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PSA Group

2024 OFAC Civil Enforcement Roundup

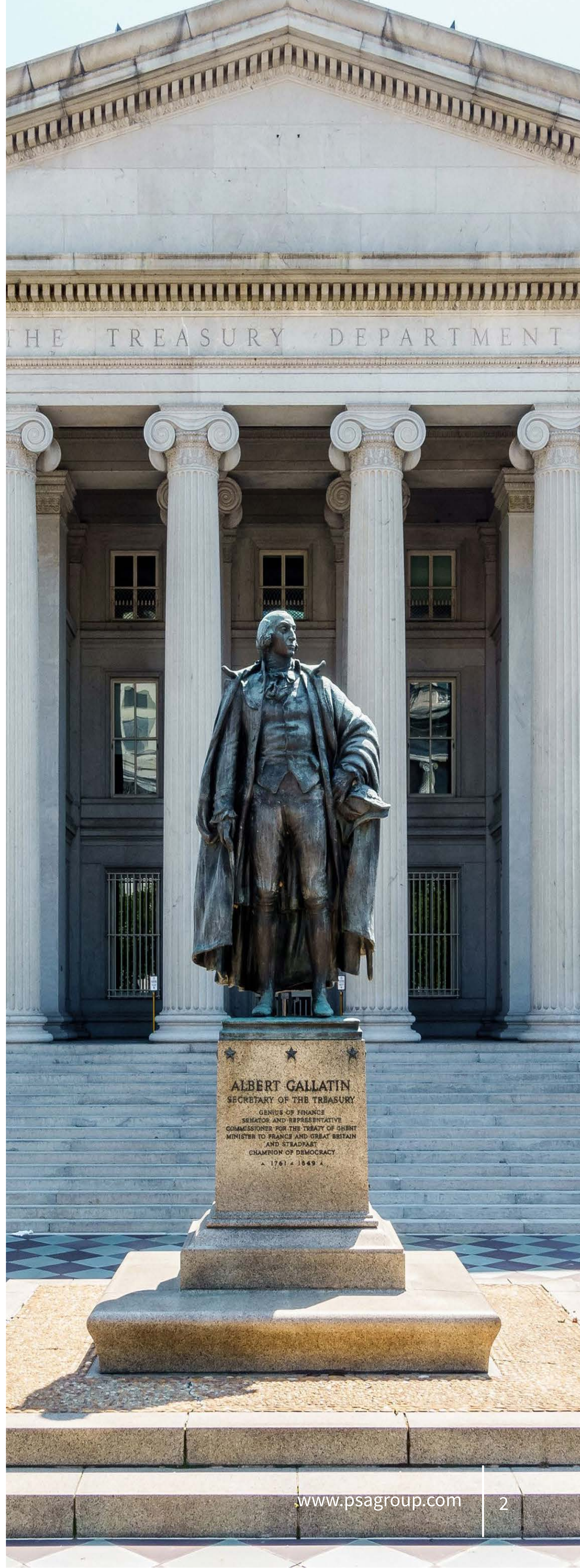
INTRODUCTION

The US Treasury Department's Office of Foreign Assets Control (OFAC), the main agency responsible for administering America's economic sanctions programs, also takes the lead in civil enforcement for sanctions violations. This latter authority provides key insights into the US government's sanctions priorities for a given year – making it an essential reference point for corporate compliance. OFAC carried out 12 enforcement actions in 2024, comprising 11 settlements and 1 penalty, with a total value of USD 48.79 million. This was a somewhat quiet year for OFAC civil enforcement, especially compared to the blockbuster USD 1.54 billion in fines and settlements from 2023. Following the Trump Administration's February 2025 announcement shifting enforcement priorities, relying on past enforcement trends to predict future outcomes may not be straightforward. Nevertheless, several important trends stand out, offering key lessons that can be applied to compliance operations in 2025.

Sanctions Programs

OFAC in 2024 exhibited a clear focus on Iran, with 6 of the 12 civil enforcement actions involving violations of Iranian sanctions programs. The remaining violations concerned sanctions against Russia (3 actions), North Korea and Cuba (2 actions each), as well as Global Magnitsky and Kingpin Act sanctions (1 action each), which respectively pertain to human rights and drug trafficking. It remains to be seen whether Iran, which has been subject to escalating sanctions in response to recent conflicts in the Middle East, will see similar levels of civil enforcement in 2025, though it will very likely remain a sanctions priority for the Trump administration. The comparatively low level of Russian-related enforcement is also noteworthy, but may be the result of ongoing, complex Russia investigations at OFAC, which experts have attributed to the overall drop in enforcement in 2024. Syria and Venezuela, both longstanding targets of US sanctions policy, were notably absent from OFAC civil enforcement in 2024. It is unclear whether the fall of the Assad regime and a second Trump administration, which previously took a "maximum pressure" approach to Venezuelan sanctions, will lead to greater enforcement activity involving these jurisdictions in 2025.

