

ENFORCEMENT INFORMATION FOR June 13, 2019

Information concerning the civil penalties process can be found in the Office of Foreign Assets Control (OFAC) regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at www.treasury.gov/ofac/enforcement.

ENTITIES - 31 C.F.R. 501.805(d)(1)(i)

Hotelbeds USA, Inc. Settles Potential Civil Liability for Apparent Violations of the Cuba Assets Control Regulations, 31 C.F.R. part 515: Hotelbeds USA, Inc. ("Hotelbeds USA"), incorporated in Florida, is a U.S. subsidiary of Hotelbeds Group ("Hotelbeds"), headquartered in Mallorca, Spain.

Hotelbeds USA has agreed to pay \$222,705 to settle potential civil liability for assisting 703 persons with Cuba-related travel service prior to agency notice in apparent violation of the Cuba Assets Control Regulations, 31 C.F.R. part 515 (CACR). Specifically, between on or about December 2011 and on or about June 2014, Hotelbeds USA provided unauthorized Cuba-related travel services to 703 non-U.S. persons to or through the United States in violation of § 515.201 of the CACR.

Hotelbeds USA knowingly sold hotel accommodations and gave its clients specific instructions to direct their payments for the Cuba-related transactions to an account in Spain, from which Hotelbeds USA was subsequently reimbursed.

Various Hotelbeds USA employees and supervisors appear to have had actual knowledge of, and participated in, the conduct that led to the apparent violations. The Cuba-related travel services occurred in part because of a reported misunderstanding and misinterpretation of the CACR that developed throughout Hotelbeds USA in which its personnel believed Hotelbeds USA could engage in Cuba-related transactions if the bookings involved only non-U.S. clients and payments were made to non-U.S. bank accounts. These same personnel were responsible for issuing invoices or sending emails that included disclaimers that payments for any Cuba-related services should not be sent to Hotelbeds USA or the United States. These personnel were also responsible for the process in which customers sent Cuba-related payments to Spain, and subsequently had revenues from such payments credited to Hotelbeds USA.

During the time the apparent violations were occurring, Hotelbeds USA personnel, including a senior manager, were aware that a U.S. financial institution had blocked a payment related to a Cuba-travel transaction and that OFAC had denied a specific license application filed by Hotelbeds USA seeking the unblocking of funds related to an unauthorized Cuba-travel transaction. The specific license denial generally outlined the CACR prohibitions and specifically articulated the CACR prohibitions regarding Hotelbeds USA's specific license request.

OFAC determined that the apparent violations were not voluntarily self-disclosed and that the apparent violations occurred prior to agency notice. Under the Cuba Penalty Schedule, 68 Fed. Reg. 4429 (January 29, 2003), the base civil monetary penalty amount for the apparent violations is \$353,500.

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. OFAC considered the following to be aggravating factors:

1. Various Hotelbeds USA employees, including supervisory or managerial staff, were aware or had reason to know of, or participated in, the conduct that led to the apparent violations;
2. By processing the transactions constituting the apparent violations, Hotelbeds USA caused harm to the sanctions program objectives of the CACR;
3. Hotelbeds USA is a large and commercially sophisticated company; and
4. Despite being a large international travel service provider, Hotelbeds USA only had an informal compliance program that does not appear to have been commensurate with the risks associated with providing international travel services.

OFAC considered the following to be mitigating factors:

1. The Cuba-related transactions constituting the apparent violations appear to represent less than one percent of Hotelbeds USA's overall business over the same period of time;
2. Hotelbeds USA has not been the subject of an OFAC penalty notice or finding of violation in the five years preceding the earliest date of the transactions giving rise to the apparent violations;
3. Hotelbeds USA took significant remedial action in response to the apparent violations, including by:
 - a. implementing an enhanced third-party IT solution with a sanctions screening tool;
 - b. dedicating additional resources to better ensure compliance with applicable sanctions laws; and
 - c. hiring and training additional compliance personnel; and
4. Hotelbeds USA provided substantial cooperation to OFAC by conducting an extensive internal investigation to determine the extent of the apparent violations at issue, producing records and information to OFAC in a clear and organized fashion, responding in a timely and efficient manner to all follow-up requests for information, and tolling the statute of limitation for 1,043 days.

This enforcement action highlights the importance for both U.S. companies and foreign parents of U.S. subsidiaries to evaluate, verify, and audit existing compliance measures. U.S. companies and foreign parents of U.S. subsidiaries are encouraged to implement evolving and dynamic sanctions compliance programs that are commensurate with their sanctions risk, particularly those operating in the Cuba travel industry. U.S. companies and foreign parents of U.S. subsidiaries engaging in Cuba travel-related transactions should take note of and respond accordingly to sanctions-related warning signs, such as payments that are blocked or rejected by financial institutions for compliance or economic and trade sanctions purposes.

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