



**U.S. DEPARTMENT OF THE TREASURY
OFFICE OF FOREIGN ASSETS CONTROL**



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**Mondo TV, S.p.a. Settles with OFAC for \$538,000 for
Apparent Violations of the North Korea Sanctions Regulations**

Mondo TV, S.p.a. (“Mondo”), an animation company headquartered in Rome, Italy, has agreed to pay \$538,000 to settle its potential civil liability for apparent violations of OFAC sanctions on the Democratic People’s Republic of Korea (DPRK or “North Korea”). Between May 2019 and November 2021, Mondo remitted approximately \$537,939 to a Government of North Korea-owned studio in payment for outsourced animation work. In doing so, Mondo caused U.S. financial institutions to process wire transfers that contained the blocked property interests of the Government of North Korea and to export financial services to North Korea. The settlement amount reflects OFAC’s determination that Mondo’s apparent violations were not voluntarily self-disclosed and non-egregious.

Description of the Apparent Violations

Mondo’s business dealings with the Scientific Educational Korea Studio (“SEK”), a Government of North Korea-owned animation firm in North Korea, began in the 1990s, when Mondo began subcontracting animation work to SEK for a variety of programming, including children’s animation.¹ Mondo’s senior management communicated with SEK through individual SEK representatives in the DPRK and Europe. Occasionally, Mondo hosted SEK animators in Italy when they visited Europe for training provided by Mondo.

Mondo accumulated approximately \$1,123,120 in outstanding debt owed to SEK for several projects. In July 2019, SEK and Mondo executed an agreement whereby Mondo would pay SEK in monthly installments for work SEK completed for Mondo prior to 2016, when Mondo paused their relationship due to human rights concerns, and for new projects SEK would undertake for Mondo beginning in 2019.

Before each monthly payment, SEK would issue an invoice to Mondo that named a third-party company and its bank account details for Mondo to remit payment. Among them, SEK identified two third-party companies in China and one U.S. company, along with their respective account information at several U.S. financial institutions. Mondo then remitted the monthly payments to these intermediaries according to SEK’s instructions. Mondo appeared to believe the payments to these third-party companies were to satisfy debts SEK had to these companies.

Throughout the course of their relationship, and while remitting payments pursuant to the 2019 agreement, Mondo understood it was paying a DPRK company. Mondo’s Chief Executive Officer approved and signed the 2019 agreement, which made explicit reference to North Korea, as did two additional contracts he signed on behalf of Mondo with SEK for additional projects performed in

¹ OFAC designated SEK on December 10, 2021, for being owned or controlled by, or having acted or purported to act for or on behalf of, directly or indirectly, the Government of North Korea. Press Release, December 10, 2021, <https://home.treasury.gov/news/press-releases/jv0526>.

2019. Associated invoices, payment receipts, and emails between Mondo's management and representatives of SEK also frequently identified SEK, North Korea, or Pyongyang. Moreover, emails between Mondo's management and representatives of SEK directly reference specific payments to a named U.S. company and named U.S. financial institutions. Mondo's Chief Operations Officer and Head of Legal and Corporate Affairs personally approved all the transactions. Mondo did not have a sanctions compliance policy at the time the conduct at issue occurred.

In fulfillment of the 2019 agreement, including the two additional animation projects that SEK performed at Mondo's request, between May 2019 and November 2021, Mondo initiated 18 wire transfers ultimately destined for SEK that were processed by or settled at U.S. financial institutions. These transfers consisted of 12 payments to a U.S. company's account at a U.S. bank; one U.S. dollar-denominated transfer that was cleared by a U.S. correspondent bank; and five transfers to a foreign company's account at a U.S. bank.

In making these payments to proxies of a North Korean company at U.S. financial institutions, Mondo appears to have caused U.S. financial institutions to: (1) deal in the blocked property or interests in property of the Government of North Korea; and (2) export financial services to the DPRK, activities that would have been prohibited by §§ 510.201 and 510.206 of the North Korea Sanctions Regulations, 31 C.F.R. part 510 ("NKSR"), if engaged in by a U.S. person directly. As a result, Mondo's remittance of funds for SEK in North Korea between May 2019 and November 2021 appears to have violated § 510.212 of the NKSR (the "Apparent Violations").

