



DEPARTMENT OF THE TREASURY  
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**Alfa Laval Middle East Ltd. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations**

Alfa Laval Middle East Ltd. (“AL Middle East”), a company located in Dubai, United Arab Emirates that sells fluid handling and other equipment for the energy industry and other sectors, has agreed to pay \$415,695 to settle its potential civil liability for apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (“ITSR”). AL Middle East is the head regional office for the Middle East and Southeast Africa for its ultimate parent company, Sweden-based Alfa Laval AB. The apparent violations were committed between May 2015 and March 2016 when AL Middle East conspired with Dubai- and Iran-based companies to export Gamajet brand storage tank cleaning units from the United States to Iran. As a result of this conspiracy, AL Middle East caused its U.S.-based affiliate to indirectly export goods from the United States to Iran by falsely listing a Dubai-based company (“Dubai company”) as the end-user on its export documentation. The scope of the conspiracy included additional incomplete and contemplated export transactions with Iran that would have employed the same scheme.

**Description of the Conduct Leading to the Apparent Violations**

The formation of the conspiracy followed the referral of a business opportunity in Iran by Alfa Laval Tank Equipment, Inc. (“AL Tank”), a U.S. company with operations in Exton, Pennsylvania, to AL Middle East. At the time of the apparent violations, AL Tank was a subsidiary of Alfa Laval Inc. (“AL U.S.”), a U.S. subsidiary of Alfa Laval AB that is headquartered in Richmond, Virginia. AL Tank has since merged its operations into AL U.S.

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, which are automated machines used to remove residual fuel, dirt, and sludge from storage tanks. The email explicitly stated the company 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 to the same email chain, asking the portfolio manager at AL Tank, “is there the possibility of delivery to our country,” referring specifically to Iran.

On August 7, 2015, AL Tank’s portfolio manager forwarded the email to a tank cleaning portfolio manager at Alfa Laval Denmark (“AL Denmark”), another Alfa Laval AB subsidiary, asking “who would be the best contact for Iran for an oil&gas [sic] inquiry?” AL Denmark recommended a sales manager at AL Middle East, who in turn recommended the AL Middle East regional manager. AL Middle East’s regional manager and the portfolio manager for AL Tank then discussed whether AL

Tank could provide quotes for or sell items from the United States to Iran. On August 17, 2015, the portfolio manager for AL Tank referred the Iranian business opportunity to AL Middle East in an email, and stated, “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.”

Following the referral, a sales manager for AL Middle East and the general manager of Iran-based Alfa Laval Iran Co. Ltd. (“AL Iran”), another Alfa Laval AB subsidiary, communicated with Alborz about routing sales to Iran through a Dubai company with which AL Middle East had an existing distributor relationship. Under the plan they developed, the Dubai company would be falsely named as the end-user on export documents. In late January 2016, the AL Middle East sales manager traveled to Iran to meet with Alborz, where they further discussed how to procure the Gamajet cleaning units from the United States. Shortly after the meeting in Iran, on February 5, 2016, AL Denmark asked the portfolio manager for AL Tank to set up a meeting with AL Middle East to discuss exporting goods to Iran, a request prompted by a query from AL Middle East seeking information from AL Denmark and AL Tank about the Gamajet cleaning units.

Approximately two weeks later, on February 23, 2016, the owner of the Dubai company emailed the sales manager and a senior sales engineer for AL Middle East a memo from Alborz (the “Alborz memo”), apparently at the behest of Alborz, with the following message: “... Alborz Pakhsh Parnia Company is one of the oil products distribution company [*sic*] at gas stations in Iran which distributes the oil products in gas stations of [*sic*] all over the country. Our company [Alborz] wants to purchase a number of Gamma-jet [*sic*] equipment from Alfa Laval Company ...” To that end, the Alborz memo outlined a strategy for procuring U.S.-origin goods from AL Tank and reexporting them into Iran involving AL Iran, AL Middle East, and the Dubai company, while keeping AL Tank in the dark regarding the ultimate destination of the units. AL Tank did not receive the full Alborz memo and was not otherwise told of this plan. However, AL Tank did receive an email with a list of questions regarding the Gamajet cleaning units that was part of the Alborz memo, which included an email subject line “Gamajet for Alborz Pakhsh Parnia Company IRAN” as part of the email.

Following the plan laid out in the Alborz memo, on March 5, 2016, the senior sales engineer at AL Middle East sent the Dubai company a pro forma invoice for Gamajet products worth \$18,585.36. The next day, “[the Dubai company] requested its bank to transfer \$18,585.36 to AL Middle East in payment for the Gamajet equipment ultimately destined for Alborz in Iran,” according to a memo from the Dubai company to a bank in Dubai.

On March 7, 2016, the portfolio manager for AL Tank sent the senior sales engineer at AL Middle East an updated “Gamajet Quotation Invoice,” which increased the number of Gamajet products from one set of Gamajet cleaning machine and accessories to two sets at the request of the Dubai company. The following day, the senior sales engineer at AL Middle East confirmed the order, and the portfolio manager for AL Tank told the senior sales engineer at AL Middle East to send the purchase order to AL U.S.’s Americas Distribution Center. The portfolio manager for AL Tank also asked the senior sales engineer at AL Middle East for the name of the end user, to which the senior sales engineer at AL Middle East replied, “this machine is for [the Dubai company], UAE.” The senior sales engineer at AL Middle East would later explain that the “the identification of [the

Dubai Company] rather than Alborz was at the instruction of the [sales manager for AL Middle East].”

