



DEPARTMENT OF THE TREASURY
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Nordgas S.r.l. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations

Nordgas S.r.l. (“Nordgas”), a company located in Italy that produces and sells components for gas boiler systems and applications, has agreed to pay \$950,000 to settle its potential civil liability for apparent violations of the Iranian Transactions and Sanctions Regulations (ITSR). The apparent violations occurred over an approximately four-year period, during which Nordgas knowingly reexported 27 shipments of air pressure switches procured from a U.S. company intended for as many as ten customers in Iran and caused a U.S. company to indirectly export its goods to Iran. In doing so, Nordgas obfuscated the reexportation and Iranian customers from the U.S. company.

OFAC determined Nordgas’s apparent violations were egregious and not voluntarily self-disclosed. In view of the individual facts of this case, as well as Nordgas’s financial circumstances, its cooperation with OFAC, and its agreement to implement enhanced compliance commitments, \$650,000 of the settlement amount will be suspended pending satisfactory completion of Nordgas’s compliance commitments.

Description of the Conduct Leading to the Apparent Violations

In May 2010, Nordgas sought to purchase air pressure switches for gas boiler systems from a U.S. company with the intent of reexporting those switches to customers in Iran. In response to Nordgas’s inquiry, the U.S. company informed Nordgas it could not export its U.S.-origin switches to Nordgas if the end-users were Iranian entities. Nordgas acknowledged the restriction and represented that it could sell the U.S. company’s switches to alternate customers in Italy. This initial request did not lead to an immediate sale but developed into a business relationship between the two entities.

In late 2012, Nordgas again sought to purchase air pressure switches from the same U.S. company. This time, however, Nordgas misled the U.S. company by claiming that the end-user was Nordgas’s Italian affiliate. In fact, Nordgas intended to reexport the switches to companies in Iran. To conceal its intentions, Nordgas employees started using deceptive replacement terms for Iran in correspondence and trade documentation with the U.S. company, beginning as early as September 2012. For several years thereafter, Nordgas continued to use code words to avoid referencing Iranian end-users in its communications with the U.S. company.

In addition to using code words, Nordgas engaged in other efforts to obfuscate its reexportation of goods from the United States to Iranian end-users. In one instance, the U.S. company offered in 2016 to ship goods directly to the stated end-user (Nordgas’s Italian affiliate) due to Nordgas’s inability to process the export at that time or over the coming weeks. Nordgas rebuffed the offer, claiming logistical concerns. In a separate instance of questionable intent, Nordgas employees

requested that the U.S. company remove the term “Made in USA” from the switches to disguise their origin.

For the final shipment of the aforementioned apparent violations, in March 2017, the U.S. company became aware that Nordgas intended to reexport its goods to Iran and the U.S. company requested that Nordgas return the shipment accordingly—a request with which Nordgas complied and for which the U.S. company subsequently refunded Nordgas’s payment.

Nordgas’s conduct resulted in apparent violations of the ITSR. Specifically, in or around the period spanning March 23, 2013 to March 31, 2017, Nordgas appears to have violated §§ 560.203 and 560.204 of the ITSR, when it: (i) engaged in the reexportation, sale, or supply, directly or indirectly, from the United States of 27 shipments of air pressure switches to a person in a third country with knowledge or reason to know they were intended specifically for supply, transshipment, or reexportation, directly or indirectly, to as many as ten different Iranian companies; and (ii) caused a U.S. company to indirectly export goods to Iran. The total value of the air pressure switches was \$2,526,783.

For more information regarding this matter, please see the [Settlement Agreement between OFAC and Nordgas](#).

Penalty Calculations and General Factors Analysis

OFAC determined that Nordgas did not voluntarily self-disclose the apparent violations and that the apparent violations constitute an egregious case. Accordingly, under OFAC’s Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A, the base civil monetary penalty amount applicable in this matter is the statutory maximum of \$7,689,336.

The settlement amount of \$950,000, of which \$650,000 of the settlement amount will be suspended pending satisfactory completion by Nordgas of the enhanced compliance commitments, reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Nordgas engaged in willful conduct by reexporting air pressure switches from the United States to as many as ten different companies in Iran after being informed that such reexportations would violate U.S. economic sanctions laws.
- (2) Nordgas management had reason to know of the conduct giving rise to the apparent violations. Nordgas’s management either failed to provide effective oversight of its employees and operations or chose to ignore these prohibited trade practices.
- (3) Nordgas’s conduct undermined the objectives of U.S. sanctions on Iran by diverting over \$2.5 million worth of goods from the United States to Iran.

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

- (1) Nordgas 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) Nordgas ceased all shipments of goods from the United States to Iran and took remedial actions, such as implementing a sanctions compliance program and agreeing to enhanced compliance commitments in its settlement agreement with OFAC, including a commitment to submit a report to OFAC, on an annual basis for five years, detailing how Nordgas is meeting the compliance commitments described in the settlement agreement.
- (3) Nordgas cooperated with OFAC during the course of the investigation by submitting detailed and well-documented responses to OFAC's written information requests, as well as agreeing to toll the statute of limitations.

Compliance Considerations

This action demonstrates the risks foreign companies assume when involving U.S. persons and goods procured from the United States in dealings with U.S.-sanctioned jurisdictions and entities. Foreign companies involved in such trade should understand that OFAC's prohibitions can extend not just to U.S. persons, but to their foreign trading activities as well. Obfuscating the involvement of a sanctioned country or person in a transaction by falsifying the names of end-users or other parties does not insulate either U.S. or foreign persons from potential liability.

Similarly, foreign companies should not expect their obligations with respect to U.S. sanctions to be fulfilled by their U.S. partners. In international trade transactions, each party is responsible for understanding their own obligations pursuant to OFAC regulations. Additionally, ineffective management or poor oversight of employees and sales may present a sanctions risk when company or employee sales or business practices violate U.S. economic sanctions.

Accordingly, foreign companies engaging in business with U.S. partners should institute a risk-based sanctions compliance program. An effective compliance program will feature controls sufficient to identify and escalate potentially prohibited transactions initiated by its sales and other relevant personnel. It will also reflect a management commitment to institute the controls and processes necessary to prevent violations, including by seeing that employees with relevant responsibilities are appropriately supervised and that controls are in place to prevent prohibited transactions.

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 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.