



DEPARTMENT OF THE TREASURY
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**OFAC Settles with PT Bukit Muria Jaya for Its Potential Civil Liability
for Apparent Violations of the North Korea Sanctions Regulations**

PT Bukit Muria Jaya (BMJ), a paper products manufacturer located in Indonesia, has agreed to pay \$1,016,000 to settle its potential civil liability for 28 apparent violations that arose from its exportation of cigarette paper to the Democratic People's Republic of Korea (DPRK). BMJ directed payments for these exports to its U.S. dollar bank account at a non-U.S. bank, which caused U.S. banks to clear wire transfers related to these shipments, including shipments made to a blocked North Korean person. This settlement amount reflects OFAC's determination that BMJ's conduct was non-egregious and accounts for BMJ's remedial response. This case further highlights the risks to non-U.S. persons who involve the U.S. financial system in commercial activity with an OFAC-sanctioned country, region, or person.

Conduct Leading to the Apparent Violations

BMJ exported cigarette paper to entities located in or doing business on behalf of the DPRK, including to an intermediary in China that procured cigarette paper from BMJ on behalf of OFAC-designated Korea Daesong General Trading Corporation ("Daesong") while Daesong was operating under an alias.¹ BMJ initially referenced DPRK entities on its transactional documents, but at the request of its customers certain BMJ sales employees later replaced such references with the names of intermediaries located in third countries, including on invoices, packing lists, and bills of lading. The approximate commercial value of BMJ's exports to the DPRK was \$959,111.

BMJ directed payments for its DPRK-related exports to its U.S. dollar bank account at a non-U.S. bank. This caused 28 wire transfers related to such exports to clear through U.S. banks between March 2016 and May 2018. Accordingly, BMJ appears to have violated § 510.212 of the North Korea Sanctions Regulations, 31 C.F.R. part 510 (NKSR), when it caused U.S. banks to: (i) deal in the property or interests in property of a Specially Designated National or Blocked Person; (ii) export financial services to the DPRK; or (iii) otherwise facilitate export transactions that would have been prohibited if engaged in by U.S. persons in apparent violation of §§ 510.201, 510.206, and 510.211 of the NKSR (the "Apparent Violations").

After learning of its exposure to U.S. sanctions laws and regulations, BMJ represented that it ceased all dealings involving the DPRK and adopted a formal written sanctions policy and compliance procedures, as more fully described below.

¹ Daesong, a DPRK entity, was designated by OFAC pursuant to Executive Order 13551 on November 18, 2010 for being owned or controlled by Office 39 of the Korean Workers' Party. Treasury Department Press Release: <https://www.treasury.gov/press-center/press-releases/pages/tg962.aspx>

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$8,621,816. OFAC determined that BMJ did not voluntarily self-disclose the Apparent Violations and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), the base civil monetary penalty amount applicable in this matter is \$1,270,000.

The settlement amount of \$1,016,000 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be **aggravating factors**:

- (1) BMJ acted with reckless disregard for U.S. sanctions laws and regulations when it directed payments related to DPRK trade activity to its U.S. dollar account at a non-U.S. bank;
- (2) BMJ management had actual knowledge that the conduct at issue concerned the sale of cigarette paper to the DPRK and that certain BMJ sales employees omitted the DPRK nexus from transactional documents; and
- (3) BMJ significantly harmed U.S. foreign policy objectives when it caused U.S. persons to confer economic benefits to the DPRK and an OFAC-designated person.

OFAC determined the following to be **mitigating factors**:

- (1) BMJ 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 the transactions giving rise to the Apparent Violations represent a small percentage of BMJ's overall business during the relevant time period;
- (2) BMJ cooperated with OFAC's investigation by providing detailed and well-organized submissions in response to requests for information, and agreed to provide ongoing cooperation as a term of settlement; and
- (3) BMJ's remedial response to the Apparent Violations consisting of representations that it has ceased all dealings with the DPRK and implemented a new sanctions compliance program that includes:
 - A new head of the Compliance Department who reports directly to the company's president, and statements from the Chief Executive Officer to company employees encouraging them to report compliance concerns;
 - Procurement of sanctions screening services from a third-party provider;

- A formal written export control and sanctions policy that includes guidance for compliance with U.S. sanctions and identifies red flags to educate employees when to contact BMJ’s compliance division for further assessment;
- A know-your-customer process that provides for escalation and risk-based review, including consultation with external counsel or background checks, if heightened risks are identified; and
- A requirement that all trading companies or agents who purchase goods on behalf of other end-users sign an anti-diversion agreement that includes OFAC sanctions compliance commitments.

BMJ’s obligation to pay OFAC the settlement amount shall be deemed satisfied by BMJ’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.

Compliance Considerations

As described in [OFAC’s A Framework for Compliance Commitments](#) (the “Framework”), many non-U.S. persons have engaged in violations of OFAC’s regulations by causing U.S. persons to engage in prohibited transactions. All persons, including non-U.S. persons, engaged in international trade and commerce should be aware of sanctions prohibitions applicable to non-U.S. persons who involve U.S. persons in such transactions.

These circumstances can arise when financial transactions that pertain to commercial activity with an OFAC-sanctioned country, region, or person are processed through or involve U.S. financial institutions. Involving a U.S. financial institution in such commercial activity—including the shipment of goods to or from a third-country to an OFAC-sanctioned country—may cause violations of OFAC regulations, such as the prohibited exportation or reexportation of services from the United States, or by U.S. persons, to a comprehensively sanctioned jurisdiction.

For companies engaged in trade with international partners, the absence of a risk-based sanctions compliance program may contribute to the likelihood of committing such a violation. This risk may be particularly acute when dealing with DPRK companies and individuals, or those who may be acting on their behalf, given the DPRK’s widespread efforts to evade U.S. and international sanctions.

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 can be found in the 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.

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