On March 8, 2016 and March 17, 2016, the senior sales engineer at AL Middle East issued an “Order Confirmation” and an invoice to the Dubai company, which listed the Dubai company as the end-user. On March 26, 2016, AL Tank exported two Gamajet cleaning machines and accessories to the UAE for subsequent delivery to the Dubai company. The Dubai company then supplied the Gamajet products to Alborz in Iran, consistent with the plan outlined in the Alborz memo.

Prior to the March export, General Counsel for Alfa Laval Group sent a memo to Alfa Laval employees on January 27, 2016 regarding an export control update on Iran following the implementation of the Joint Comprehensive Plan of Action on January 16, 2016. This memo was also sent to the employees of AL Middle East and AL Iran on January 31, 2016. The memo noted that “any transactions involving U.S. persons, USD, or U.S. origin/content products are still prohibited under the remaining U.S. sanctions on Iran.”

Shortly after the March 26, 2016 export, AL Middle East began organizing additional sales of Gamajet cleaning units on behalf of Alborz in the same manner as the initial sale. Email traffic and transactional paperwork between AL Middle East, AL Tank, and the Dubai company show that from April to May 2016 Alborz had already begun to initiate a second order worth \$5,170, and AL Middle East understood that Alborz desired to make 20 additional purchases of Gamajet products worth approximately \$181,453. The email traffic indicates Alborz’s intention of acquiring more Gamajet cleaning units from AL Tank, and highlights AL Middle East’s intention to fulfil Alborz’s requests.

The conspiracy came to an end when the U.S. Department of Commerce’s Bureau of Industry and Security (BIS) requested post-shipment verification from AL Tank on April 12, 2016, shortly after the first export transaction was completed. The post-shipment verification report found that, according to documentation from the Dubai company, the tank cleaning products in question were reexported to Iran on April 2, 2016.

Based on OFAC’s investigation, from on or about August 8, 2015 to on or about May 5, 2016, AL Middle East appears to have conspired with Alborz and AL Iran to export goods from the United States to Iran, which involved the completed export transaction described above worth \$18,585, an incomplete export transaction worth \$5,170, and transactions contemplated by the parties worth \$181,453, all in apparent violation of § 560.203(b). Additionally, AL Middle East appears to have caused AL Tank to export \$18,585 worth of goods indirectly from the United States to Iran in apparent violation of § 560.203(a) of the ITSR (collectively referred to hereafter as the “Apparent Violations”).

The settlement agreement for this action can be found [here](#). OFAC has separately settled with AL U.S. for its apparent violations arising from this matter. The web post for that enforcement action can be found [here](#).

## Penalty Calculations and General Factors Analysis

OFAC determined that AL Middle East 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 ("Enforcement Guidelines"), the base penalty applicable in this matter was \$615,844, which was also the applicable statutory maximum civil penalty amount. The settlement amount of \$415,695 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines. AL Middle East was jointly investigated by BIS. AL Middle East's obligation to pay the settlement amount will be credited by the amount ultimately paid to BIS pursuant to its settlement with AL Middle East arising out of the same violative conduct.

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

- (1) AL Middle East willfully violated the ITSR when it conspired to export goods from the United States to an Iranian end-user by obfuscating the end-user's identity from its U.S. affiliate, AL Tank, which caused AL Tank to violate the ITSR;
- (2) AL Middle East's Sales Manager formed and participated in the conspiracy that led to the Apparent Violations, while multiple AL Middle East and AL Iran managers had actual knowledge of the conduct giving rise to the apparent violations; and
- (3) AL Middle East caused harm to the integrity of the ITSR by circumventing U.S. sanctions and conferring an economic benefit to Iran's energy sector.

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

- (1) None of the relevant Alfa Laval AB subsidiaries, including AL Middle East, 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 Middle East through AL U.S. employed outside counsel to conduct an internal investigation, which resulted in several remedial measures, such as disciplinary action against those implicated in the Apparent Violations at AL Middle East and AL Iran (including the termination of three employees), a thorough internal investigation, adoption of enhanced review and screening processes for Iran-related transactions at AL Middle East, and additional in-person training to reinforce Alfa Laval's Export Control Policy; and
- (3) AL Middle East through AL U.S. provided substantial cooperation to OFAC throughout the course of its investigation.

## Compliance Considerations

Non-U.S. companies should be aware of how their activities might trigger compliance issues with U.S. sanctions, including when they place orders with U.S. affiliates or subsidiaries. This is especially true for companies operating in multiple countries as part of a larger global business organization, and particularly those with connections to both the United States and sanctioned jurisdictions. Because maintaining such links can give rise to an increased risk of violating U.S. sanctions, foreign companies should also implement appropriate measures to mitigate their risks.

For example, global business organizations should ensure that subsidiaries and affiliates are trained on U.S. sanctions requirements, can effectively identify red flags, and are empowered to report prohibited conduct to management. By empowering employees to identify and report prohibited conduct, global business organizations may be able to prevent the formation of—and better detect—conspiracies intended to undermine U.S. sanctions. Conspiracies to violate U.S. sanctions laws are particularly harmful because multiple people in a transaction work in concert to undermine compliance controls, and as a result, economic sanctions. Empowering and educating the broader workforce on sanctions compliance may neutralize or mitigate these risks.

## 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>.