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$6,626,448. OFAC determined that Mondo 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"), 31 C.F.R. Part 501, app. A., the base civil monetary penalty applicable in this matter equals the sum of the applicable schedule amount for each violation, which is \$725,000.

The settlement amount of **\$538,000** reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Mondo acted with reckless disregard for U.S. sanctions laws and regulations when it remitted payments to SEK through the U.S. financial system and caused U.S. banks to deal in the property and interests in property of the Government of North Korea and export financial services to the DPRK;
- (2) Mondo's senior management knew that it was engaging a DPRK entity and making payments to the DPRK entity through intermediaries with accounts in the United States; and

- (3) Mondo harmed the U.S. foreign policy objectives of OFAC's North Korea sanctions by making payments to a DPRK state entity and providing revenue for the regime while involving the U.S. financial system. North Korea's commercial enterprises are an important source of revenue for the regime and help contribute to its malign conduct.

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

- (1) Mondo has not been issued a Finding of Violation or Penalty Notice in the past five years;
- (2) Mondo's cooperation with OFAC's investigation by providing additional documents, and promptly responding to requests for information; and
- (3) Mondo's substantive assistance supporting broader U.S. government policy objectives.

Compliance Considerations

This case demonstrates how non-U.S. persons remitting financial transactions from a foreign jurisdiction to U.S. companies or U.S. financial institutions may expose themselves to civil liability for sanctions violations. Such risks can occur when non-U.S. persons initiate payment, even originating in a foreign currency, to a U.S. company or U.S. financial institution that is intended for sanctioned government or its instrumentalities, or other sanctioned persons. Foreign entities engaged in commercial activities with such parties should be aware of any nexus to the United States and U.S. persons and take efforts to mitigate the attendant risks.² Such steps may be particularly appropriate in light of the broad range of prohibitions attached to activities involving sanctioned governments and persons, which include restrictions on exporting goods, technology, or services, as well as virtually any dealings with blocked persons.

Among the sectors in which these risks may be heightened are those in which the DPRK is known to operate. While the DPRK is broadly known to operate in a range of illicit business activities, such as narcotics trafficking and malicious cyber activities, it also generates revenue for the regime through otherwise legitimate commercial activities such as graphic animation or other information technology (IT) sector activities.

In 2018, OFAC issued a joint [advisory](#) providing businesses whose supply chains might have exposure to North Korea with information and tools to identify and prevent the DPRK's involvement in legitimate business arrangements. In 2022, OFAC built on this guidance with a second joint [advisory](#) that outlines the exposure to OFAC sanctions for several industries, describes the DPRK's use of IT workers to generate revenue, including in the animation industry, and proposes further potential mitigation measures. In addition, the 2022 advisory highlights DPRK IT workers' use of different platforms, applications, and websites to obtain development contracts, and their use of alternative payment methods to receive payment for their work and launder the funds they receive. Foreign firms operating in or near high-risk jurisdictions should pay special attention to these illicit practices when considering exposure to U.S. sanctions laws and regulations.

² U.S. Department of the Treasury, [Tri-Seal Compliance Note: Obligations of foreign-based persons to comply with U.S. sanctions and export control laws](#), March 6, 2024, pp. 1-10.

Finally, this matter makes clear how the absence of a thorough and effective sanctions compliance program that accounts for U.S. sanctions risks can increase the likelihood of a potential OFAC sanctions violation. A compliance program that includes sanctions risk assessments and proper due diligence, for example, can help identify sanctions exposure associated with business partners or activities such as instrumentalities of comprehensively sanctioned jurisdictions, as well as other sanctioned parties.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (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 goods or services exported from the United States, 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 civil penalties and enforcement information, can be found on OFAC’s website at <https://ofac.treasury.gov/civil-penalties-and-enforcement-information>.

Sanctions Whistleblower Program

The U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) maintains a whistleblower incentive program for violations of OFAC-administered sanctions, in addition to violations of the Bank Secrecy Act. Individuals who provide information may be eligible for awards, if the information they provide leads to a successful enforcement action that results in monetary penalties exceeding \$1,000,000. FinCEN is currently accepting whistleblower tips.

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