

A New Trend? Singapore Company Targeted for U.S. Dollar Payments to Iranian Entities

IN SHORT

The Situation: A non-U.S. company used U.S. dollars for payments involving a sanctioned country.

The Result: This appears to be the first time that OFAC penalized a non-U.S. company that is not a financial institution for causing sanctions violations by using U.S. dollars for payments involving a sanctioned country.

Looking Ahead: Non-U.S. companies that do business with OFAC-sanctioned jurisdictions or parties should be aware of the risks associated with using U.S. dollars to process payments related to such business.

The U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC") recently announced a settlement with CSE TransTel Pte. Ltd. ("TransTel"), a wholly owned subsidiary of CSE Global Limited ("CSE Global"), both of which are located in Singapore. Under the terms of the settlement, TransTel agreed to pay just over \$12 million to settle potential civil liability associated with 104 apparent violations of the U.S. sanctions on Iran. This particular enforcement action is important for non-U.S. companies because it appears to be the first time that OFAC penalized a non-U.S. company that is not a financial institution for causing sanctions violations by using U.S. dollars for payments involving a sanctioned country.

According to the settlement agreement, between August 2010 and November 2011, TransTel entered into contracts with, and received purchase orders from, multiple companies to deliver and install telecommunications equipment for several energy projects in Iran and/or Iranian territorial waters. TransTel hired and engaged a number of third-party vendors, including several Iranian companies, to provide goods and services on its behalf in connection with the contracts and purchase orders.

Prior to entering into the contracts, CSE Global and TransTel separately maintained individual U.S. dollar and Singaporean dollar accounts with a non-U.S. financial institution located in Singapore ("Bank"). Despite written assurances to the Bank that TransTel and CSE Global would not route any transactions related to Iran through the Bank, from June 2012 until March 2013, TransTel originated 104 U.S. dollar wire transfers totaling more than \$11 million involving Iran from its account with the Bank. The transactions were destined for multiple third-party vendors, including several Iranian parties, that supplied goods and services to or for TransTel's energy projects in Iran. All of the fund transfers were processed through the United States, and none of the transactions contained references to Iran, the Iranian projects, or any Iranian parties. OFAC concluded that the payments caused "at least six separate financial institutions to engage in the unauthorized exportation or re-exportation of financial services from the United States to Iran."

OFAC noted that this particular enforcement action "highlights the sanctions compliance obligations of all individuals and entities that conduct business in OFAC-sanctioned jurisdictions or with OFAC-sanctioned parties and that also process transactions directly or indirectly through the United States, or involving U.S. companies, or U.S.-origin goods, services, and technology." OFAC went on to say that "[w]hen signing letters of attestation or making other representations and warranties to financial institutions that provide access to the U.S. financial system, individuals and entities should consider carefully whether they are willing and able to act within the parameters of such agreements."

In the wake of this enforcement action, non-U.S. companies that do business with, in, involving, or relating to OFAC-sanctioned jurisdictions or parties should be aware of the risks associated with using U.S. dollars to process payments related to such business.



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THREE KEY TAKEAWAYS

1. This appears to be the first time that OFAC penalized a non-U.S. company that is not a financial institution for causing sanctions violations by using U.S. dollars for payments involving a sanctioned country.
2. The settlement could signal a new enforcement trend targeting non-U.S. companies for causing violations.
3. Non-U.S. companies that do business with OFAC-sanctioned jurisdictions or parties should be aware of the risks associated with using U.S. dollars to process payments related to such business.

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