[1] https://globalinvestigationsreview.com/news-and-features/investigators-guides/russia/article/tricky-russia-investigations-likely-behind-drop-in-ofac-enforcement



Sanctions Targets

The targets of OFAC sanctions enforcement in 2024 consisted of 7 US entities and individuals, as well as 5 foreign entities in Europe (Germany, Italy, Switzerland) and Asia (Vietnam, Thailand). OFAC did not focus on specific industries in its enforcement activity for the year, targeting subjects across the technology, consumer, service, industrial, logistics, and energy sectors. For the foreign entities, the US financial system was a key vector for achieving a "US Nexus" – a connection to the US enabling the extraterritorial application of sanctions. By interacting with US financial institutions, these foreign entities brought their business dealings within the remit of US sanctions authority, even in situations where the activity may otherwise have been beyond OFAC's reach. Moreover, in the cases against SCG Chemicals and Aiotec GmbH, the two foreign companies engaged in fraudulent practices to cause US parties to violate sanctions, which in Aiotec's case involved a complex scheme to trick a US company into selling a disassembled chemical plant to Iran. These cases notably involved the top two settlements for 2024 – a clear signal that OFAC will not tolerate foreign actors violating sanctions through unwitting US proxies.

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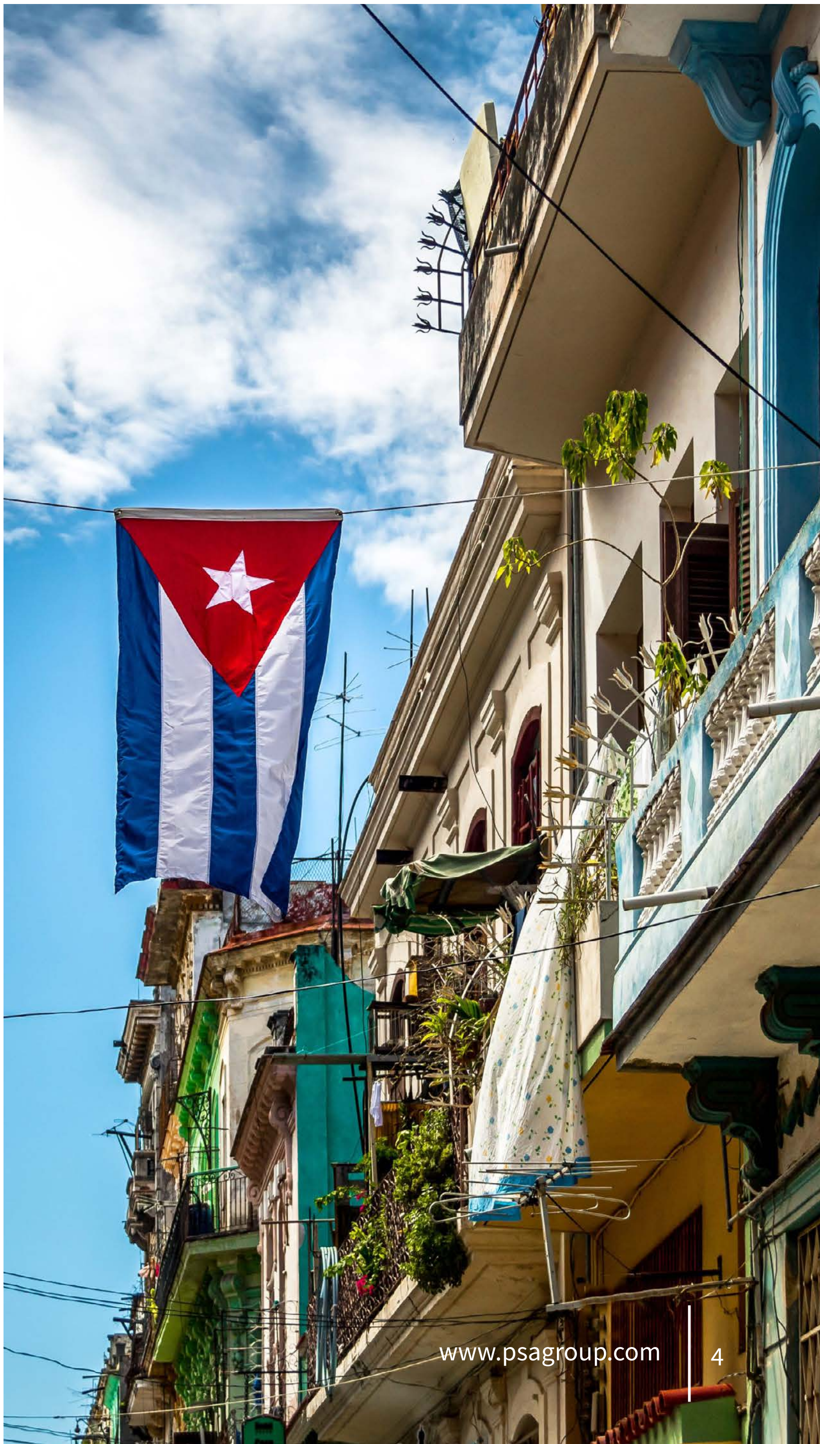
Sanctioned Activity

