

ENFORCEMENT INFORMATION FOR March 19, 2010

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 CFR part 501. On November 9, 2009, OFAC published as Appendix A to part 501 new Economic Sanction Enforcement Guidelines. Although these new guidelines replace earlier enforcement guidelines published by OFAC, for certain matters that were in process at the time the new guidelines were published, the prior guidelines (which can be found at 68 *Fed. Reg.* 4422 and 71 *Fed. Reg.* 1971) are still applicable. Please see OFAC's Revised Interim Policy regarding use of the prior guidelines. The Revised Interim Policy, along with the new guidelines and copies of recent final Penalty Notices, can be found on OFAC's website at <http://www.treas.gov/offices/enforcement/ofac/civpen>.

ENTITIES – 31 CFR 501.805(d)(1)(i)

Innospec Inc. Settles Cuban Assets Control Regulations Allegations: Innospec Inc., a Delaware corporation (“Innospec”), has agreed to pay \$2.2 million to settle allegations of violations of the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (the “CACR”). OFAC's settlement of the apparent violations of the CACR is part of a \$40.2 million comprehensive criminal and civil settlement between Innospec and OFAC, the Department of Justice (DOJ), the Securities and Exchange Commission (SEC), and the United Kingdom's Serious Fraud Office (SFO).

OFAC alleged that, after its acquisition of a foreign corporation that maintained a local sales office in Cuba, Innospec conducted business in Cuba through its acquired subsidiary, including conducting transactions in which the government of Cuba and/or Cuban nationals had an interest in apparent violation of § 515.201(b) of the CACR. Specifically, OFAC alleged that: Innospec maintained a local sales office in Cuba and incurred general operating expenses for such routine items as real property, business personal property, automobiles and travel; employed Cuban nationals who were paid a salary through a Cuban government agency; entered into contracts with Cuban power companies; and held bank accounts with financial institutions located in Cuba. The base penalty amount for the alleged violations was \$4,447,878.

Although Innospec was under active investigation by other U.S. government agencies for other reasons, OFAC first received information concerning the apparent CACR violations when Innospec brought them to OFAC's attention. Therefore, OFAC considers the apparent CACR violations to have been voluntarily self-disclosed. OFAC does not consider this to be an egregious case. Innospec received mitigation because it cooperated with OFAC's investigation of the apparent CACR violations, including entering into a statute of limitations tolling agreement, as well as with the investigations of other U.S. and U.K. agencies. Innospec has taken remedial measures by selling the foreign subsidiary with operations in Cuba to a non-U.S. third party and enhancing its compliance program. The settlement amount also accounted for the global nature of the settlement agreement and the other fines and penalties Innospec agreed to pay.

As part of this comprehensive settlement, Innospec pleaded guilty to a twelve-count indictment in the U.S. District Court charging wire fraud in connection with the payment of kickbacks to the Iraqi government under the United Nations Oil for Food Program (OFFP), as well as violations of the Foreign Corrupt Practices Act (FCPA) in connection with bribe payments to officials in the Iraqi Ministry of Oil and the Indonesian government. Innospec also admitted that, from 2001 to 2004, a subsidiary sold nearly \$20 million in oil soluble fuel additives to state-owned Cuban power plants without a license, conduct that in part formed the basis for the settlement with OFAC. As part of the plea agreement with DOJ, Innospec agreed to pay a \$14.1 million criminal fine, to retain an independent compliance monitor, and to continue fully cooperating with DOJ and other authorities in ongoing investigations of corrupt payments by company employees and agents.

Innospec also settled a civil complaint filed by the SEC charging Innospec with violating the FCPA anti-bribery, internal controls, and books and records provisions by engaging in widespread bribery of foreign government officials in Iraq and Indonesia to obtain and retain business. Innospec's internal controls failed to detect the illicit conduct, which continued for nearly a decade. As agreed with the SEC, and based on its financial condition, Innospec will disgorge \$11.2 million of total profits to the SEC.

In another related matter brought by the United Kingdom's Serious Fraud Office, Innospec's British subsidiary, Innospec Ltd., pleaded guilty in U.K. court to having made corrupt payments to Indonesian officials as inducements to secure, or as rewards for having secured, contracts from the Government of Indonesia for the supply of specialized chemicals to the Government of Indonesia by Innospec Ltd. As a result of the plea, Innospec Ltd. will pay a criminal penalty of \$12.7 million.

OFAC acknowledges assistance from the U.S. Department of Justice, Fraud Section, the Securities and Exchange Commission, the Federal Bureau of Investigation, and the United Kingdom's Serious Fraud Office.

The entire Settlement Agreement between OFAC and Innospec is posted under the Selected Settlement Agreements section of this website.

For more information regarding OFAC regulations, please go to:
<http://www.treas.gov/offices/enforcement/ofac/legal/>.