

ENFORCEMENT INFORMATION FOR OCTOBER 25, 2013

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 Sanctions Enforcement Guidelines. See 74 Fed. Reg. 57,593 (Nov. 9, 2009). The Economic Sanctions Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at <http://www.treasury.gov/ofac/enforcement>.

ENTITIES – 31 CFR 501.805(d)(1)(i)

KMT Group AB Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations. KMT Group AB (“KMT Group”), of Stockholm, Sweden, has agreed to pay \$125,000 on behalf of its subsidiaries, KMT Aqua-Dyne, Inc. (“KMT AD”) and KMT GmbH, to settle potential civil liability for apparent violations of the Iranian Transactions and Sanctions Regulations (the “ITSR”).¹ KMT AD is a U.S.-based manufacturer of high pressure water jetting pump units (“pumps”) used for industrial pipe cleaning, surface preparation, hydrostatic testing, and hydro demolition. KMT GmbH, a German affiliate of KMT AD, acts as a sales agent for the pumps.

On February 24, 2009, and March 6, 2009, KMT GmbH appears to have violated §§ 560.203 and 560.204 of the ITSR when it attempted to export nine pumps from the United States to Iran, and exported, reexported, sold, or supplied the pumps from the United States to Hamburg, Germany, with knowledge or reason to know that the goods were intended specifically for reexportation to South Pars Industrial Gas Complex in Tehran, Iran. The U.S. Department of Homeland Security's Customs and Border Protection (“CBP”) seized the nine pumps (and partial payment for the pumps) upon redelivery from Europe to the United States.

This matter was not voluntarily self-disclosed to OFAC and the apparent violations do not constitute an egregious case. The base penalty amount for the apparent violations was \$500,000.

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, App. A: (1) KMT GmbH demonstrated reckless disregard for U.S. sanctions requirements, including failing to disclose to KMT AD that the end destination and end-user of the goods were in Iran; (2) KMT GmbH has not received a penalty notice or Finding of Violation in the five years preceding the transactions that gave rise to the apparent violations; (3) there was no actual sanctions harm since the goods were not reexported to Iran; (4) the nine pumps were seized by CBP and KMT GmbH has already forfeited two of the pumps and \$579,026 (partial payment for the pumps); (5) the KMT Group entities took remedial measures to resolve issues related to the apparent violations and prevent future violations; and (6) the KMT Group entities substantially cooperated with the U.S. government's investigation.

¹ On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the Iranian Transactions and Sanctions Regulations (“ITSR”), amended the renamed ITSR, and reissued them in their entirety. See 77 Fed. Reg. 64,664 (Oct. 22, 2012).

In addition to the payment of \$125,000, KMT Group agreed that no KMT Group entities will contest CBP's forfeiture proceedings against the remaining seven pumps. KMT Group's settlement with OFAC is part of a global settlement with the U.S. Department of Commerce's Bureau of Industry and Security.

For more information regarding OFAC regulations, please go to: <http://www.treasury.gov/ofac>.