OFAC civil enforcement in 2024 targeted a range of commercial activity that allegedly violated US sanctions, i.e., resulted in payments, goods and services being rendered to sanctioned jurisdictions, sectors, or parties. 5 of the 12 cases concerned violations that were "egregious" – serious breaches that are deemed to be intentional or to have significantly harmed US sanctions objectives, among other factors. 4 of the 5 cases with the highest settlements/penalties (SCG Plastics, Aiotec GmbH, State Street and Charles River Systems, US Natural Person – Iranian Hotel Scheme) were egregious in nature, involving active attempts to evade US restrictions or obfuscate violative behavior. The remaining top-5 penalty was imposed against Swiss bank EFG International for a non-egregious violation that was voluntarily disclosed to OFAC (another key enforcement criteria), but involved a large volume of securities transactions being processed on behalf of sanctioned parties through US omnibus accounts.

Compliance Considerations

OFAC's enforcement activity in 2024 offers several takeaways for corporate compliance moving into 2025. First, it is imperative for businesses to implement robust, risk-based compliance programs focusing on OFAC sanctions. Many of the violations from 2024 occurred due to inadequate sanctions controls, resulting in Subjects failing to re-screen or cross-reference counterparties, monitor subsidiaries, or account for non-blocking sectoral sanctions. In other cases, management was unaware of, or simply disregarded, OFAC sanctions risks, underscoring the importance of building internal systems that reinforce sanctions awareness. Second, OFAC sanctions do not simply apply to US persons, but can extend to foreign parties whose business dealings have US touchpoints. OFAC compliance is therefore a two-way street – requiring US businesses to rule out any connections to sanctioned parties or jurisdictions, while forcing foreign companies to be aware of any potential US nexus in their business dealings, which can trigger OFAC violations and lead to major penalties. Finally, despite the risks associated with OFAC non-compliance, companies and individuals will always be willing to roll the dice to obtain lucrative business opportunities or access the US financial system. Companies must therefore remain vigilant for sanctions evasion, particularly when operating in sectors where comprehensively sanctioned jurisdictions such as DPRK or Iran are known to operate.



Date	Subject of Enforcement/ Jurisdiction/Industry	Penalty /Settlement (USD)	Description of Violation	Compliance Considerations
Dec 31, 2024	SkyGeek Logistics, Inc. (USA) Aerospace/Tech	Settlement $ 22,172	Between January 10, 2024 and March 18, 2024, SkyGeek, a New York-based aviation products supplier, made shipments and attempted refunds to two UAE-based aircraft parts suppliers, which had both been added to OFAC's SDN List for their connections to Russia's aerospace and technology sectors. This constituted 6 apparent violations of Russia sanctions, which were non-egregious, and some of which were self-disclosed.	• Companies operating in sensitive industries and jurisdictions must ensure they are not dealing with sanctioned counterparties. • SkyGeek's dealings with the sanctioned parties preceded their SDN designation, highlighting the need to re-screen counterparties throughout a transaction's "life cycle".
Dec 18, 2024	US Natural Person (Anonymous) Equine/Professional Services	Settlement $ 45,179	The US person was a long-serving secretary and treasurer at a US equine business whose CEO was SDN designated in 2020. Between January and June 2021, the US person executed $45,179 in payments on behalf of the CEO, knowing that the individual was sanctioned. Payments were made through the equine company and the US person's professional services firm. This constituted 6 apparent violations of Global Magnitsky Sanctions, 3 of which were egregious, and none were self-disclosed.	• Highlights the risks of dealing with blocked persons via non-blocked entities, as well as the risks of professional service provider "gatekeepers" failing to comply with OFAC sanctions.
Dec 18, 2024	Córdoba Music Group LLC (USA) Musical Instruments	Settlement $ 41,591	Between November 2019 and March 2022 Córdoba, a California-based musical instrument manufacturer, shipped USD 118,831 worth of instruments and related accessories to Iran via a UAE company. Córdoba was aware that the goods were ultimately destined for Iran. This constituted 9 apparent violations of Iran sanctions, which were non-egregious and self-disclosed.	• Córdoba did not realize its exports to Iran violated US sanctions, which was only discovered after Córdoba was acquired by another company. Corporations must promote sanctions awareness, while acquiring companies must be aware of pre-acquisition violations. • Córdoba contacted an Iranian company at a trade show in the US, where business reps from sanctioned jurisdictions may lawfully attend.

