



DEPARTMENT OF THE TREASURY
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OFAC Settles with Essentra FZE Company Limited with Respect to Potential Civil Liability for Apparent Violations of the North Korea Sanctions Regulations

Essentra FZE Company Limited (“Essentra FZE”), a cigarette filter and tear tape manufacturer located in the United Arab Emirates (UAE), has agreed to pay \$665,112 to settle its potential civil liability for apparent violations of the North Korea Sanctions Regulations, 31 C.F.R. part 510 (NKSR), related to the export of goods to the Democratic People’s Republic of Korea (DPRK). Essentra FZE exported cigarette filters to the DPRK through a network of front companies in China and other countries using deceptive practices, and received payment for the shipment of these goods into its bank accounts at the foreign branch of a U.S. bank.

Description of the Conduct Leading to the Apparent Violations

In early 2018, an Essentra FZE senior manager and a customer-facing employee were introduced to a DPRK national during a business meeting arranged by the regional director of a foreign tobacco company.¹ During this meeting, the DPRK national asked Essentra FZE whether it could manufacture cigarette filter rods for exportation to the DPRK. The customer-facing employee for Essentra FZE later exchanged messages with this DPRK national who provided the instructions, “[D]on’t mention that customer is in my country... You just mention China or where else. Contract will be signed by other foreign company.” The DPRK national asked Essentra FZE to avoid identifying the DPRK several times after this exchange.

In the Spring of 2018, a draft contract that indicated the filter rods would be shipped from the UAE to China was sent to Essentra FZE. The Essentra FZE senior manager later asked, “Any news on NK contract... Eagerly awaiting the progress[.]” Essentra FZE subsequently received an executed copy of a contract that made no mention of the DPRK. Instead, it identified the counterparties as front companies located in third-countries, and related transactional documents identified the “ship to” party as an entity located in China. Shortly after receiving a copy of this contract, Essentra FZE received additional purchase orders to ship more filter rods to an entity in China with the knowledge the goods were ultimately destined for the DPRK. The senior manager undertook these activities in a deceptive manner in violation of company policies and procedures.

Essentra FZE’s manufacturing and exportation of cigarette filters to the DPRK resulted in three wire transfers to pay for the goods, one in U.S. dollars that transited the United States and two in another currency, that were deposited into Essentra FZE’s accounts at the foreign branch of a U.S. bank (the “Branch”) between September 2018 and December 2018 (the “Apparent Violations”).² Accordingly, Essentra FZE appears to have violated § 510.212 of the NKSR, when it caused U.S. persons (including the Branch) to export, directly or indirectly, financial services to the DPRK or

¹ The senior manager and customer-facing employee have since been exited from Essentra FZE.

² Pursuant to § 510.326 of the NKSR, a foreign branch of any entity organized under the laws of the United States or any jurisdiction within the United States is a U.S. person subject to the prohibitions of the NKSR.

otherwise facilitate export transactions that would have been prohibited if engaged in by U.S. persons in apparent violation of §§ 510.206 and 510.211 of the NKSr. The approximate commercial value of the Apparent Violations is \$333,272.

For more information regarding the conduct that led to the Apparent Violations, please see the Settlement Agreement between OFAC and Essentra FZE [here](#). Essentra FZE's obligation to pay OFAC the settlement amount shall be deemed satisfied by Essentra FZE's payment of a greater amount in satisfaction of penalties assessed by the U.S. Department of Justice arising from the same course of conduct.

Penalty Calculation and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$923,766. OFAC determined that Essentra FZE did not voluntarily self-disclose the Apparent Violations and that the Apparent Violations constitute an egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), 31 C.F.R. part 501, app. A, the base civil monetary penalty amount applicable in this matter is the statutory maximum of \$923,766.

The settlement amount of \$665,112 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be aggravating factors:

- (1) Essentra FZE willfully violated the NKSr when its senior manager and a customer-facing employee agreed to conceal the DPRK nexus to the export of its cigarette filters, and agreed to transact with non-DPRK front companies despite the fact that the company's compliance policy warned that its banks would not handle transactions with sanctioned jurisdictions such as the DPRK;
- (2) The senior manager and customer-facing employee at Essentra FZE had actual knowledge that the conduct at issue concerned the sale of cigarette filters to the DPRK;
- (3) Essentra FZE significantly harmed U.S. foreign policy objectives when it caused U.S. persons to confer economic benefits to the DPRK while providing goods that are often combined with tobacco or tobacco products; and
- (4) Essentra FZE is part of a sophisticated commercial group operating in international filters markets around the world.

OFAC determined the following to be mitigating factors:

- (1) Essentra FZE has not received a Penalty Notice or Finding of Violation from OFAC in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations; and

- (2) Essentra FZE cooperated substantially with OFAC’s investigation, including by promptly providing well-organized submissions in response to requests for information, and has agreed to provide ongoing cooperation as a term of settlement.

Compliance Considerations

As noted in [OFAC’s Framework for Compliance Commitments](#) (the “Framework”), many non-U.S. persons have engaged in violations of OFAC’s regulations by processing financial transactions to, through, or involving U.S. financial institutions that pertain to commercial activity with an OFAC-sanctioned country, region, or person. Although no organizations subject to U.S. jurisdiction may be involved in the underlying commercial activity—such as the shipment of goods to or from a third-country to an OFAC-sanctioned country—the inclusion of a U.S. financial institution in any payments associated with these commercial activities can result in or cause prohibited activity (e.g., the exportation or reexportation of services from the United States, or by U.S. persons, to a comprehensively sanctioned country).

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published the Framework in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use U.S.-origin goods or services, with OFAC’s perspective on the essential components of a sanctions compliance program. The Framework also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The Framework includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 C.F.R. part 501. On November 9, 2009, OFAC published the Enforcement Guidelines. *See* 74 Fed. Reg. 57,593 (Nov. 9, 2009). The Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC’s website at: <http://www.treasury.gov/ofac/enforcement>.

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