



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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Alfa Laval Inc. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations

Alfa Laval Inc. (“AL U.S.”), a company located in Richmond, Virginia, has agreed to pay \$16,875 to settle its potential civil liability for apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (“ITSR”), on behalf of its former subsidiary (now an operating unit) Alfa Laval Tank, Inc. (“AL Tank”), located in Exton, Pennsylvania. AL U.S.’s ultimate parent company is Alfa Laval AB, which is headquartered in Sweden. The apparent violations were committed between May 2015 and March 2016 when AL Tank, which manufactures and sells storage tank cleaning equipment, referred a known Iranian business opportunity to its foreign affiliate in Dubai. The foreign affiliate then orchestrated a scheme to export goods from the United States to Iran and did so by using AL Tank to export its Gamajet brand cleaning units to Iran.

Description of the Conduct Leading to the Apparent Violations

On May 27, 2015, Alborz Pakhsh Parnia Company (“Alborz”), an Iranian distributor of oil products, emailed AL Tank to inquire about purchasing its Gamajet cleaning units – automated machines used to remove residual fuel, dirt, and sludge from storage tanks. The email explicitly stated Alborz was based in Iran. AL Tank’s portfolio manager for tank cleaning equipment responded on May 27, 2015 by providing a recommendation for AL Tank products, pricing information, product descriptions and specifications, and an offer to prepare a quote. AL Tank’s portfolio manager sent Alborz a follow-up email on June 9, 2015 to provide more product information. On June 17, 2015, Alborz replied, asking the portfolio manager at AL Tank, “is there the possibility of delivery to our country,” referring specifically to Iran.

On August 7, 2015, the portfolio manager at AL Tank forwarded the email to a tank cleaning portfolio manager at Alfa Laval Denmark (“AL Denmark”) asking, “who would be the best contact for Iran for an oil&gas [*sic*] inquiry?” AL Denmark recommended a sales manager in the sanitary division for the Middle East region at Alfa Laval Middle East Ltd. (“AL Middle East”), a subsidiary of Alfa Laval AB in Dubai, who in turn recommended the AL Middle East regional manager. In an email exchange between August 11 and August 17, 2015, AL Middle East’s regional manager and the portfolio manager for AL Tank discussed whether AL Tank could quote or sell items from the United States to Iran. The portfolio manager for AL Tank described referring the Iranian business opportunity to AL Middle East on August 17, 2015, replying by email to Alborz with, “I had [*sic*] forwarded your contact information to our General Manager for the Middle East who should be making contact. We can not [*sic*] sell US made equipment into your country at this time.”

This referral subsequently led to the formation of a conspiracy by AL Middle East, Iran-based Alfa Laval Iran Co. Ltd. (“AL Iran”), a Dubai-based company (“Dubai company”), and Alborz to reexport goods from AL Tank in the United States to Iran, and to actively mislead AL Tank into believing that its goods were destined for an end-user in UAE. However, AL Tank failed to heed or

largely ignored several warning signs that its goods were at risk of diversion to Iran. Specifically, on or about February 23, 2016, AL Tank answered a list of “technical questions” about AL Tank’s Gamajet cleaning units from a memo written by Alborz, which was sent by AL Middle East to AL Tank via email. The subject line of the email stated “Gamajet for Alborz Pakhsh Parnia Company IRAN.” On the same day, AL Tank provided AL Middle East with a “Gamajet Quotation Invoice,” which identified the “end user” as Iran. However, when AL Tank later asked for the end-user for the Gamajet order on March 10, 2021, the senior sales engineer at AL Middle East replied by stating, “this machine [Gamajet cleaning unit] is for [the Dubai company], UAE.” Purportedly deceived by this response, AL Tank exported two Gamajet cleaning machines and accessories to the Dubai company on March 26, 2016, which were then reexported by the Dubai company to Alborz in Iran.

Accordingly, AL Tank appears to have violated § 560.208 by referring an Iranian business opportunity to AL Middle East, thereby facilitating a transaction that would have been prohibited if performed by U.S. person such as AL Tank or within the United States. Additionally, AL Tank appears to have violated §§ 560.204 and 560.206 of the ITSR when it exported two Gamajet cleaning units and accessories worth \$18,585 to a Dubai-based company with knowledge or reason to know that the cleaning machines were intended specifically for supply, transshipment, or reexportation, directly or indirectly, to Alborz in Iran (collectively referred to hereafter as the “Apparent Violations”).

OFAC has separately settled with AL Middle East for its participation in the conspiracy and export-related transactions described above. The web post for that enforcement action can be found [here](#).

Penalty Calculations and General Factors Analysis

The statutory maximum civil monetary penalty applicable in this matter was \$307,922. OFAC determined that AL Tank 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”), the base civil monetary penalty amount applicable in this matter was \$18,750.

The settlement amount of \$16,875 reflects OFAC’s consideration of the General Factors under the Enforcement Guidelines. AL U.S. was jointly investigated by the U.S. Department of Commerce’s Bureau of Industry and Security.

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

- (1) AL Tank recklessly violated the ITSR by failing to heed numerous warning signs that the actual end-user of its products was in Iran; and
- (2) AL Tank caused harm to the integrity of the ITSR by referring an Iran-related business opportunity to a foreign affiliate who ultimately formed a conspiracy that succeeded in exporting goods from the United States to Iran’s energy sector.

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

- (1) None of the relevant Alfa Laval AB subsidiaries, including AL U.S., have 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) AL U.S. employed outside counsel to conduct an internal investigation, which resulted in several remedial measures, such as additional in-person training to reinforce Alfa Laval's Export Control Policy, a thorough internal investigation, and adoption of enhanced review and screening processes; and
- (3) AL U.S. provided substantial cooperation to OFAC throughout the course of its investigation.

Compliance Considerations

This case demonstrates the importance of implementing effective compliance training to ensure U.S. persons know they are generally prohibited from referring business opportunities involving Iran, including to affiliated entities. Such referrals may also increase the likelihood of other, additional sanctions violations being committed. U.S. companies can mitigate such sanctions risks by establishing clear channels through which employees can report questionable activity and seek clarification when potential sanctions issues arise. U.S. persons should also heed warning signs that may indicate a sanctions nexus to a given business opportunity. When there are such warning signs present, additional compliance and due diligence checks should be implemented to make sure the foreign person or foreign company the U.S. person is dealing with is not located in a sanctioned country or working for or on behalf of persons in sanctioned jurisdictions or blocked persons.

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 source goods or services 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 final civil penalties and enforcement information, can be found on OFAC's website at <https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information>.

For more information regarding OFAC regulations, please go to: <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>.