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Dec 13, 2024	C.H. Robinson International Inc. (USA) Transportation/ Logistics	Settlement $ 257,690	C.H. Robinson is a Minnesota-based transportation and logistics company. Following a series of overseas acquisitions, between November 2018 and February 2022, several non-US subsidiaries provided freight brokerage or transportation services for shipments to or from Iran, of Iranian or Cuban origin goods, or by dealing with an Iranian airline. This constituted 76 apparent violations of Iran sanctions, and 6 apparent violations of Cuba sanctions, which were non-egregious and self-disclosed.	• Most of the apparent violations were because the foreign subsidiaries' brokerage management systems were not integrated with C.H. Robinson's or up to date – leading to prohibited transactions occurring up to 4.5 years post-acquisition. • Cuban and Iranian sanctions apply to US companies' foreign subsidiaries, meaning that imports and exports not involving the US may still be subject to US jurisdiction.
Dec 3, 2024	Aiotec GmbH (Germany) Industrial Equipment/ Chemicals	Settlement $ 14,550,000 ($ 9,550,000 suspended pending completion of compliance commitments)	Between 2015 and 2019, Aiotec, a German company that sources industrial equipment for the energy sector, participated in a conspiracy to cause a US company to indirectly sell and supply an Australian polypropylene plant to Iran, and remit payments for the sale of the plant through U.S. financial institutions. This constituted 1 apparent violation of Iran sanctions, which was egregious and not voluntarily disclosed.	• Foreign persons doing business in sanctioned countries may be subject to US jurisdiction if they involve US parties or financial system – need to account for all "US Touchpoints". • Non-US persons are prohibited from causing, or conspiring to cause, US persons to violate US sanctions (March 2024 Tri-Seal Note). • Aiotec managed to undermine the sanctions controls of the US company, which took best-efforts steps to ensure the plant was not destined for Iran. Nevertheless, these precautions likely played a role in the US company not being penalized.
Nov 19, 2024	US Natural Person (Anonymous) Hospitality	Monetary Penalty $ 1,104,408	Between 2019 and 2022, the individual executed a plan to purchase, renovate, and operate a hotel in Iran, utilizing foreign money services businesses in Iran and Canada to evade U.S. sanctions. The individual separately transferred ownership of a parcel of Iranian real property to their US-person children without authorization. These dealings, valued at approximately $561,802, constituted 75 violations of Iran sanctions, and were egregious and not self-disclosed.	• The individual made payments via an informal value transfer system (IVTS), allowing for money to be sent without actual cross border movement of funds – compounding the difficulties of detection.

