dkessler@paulweiss.com

Ian C. Richardson

+1-202-223-7405

irichardson@paulweiss.com

Nicole Succar

+1-212-373-3624

nsuccar@paulweiss.com

Mitchell D. Webber

mwebber@paulweiss.com

Audrey M. Paquet

+1-212-373-2397

apaquet@paulweiss.com

Joshua R. Thompson

+1-202-223-7491

jthompson@paulweiss.com

Associates Yanna Lee and Sam Rebo contributed to this Client Memorandum.