



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



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**Córdoba Music Group LLC Settles with OFAC for \$41,591 Related to Apparent Violations of the Iranian Transactions and Sanctions Regulations**

Córdoba Music Group LLC (Córdoba), a manufacturer of musical instruments based in California, has agreed to pay \$41,591 to settle its potential civil liability for apparent violations of sanctions on Iran. On nine occasions, Córdoba shipped instruments and related accessories that it knew were ultimately destined for Iran. The settlement amount reflects the Office of Foreign Assets Control's (OFAC) determination that Córdoba's apparent violations were non-egregious and voluntarily self-disclosed, and further reflects the remedial measures implemented upon discovery of the apparent violations.

**Description of the Apparent Violations**

Between June 4, 2014 and October 30, 2018, Córdoba maintained a distribution agreement with a Dubai-based company for sales in the Middle East, including Iran. In 2018, Córdoba sought to amend the agreement with the Dubai company to remove Iran from the territory because it had not successfully generated any sales in Iran and Córdoba believed that a new sales channel would help generate business.

Córdoba had previously become acquainted with an Iranian company at a trade show in Anaheim, California, and entered into an informal arrangement for it to distribute Córdoba products in Iran. Córdoba's sales through this new partner began in November 2019. The new Iranian distributor instructed Córdoba to bill and ship products to a Dubai-based general trading company, which then shipped the products to Iran. Pursuant to this arrangement, Córdoba shipped instruments and related accessories valued at \$118,831 that it knew to be ultimately destined for Iran on nine occasions between November 26, 2019 and March 30, 2022.

In February 2023, Córdoba was acquired by another U.S. company. On April 4, 2023, two months after the acquisition, a member of Córdoba's sales team forwarded to the new parent a draft distribution agreement with the Iranian distributor providing that it would sell Córdoba's products solely in Iran. Upon receiving the email, the new parent's leadership directed Córdoba to terminate its business relationship and any pending transactions with the distributor and then began investigating the activity and submitted a voluntary self-disclosure.

Although Córdoba knew the products were destined for Iran, it apparently did not realize that indirect exports to Iran violated U.S. sanctions. This failure to understand the regulations was due to a lack of sanctions and export compliance training, interactions with Iranian distributors at domestic and international trade conferences, competitors allegedly selling their products in Iran, and the mistaken belief that indirect musical instrument sales to Iran were not prohibited.

Córdoba's conduct resulted in nine shipments ultimately destined for Iran between November 26, 2019 and March 30, 2022, valued at \$118,831, in apparent violation of the ITSR, 31 C.F.R. § 560.204(a), which prohibits, as relevant here, the exportation, reexportation, sale, or supply of

goods, technology, or services, from the United States, or by a United States person, wherever located, to a person in a third country, when there is knowledge that such goods, technology, or services are intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Iran (the “Apparent Violations”).

### **Penalty Calculations and General Factors Analysis**

The statutory maximum civil monetary penalty applicable in this matter is \$3,313,224. OFAC determined that Córdoba voluntarily self-disclosed 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 one-half of the transaction value for each apparent violation, which is \$59,416.

The settlement amount of \$41,591 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Córdoba failed to exercise due caution or care for its compliance obligations by engaging in trade with Iran without taking steps to ensure such trade would not violate U.S. law.
- (2) There was a clear understanding among Córdoba employees that these products were ultimately destined for Iran; Córdoba’s then CEO also was aware of the sales to Iran.

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

- (1) Córdoba is a small manufacturer of musical instruments with fewer than 100 employees and has no history of sanctions-related enforcement action.
- (2) Córdoba’s sanctions compliance program was enhanced by providing training for relevant personnel on U.S. sanctions and implementing continuing training programs, and instituting compliance procedures, such as extensive third-party screening requirements and sales order reviews.
- (3) Córdoba fully cooperated with OFAC’s investigation.

### **Compliance Considerations**

This case demonstrates the importance of companies incorporating risk-based sanctions compliance into their business functions, especially when the companies are selling their products to a global customer base. As geographic reach expands, so does possible risk.

This case similarly illustrates the risks facing companies of any size operating internationally that do not develop or maintain basic awareness of sanctions risks and do not institute appropriate measures to identify and prevent potential violations. Employee trainings and education that ensure

accurate understanding of relevant sanctions regulations are essential to an effective sanctions compliance program. In addition, it highlights the caution that should be taken when discussing possible international distribution channels, such as at trade shows, where representatives from sanctioned countries may be lawfully in attendance but seeking to cultivate relationships with U.S. businesses that could result in prohibited trade. Such discussions may not reflect a clear understanding of which types of trade may be allowed under U.S. law. Finally, this case reinforces the importance of compliance from a business perspective, since prospective acquirers may be liable for pre-acquisition violations.

## **OFAC Enforcement and Compliance Resources**

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) 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.

OFAC makes available on its website a variety of resources designed to assist with sanctions implementation and compliance, including [industry-specific guidance](#), [instructive videos](#), [answers to frequently asked questions](#), and [tools for searching OFAC's sanctions lists](#).

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 Enforcement Guidelines. 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>.

## **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 located in the United States or abroad 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/>.