



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



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Haas Automation, Inc. Settles with OFAC for \$1,044,781 for Apparent Violations of the Ukraine-/Russia-related Sanctions Regulations

Haas Automation, Inc. (“Haas”), a manufacturer of machine tools and related parts based in California, has agreed to pay \$1,044,781 to settle its potential civil liability for 21 apparent violations of sanctions related to the defense and energy sectors of the Russian Federation economy. Between December 2019 and March 2022, Haas indirectly supplied one computer numerical control (CNC) machine, 13 orders of spare parts, and seven authorization codes for CNC machines owned by blocked Russian entities. The settlement amount reflects the determination by the Office of Foreign Assets Control (OFAC) that the apparent violations were not voluntarily disclosed and that eight of the 21 apparent violations were egregious. The settlement amount also reflects Haas’s significant remedial efforts and extensive cooperation with OFAC’s investigation.

OFAC is taking this action concurrently with the U.S. Department of Commerce’s Bureau of Industry and Security (BIS) with which Haas has settled for \$1,500,000. Additional information about Haas’s settlement with BIS can be found at <https://www.bis.gov/enforcement>.

Description of the Apparent Violations

Haas’ Distributor-Based Sales Model

Haas is a privately held manufacturer of machine tools and related parts, including CNC vertical and horizontal machining centers and CNC lathes. These machine tools have sophisticated capabilities and provide high accuracy and precision for milling, drilling, tapping, and boring parts. Haas machines and parts have a wide range of potential applications, including uses across the electronics, transportation, oil and gas, aerospace, marine, and military and defense industries.

To market its products, Haas uses its Haas Factory Outlet (HFO) model, which involves a network of authorized third-party distributors. These authorized distributors, or HFOs, each sell and service Haas machines in specific regions. Haas supplies its U.S.-origin machine tools and parts to its HFOs either directly from its manufacturing facility in California, or through two wholly owned distribution centers in Belgium and China.

Haas product end users place orders or request service through the HFO responsible for the region in which the end user is located. When an end user orders spare parts, it does so through its regional HFO, which in turn orders the relevant parts from Haas via a web-based portal, the Haas Business Center (HBC). After the HFO places its order in the portal, a purchase order is generated, and Haas processes the order and issues an invoice to the HFO.

HFOs can also obtain codes to use Haas machines, including financial unlock authorization codes, from the web-based portal on behalf of their customers. Financial unlock codes are a tool utilized by Haas and its HFOs to ensure that machines, sometimes bought on installment plans,

are paid in full. Once a customer makes full payment, it is provided a financial unlock code, which consists of 4-6 alphanumeric characters, that, when inputted into the machine, allows that machine to operate continuously. Without the relevant financial unlock code, when a payment becomes past due the machine will automatically shut down and become inoperable until payment is made, an unlock code is obtained, and the machine is re-activated.

Haas's Use of Russian Distributor and Provision of CNC Machine, Unlock Codes, and Spare Parts to Blocked Persons

From 2002 through March 3, 2022, a Russian company, Abamet Management Limited (“Abamet”), served as Haas’s authorized regional distributor—or HFO—in Russia and Belarus.¹ Between August 19, 2019 and February 9, 2022, Haas indirectly exported via Abamet one CNC machine and 13 spare parts orders worth approximately \$98,096 to or for the benefit of six blocked entities on or owned 50 percent or more by entities on OFAC’s Specially Designated Nationals and Blocked Persons (SDN) List. One of the six blocked entities with which Haas dealt directly was itself identified on OFAC’s SDN List for being a producer of hydroacoustic equipment and a supplier to the Russian Navy. The remaining five blocked entities Haas dealt with were directly or indirectly owned 50 percent or more by persons designated for, among other things, manufacturing armaments, electronic warfare equipment, or for being a senior official of the Government of the Russian Federation and operating in the energy sector of the Russian Federation economy.

Additionally, on seven occasions between December 23, 2019 and March 22, 2022, Abamet obtained from Haas financial unlock codes for CNC machines owned by five of the blocked entities. Five of the seven financial unlock codes were obtained by Abamet on behalf of a blocked party through the HBC, including one that was obtained for the CNC machine Haas exported to a blocked person. The remaining two financial unlock codes were provided by Haas personnel directly to Abamet on behalf of blocked persons. The provision of these financial unlock codes were necessary for the Haas CNC machines purchased by the blocked end users to keep operating. Without these codes, the machines would have otherwise eventually shut down automatically and become inoperable.

For seven of the eight blocked entity customers, Haas failed to conduct sufficient due diligence regarding the blocked entities’ ownership structures. For the remaining entity, Haas failed to rescreen the designated customer against the SDN List for the relevant spare parts sale.

