



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



Enforcement Release: December 31, 2024

**SkyGeek Logistics, Inc. Settles with OFAC for \$22,172 for
Apparent Violations of the Russian Harmful Foreign Activities Sanctions Regulations**

SkyGeek Logistics, Inc. (SkyGeek), a New York-based company that supplies aviation products, including avionic equipment and instruments, engine parts, tools, and specialty chemicals, has agreed to pay \$22,172 to settle its potential civil liability related to six apparent violations of sanctions related to Russia's aerospace and technology sectors. In 2024, SkyGeek attempted two refunds and sent four shipments to two Specially Designated Nationals (SDNs) in the United Arab Emirates sanctioned in connection with these sectors, key elements of Russia's military-industrial base that enable its illegal war in Ukraine. The settlement amount reflects the Office of Foreign Assets Control's (OFAC) determination that SkyGeek's apparent violations were non-egregious and that certain of its conduct was voluntarily self-disclosed, as well as SkyGeek's cooperation with OFAC.

Description of the Apparent Violations

Between January 10, 2024 and March 18, 2024, SkyGeek made shipments and attempted refunds to two entities, Flavic FZE (Flavic) and Mirage Air Craft Services Sole Proprietorship LLC (Mirage), after they had been added to the List of Specially Designated Nationals and Blocked Persons (SDN List) pursuant to the Russian Harmful Foreign Activities Sanctions Regulations ("RuHSR"), 31 C.F.R. part 587. Both Flavic and Mirage are United Arab Emirates (UAE)-based aircraft parts suppliers.

Refund Payment to Flavic

OFAC added Flavic to the SDN List pursuant to Executive Order (E.O.) 14024 on November 2, 2023 for operating or having operated in the technology sector of the Russian Federation economy. Flavic imports and exports aviation equipment and technology to and from Russia for repair, reconstruction, testing, and other maintenance; at the time of its designation, Flavic was certified to work with the Russian Ministry of Defense.

Prior to its designation, in August and September 2023, Flavic placed and received five orders with SkyGeek. Between September 2023 and November 1, 2023, Flavic placed and paid for another six orders; each of these was put on hold due to supply backlogs. On November 2, 2023, the date of its designation, Flavic placed and paid for another three orders. Although SkyGeek scanned these orders for possible sanctions issues, its screening software did not yet reflect that day's designation of Flavic, resulting in no sanctions flag. These additional three orders were also put on hold due to supply backlogs.

On December 28, 2023, Flavic notified SkyGeek that it had ceased operations and requested that its outstanding orders be canceled and its payments refunded. SkyGeek canceled the outstanding orders and attempted to send Flavic a refund payment. Because its compliance protocol at the time was not to re-screen previously approved parties, at the time it initiated the refund, SkyGeek neither re-screened Flavic for sanctions issues nor took other sanctions compliance measures with respect

to the refund payment. Accordingly, SkyGeek initiated a refund to Flavic for \$16,842.21 on January 10, 2024, which a downstream bank then blocked.

Shipments and Refund Payment to Mirage

OFAC added Mirage to the SDN List pursuant to E.O. 14024 on February 23, 2024 for operating or having operated in the aerospace sector of the Russian Federation economy. Before its designation, on August 3, 2023, Mirage placed an order with SkyGeek, which SkyGeek partially fulfilled on December 6, 2023. Mirage canceled the remainder of the order on January 26, 2024. On February 29, 2024—after its designation—Mirage requested a refund for the canceled remainder of the order. On March 18, 2024, SkyGeek initiated a \$669.42 wire transfer to Mirage for the refunded items. Again, a downstream bank blocked the refund.

Separately, between March 4 and March 8, 2024, prior to making the refund payment but after its designation, SkyGeek shipped to Mirage four orders placed between January 19 and March 7, 2024 of basic goods, such as paints, coatings, film release agents, and tapes, valued at \$3,429.76. Although starting in February 2024 SkyGeek required the rescreening of customers prior to issuing refunds, it nevertheless failed to identify that Mirage was designated when it made the shipments and attempted the refund payment in March.