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Nov 14, 2024	American Life Insurance Company (USA) Insurance	Settlement $ 178,421	From February 2022 to August 2023, ALICO, a subsidiary of Met Life Insurance, issued group medical and life insurance policies, collected premiums, and paid claims to schools and entities in the UAE that were owned or controlled by the Government of Iran. This activity, whose total value was $446,077, constituted 2,331 apparent violations of Iran sanctions, which were non-egregious and self-disclosed.	• Importance of robust KYC processes to screen for blocked parties that may not appear on the SDN List, such as a government-controlled school. • Claims were paid out through a UAE third-party administrator, which continued to do so for several weeks after receiving instructions from ALICO to stop – underscoring risks of outsourcing to third-parties. • A sales agent managed to circumvent ALICO's internal controls when pursuing policies for the GOI controlled entities, demonstrating the need for systems to flag previously rejected applicants or payments.
Oct 17, 2024	Vietnam Beverage Company Limited (Vietnam) Food and Beverage	Settlement $ 860,000	Between April 2016 and October 2018, VBCL's Vietnam subsidiaries caused US financial institutions to process approximately $1,141,547 in payments for the sale of alcoholic beverages to North Korea. This constituted 43 apparent violations of North Korea sanctions, which were non-egregious and not self-disclosed.	• Risks of non-US persons transacting with sanctioned parties, especially those in comprehensively sanctioned jurisdictions, via the US financial system. • Violative activity began prior to VBCL's acquisition of the subsidiaries, and was only identified in December 2019 – sanctions compliance is essential for M&A. • Payments were initiated by a network of third-party companies in different jurisdictions acting on behalf of North Korean entities, highlighting the DPRK's sophisticated sanctions evasion techniques.
Jul 26, 2024	State Street Bank and Trust Company / Charles River Systems, Inc. (USA) Financial Services	Settlement $ 7,452,501	Charles River Systems, a US non-bank technology company and subsidiary of State Street, had business with subsidiaries of Sberbank and VTB Bank – Russian financial institutions subject to sectoral sanctions that limit dealings in new debt beyond specified maturity windows. Between 2016 and 2020, Charles River Systems redated or reissued invoices from these customers to prevent their -	• State Street acquired Charles River Systems in 2018, but did not consider sectoral sanctions' applicability to the late invoice payments, allowing the violations to continue for 19 months post-acquisition. • Compliance programs must account for "less-than-blocking" sectoral sanctions, which can include debt and equity limitations and apply to -

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Jul 26, 2024	State Street Bank and Trust Company / Charles River Systems, Inc. (USA) Financial Services	Settlement $ 7,452,501	rejection by US financial institutions, and accepted payments outside of the stipulated maturity periods. This activity constituted 38 apparent violations of Russia sanctions, which were egregious and not self-disclosed.	subsidiaries of designated - entities. • Issues resulting from sectoral sanctioned customers, i.e., late invoice payments, should be reported to OFAC – falsifying documentation to facilitate such transactions poses significant risks.
June 26, 2024	Mondo TV, S.p.a. (Italy) Animation	Settlement $ 538,000	Between May 2019 and November 2021, Mondo TV, an Italian animation company, caused U.S. financial institutions to process approximately $537,939 in payments for animation work Mondo outsourced to a state-owned animation studio in North Korea. This activity constituted 18 apparent violations of North Korea sanctions, which were non-egregious and not self-disclosed.	• Risks of non-US persons transacting with sanctioned parties through US companies or financial system. • The DPRK operates across a range of illicit and legitimate sectors, such as animation or IT services, raising supply chain risks.
Apr 19, 2024	SCG Plastics Co., Ltd. (Thailand) Chemicals	Settlement $20,000,000	From 2017 to 2018, SCG Plastics, a distribution company owned by Thai multinational SCG Chemicals, caused US financial institutions to process $291 million in wire transfers for sales of polyethylene resin manufactured by SCG Chemicals' joint venture in Iran. This activity constituted 467 apparent violations of Iran sanctions, which were egregious and mostly not self-disclosed.	• Commercial activity that might not otherwise violate US sanctions (e.g., sale of non-US goods by non-US party to a sanctioned country) can become subject to enforcement if it involves US financial system. • SCG Plastics employed shipping and documentation policies that obfuscated the involvement of Iranian products and parties to evade detection by US banks, exposing itself to significant penalties (March 2024 Tri-Seal Note).
Mar 14, 2024	EFG International AG (Switzerland) Financial Services	Settlement $ 3,740,442 ($ 1,000,000 suspended pending completion of compliance commitments)	Between 2014 and 2018, EFG, a Swiss global private banking group, caused U.S. securities firms to process 727 securities-related transactions totaling $29,939,701 on behalf of Cuban customers, 141 securities transactions totaling $468,615 for an individual blocked under the Kingpin Act, and in 2023, five dividend payments, totaling $1,200, for US-custodied securities belonging to a person blocked under OFAC's Russia sanctions. These 873 apparent violations were non-egregious and self-disclosed.	• Transactions were conducted on behalf of EFG's foreign clients through US omnibus accounts, with trades generally being made under the name "EFG" rather than the underlying client's – causing US market participants to be unaware they were processing transactions on behalf of sanctioned parties. • Foreign financial institutions with omnibus US accounts must implement risk-based controls to prevent OFAC sanctions violations, and implement appropriate restrictions upon identifying a sanctioned client.

PSA Group

Pacific Strategies & Assessments

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