Haas's Apparent Sanctions Violations

Under § 589.201 of the Ukraine-/Russia-Related Sanctions Regulations, 31 C.F.R. part 589 (URSR), U.S. persons are prohibited from making any contribution or provision of funds, goods, or services by, to, or for the benefit of any person whose property and interests in property are

¹ On March 3, 2022, shortly after Russia’s further invasion of Ukraine, Haas voluntarily withdrew from the Russian market and terminated Abamet’s distribution contract. Almost two years later, on February 23, 2024, Abamet was designated by the U.S. Department of State pursuant to E.O. 14024 for operating or having operated in the manufacturing sector of the Russian Federation economy and was added to OFAC’s SDN List. See U.S. Department of Treasury’s Press Release, [Russia-related Designations](#), published on February 23, 2024.

blocked pursuant to Executive Order (E.O.) 13661 or E.O. 13662. The prohibitions under § 589.201 of the URSR also extend to the property and interest in property of entities that are 50 percent or more owned by blocked persons regardless of whether the name of the entity is identified on OFAC's SDN List, pursuant to § 589.411(a) of the URSR (previously § 589.406 under an older version of 31 C.F.R. part 589).

Between December 17, 2019 and March 22, 2022, Haas appears to have violated § 589.201 of the URSR on 21 occasions when the company: (i) indirectly exported through Abamet one CNC machine to a customer that was 50 percent or more owned by a company that was, in turn, majority owned by an entity identified on OFAC's SDN List; (ii) indirectly exported through Abamet 13 spare parts orders to four customers that were 50 percent or more owned by an SDN and one customer that was itself identified on OFAC's SDN List; (iii) on two occasions provided Abamet with financial unlock codes for machines owned by customers that were 50 percent or more owned by entities identified on OFAC's SDN List; and (iv) on five occasions permitted Abamet to obtain financial unlock codes through the HBC for machines owned by customers that were 50 percent or more owned by entities on the SDN List (collectively, the "Apparent Violations"). The total value of these 21 transactions was approximately \$98,096.

Penalty Calculations and General Factors Analysis

Under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A ("Enforcement Guidelines"), the statutory maximum civil monetary penalty applicable in this matter is \$7,730,856. OFAC determined that although Haas reported the Apparent Violations to OFAC, its submissions did not constitute a voluntary self-disclosure under the Enforcement Guidelines. OFAC further determined that Haas's export of one CNC machine and its provision of the unlock codes on seven occasions were egregious, and its exports of spare parts orders on 13 occasions were non-egregious. Accordingly, under the Enforcement Guidelines, the base civil monetary penalty amount for the eight egregious Apparent Violations equals the sum of the statutory maximum civil monetary penalty amount for each Apparent Violation, which in this case totals \$2,945,088. Additionally, the base civil monetary penalty amount for the 13 non-egregious Apparent Violations equals the sum of the applicable schedule amount for each Apparent Violation, which in this case totals \$40,000. Accordingly, the total base civil monetary penalty amount is \$2,985,088.

The settlement amount of \$1,044,781 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines. [OFAC's settlement Agreement with Haas can be found here.](#)

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

- (1) Haas failed to exercise due care in relation to the high-risk environment in which it was operating when, over the course of two years and three months, it failed to perform adequate due diligence and, as a result, exported goods and services to customers that were either identified on OFAC's SDN List or that were owned 50 percent or more by such persons. In light of the advanced nature of the machinery Haas produces and the risks posed by transacting with a customer base in Russia during the relevant time period, including dealings with the arms, defense, and/or related materiel sectors of the Russian

Federation economy, Haas exercised inadequate caution or care. Reasonable due diligence and screening controls that took into account the risk related to Haas's industry and customer base should have prevented the Apparent Violations.

- (2) Seven of the eight end users that received these goods from Haas were themselves designated or owned by persons designated for operating in the defense sectors of the Russian Federation economy, and in one case the energy sector. Additionally, Haas's provision of the unlock codes enabled CNC machines owned by blocked entities in critical Russian industries to operate. This conduct negatively impacted a major U.S. foreign policy objective to deny Russia's ability to supply the military sectors of its economy and to degrade the Russian Federation's capacity to wage war against Ukraine. As such, Haas caused severe harm to the policy objectives of the URSR.

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

- (1) Haas took prompt and significant remedial action in response to the Apparent Violations by conducting a thorough internal investigation and enhancing their compliance program, including by hiring additional personnel, improving compliance policies and procedures, purchasing a new compliance screening tool which includes screening for customers' ownership, implementing comprehensive training requirements for all Haas and HFO employees, and establishing an audit procedure on high risk HFOs. Haas is also deploying tools to track a CNC machine's location and ensure it is not moved without permission.
- (2) Haas was highly cooperative with OFAC's investigation, filed a comprehensive self-disclosure, and agreed to toll the statute of limitations.
- (3) Haas 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.

Compliance Considerations

This enforcement action highlights the importance of considering risks posed by customers with which companies maintain an ongoing relationship, including through the provision of after-sale services, such as through the selling of spare parts or other goods and services to sustain a product's continued operation. Additionally, companies conducting business through foreign-based subsidiaries, distributors, and resellers should ensure that their controls are sufficient to identify and address risks related to those relationships. Limiting direct business relationships alone may not be enough to guard against risks, especially in light of the dynamic nature of OFAC's sanctions and complex ownership interests that may not be readily apparent. Firms should thus be sure to implement effective measures to prevent both direct and indirect access to their goods and services by blocked persons, including those who are not identified on OFAC's SDN List, even after an initial transaction. One way to limit this access is by implementing sufficient due diligence measures for customers and end users. Doing so can help avoid conduct

leading to sanctions violations and ensure blocked persons do not have access to U.S. goods and services.

OFAC Enforcement and Compliance Resources

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

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>.