By attempting two payments totaling \$17,511.63 and sending four shipments totaling \$3,429.76 to blocked persons, Mirage and Flavic, SkyGeek dealt in property that was blocked pursuant to the RuHSR, 31 C.F.R. § 587.201 (the “Apparent Violations”).

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter is \$2,208,816. OFAC determined that SkyGeek’s conduct was not egregious, and that four of the six apparent violative transactions were voluntarily self-disclosed and that the remaining two were not. Accordingly, under OFAC’s Economic Sanctions Enforcement Guidelines (Enforcement Guidelines), 31 C.F.R. part 501, app. A, the base civil monetary penalty for the self-disclosed apparent violations equals the sum of one-half of the transaction value for each such apparent violation, and the base civil monetary penalty for the apparent violations that were not self-disclosed equals the applicable schedule amount. The two base penalties total \$27,715.

The settlement amount of \$22,172 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

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

- (1) SkyGeek failed to exercise due caution or care for its sanctions compliance obligations when it did not institute controls commensurate with the jurisdictional and industry-related sanctions risks, which led to shipments and attempted refunds to two entities on OFAC’s SDN List. SkyGeek did not take adequate steps to identify Flavic as blocked when it

initiated its refund, and failed to identify that Mirage was a designated person when it shipped its orders.

- (2) SkyGeek had reason to know that its payments and shipments were destined for blocked persons. Flavic had been on the SDN List for 56 days before it notified SkyGeek that it had ceased operations and requested that its orders be canceled and refunded. Despite Mirage requesting a refund prior to its designation, SkyGeek refunded Mirage 25 days after it was designated.
- (3) SkyGeek's shipments directly benefitted an SDN designated for operating or having operated in Russia's aerospace and technology sectors, parts of Russia's military industrial base that enable its illegal war in Ukraine. While the value of the shipments was relatively low, SkyGeek's provision of goods to such a company undermined U.S. sanctions objectives and may have contributed to Russian military capabilities.
- (4) SkyGeek is part of a sophisticated global enterprise that sells a broad range of aviation parts and supplies worldwide to aviators, mechanics, businesses, military institutions, and government agencies, including electronics equipment.

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

- (1) SkyGeek 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.
- (2) SkyGeek and its parent company undertook significant remedial efforts, including a comprehensive business review of SkyGeek's sales to jurisdictions that may present a higher risk for sanctions evasion and accordingly have ceased all SkyGeek sales to 45 jurisdictions. SkyGeek also updated its controls to require the rescreening of all customers requesting refunds, including their billing and shipping names and addresses; using more robust search logic, including improved fuzzy logic for sanctions screening; and providing enhanced training for employees. SkyGeek also employed a new software vendor to improve the efficiency and accuracy of screening, and now conducts regular screening of customer orders before they are accepted and throughout the process until orders are fulfilled.
- (3) SkyGeek voluntarily disclosed four of the six apparent violations, reported to OFAC the remaining two apparent violations that were blocked and reported to OFAC by a financial institution, conducted a comprehensive investigation, and was highly cooperative with OFAC's investigation.

Compliance Considerations

This case underscores the sanctions risks to companies operating in sensitive industries and jurisdictions, and how such risks can be compounded when operating in both. Companies operating in any of the sectors Treasury has determined enable Russia's ability to wage war on Ukraine—including aerospace and technology—should exercise vigilance in ensuring they are not dealing with sanctioned persons. Such care is all the more critical when operating in high-risk jurisdictions.

It is essential that a company's controls be commensurate with its risks, as assessed with reference to OFAC's [A Framework for OFAC Compliance Commitments](#), and that jurisdictional, industry, customer, and other key considerations are accounted for in its policies and procedures.

Relatedly, this case also highlights the importance of implementing appropriate risk-based controls over the course of a transaction's "life cycle" to ensure compliance with OFAC sanctions. Because OFAC's SDN List is frequently updated, and the addition of blocked persons may occur after initial checks occur or relationships are established, ensuring that ongoing risk-based screening occurs can help avoid inadvertent 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 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>.

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 other violations of the International Emergency Economic Powers Act and 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 and the statutory requirements in 31 U.S.C. § 5323 are otherwise met. The incentive program is available for whistleblowers providing information relating to potential violations at any type of enterprise in any commercial sector. FinCEN is currently accepting whistleblower tips.

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