

## **ENFORCEMENT INFORMATION FOR MAY 2, 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 website at [www.treasury.gov/ofac/enforcement](http://www.treasury.gov/ofac/enforcement).**

### **ENTITY – 31 CFR 501.805(d)(1)(i)**

**MID-SHIP Group LLC Settles Potential Civil Liability for Apparent Violations of the Weapons of Mass Destruction Proliferators Sanctions Regulations:** MID-SHIP Group LLC (“MID-SHIP”), headquartered in Port Washington, New York, has agreed to pay \$871,837 to settle its potential civil liability for five apparent violations of the Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. part 544 (WMDPSR). Specifically, between on or about February 18, 2011 and on or about November 14, 2011, MID-SHIP processed five electronic funds transfers, totaling approximately \$472,861, that pertained to payments associated with blocked vessels identified on OFAC's List of Specially Designated Nationals and Blocked Persons (the “SDN List”).

OFAC determined that MID-SHIP did not voluntarily self-disclose the apparent violations to OFAC, and that the apparent violations constitute an egregious case. Both the statutory maximum and base civil monetary penalty amounts for the apparent violations were \$1,490,320.

On September 10, 2008, OFAC designated the Islamic Republic of Iran Shipping Lines (IRISL) pursuant to Executive Order 13382 of June 28, 2005, “Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters,” and added IRISL to the SDN List. On that same day, OFAC identified more than 100 vessels owned or controlled by IRISL as blocked property and listed their names and International Maritime Organization (IMO) numbers on the SDN List.

In February and April 2010, MID-SHIP's subsidiaries located in China and Turkey negotiated three charter party agreements between multiple third parties regarding the transportation of goods from foreign ports to other foreign ports. These parties ultimately nominated two separate IRISL vessels — the *M/V Haadi* and the *M/V Adrian* — as the performing vessels for the respective charter party agreements. MID-SHIP was in possession of multiple documents identifying the vessels by their respective IMO numbers and connecting the vessels to Iran, and both vessels were publicly identified by name and IMO number on the SDN List by the time MID-SHIP processed the electronic funds transfers constituting the apparent violations.

MID-SHIP's culture of compliance appears to have been deficient at the time of the apparent violations. For example, in one instance, a MID-SHIP senior manager discussed receiving an electronic funds transfer in a non-U.S. Dollar currency from a third party after learning a financial institution was holding the payment due to the inclusion of a vessel name included in the remittance field. MID-SHIP managerial personnel were also aware that financial institutions

had rejected at least two payments for “administrative reasons,” “security reasons,” or “compliance issues.”

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) MID-SHIP demonstrated reckless disregard for its obligations to comply with U.S. economic and trade sanctions;
- (2) MID-SHIP managers knew of, and participated in, the conduct giving rise to the apparent violations;
- (3) MID-SHIP’s conduct harmed the integrity of the WMDPSR and its related policy objectives by conferring economic benefit to, and dealing in the services of, IRISL; and
- (4) MID-SHIP is a global, commercially sophisticated shipping and logistics company that operates in a high-risk industry.

OFAC considered the following to be mitigating factors:

- (1) MID-SHIP has not received a Penalty Notice or Finding of Violation from OFAC in the five years preceding the earliest date of the transactions giving rise to the apparent violations, and the transactions constituting the apparent violations account for exactly 0.05 percent of MID-SHIP’s total transactional history during the relevant time period;
- (2) MID-SHIP represents that it undertook remedial measures to improve its compliance with U.S. economic and trade sanctions programs, including by taking the following measures:
  - (a) appointing an OFAC Compliance Officer,
  - (b) providing training regarding U.S. sanctions to employees,
  - (c) regularly publishing OFAC compliance statements to all MID-SHIP offices, directing personnel to be vigilant in ascertaining the complete ownership chain and interests of vessels being negotiated by MID-SHIP brokers and to ensure vessels and entities involved in transactions are not listed on the SDN List,

- (d) instructing all MID-SHIP shipbrokers to take appropriate measures to include an OFAC compliance clause or clauses in each charter party negotiated by a MID-SHIP shipbroker,
  - (e) screening every vessel and party to a wire transfer against OFAC's SDN List, and
  - (f) ceasing the processing of a transaction relating to a vessel or party identified on the SDN List and providing a report to MID-SHIP's OFAC Compliance Officer for further action; and
- (3) MID-SHIP cooperated with OFAC during its investigation, including by entering into multiple tolling agreements with OFAC, tolling the statute of limitations for 1,231 days.

This case illustrates the benefits companies operating in high-risk industries (*e.g.*, international shipping and logistics) can realize by implementing risk-based compliance measures, especially when engaging in transactions involving high-risk exposure to jurisdictions or persons implicated by U.S. sanctions. Furthermore, this case also illustrates the benefits that companies engaging in international transactions can realize by developing and maintaining a culture of compliance where senior management sets a positive example of compliance and encourages staff to comply with the law. Companies engaging in international 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 U.S. economic and trade sanctions purposes.

For more information regarding this matter, please see the Settlement Agreement between OFAC and MID-SHIP [here](#).

For more information regarding OFAC regulations, please go to: [www.treasury.gov/ofac](http://www.treasury.gov/ofac).