



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Enforcement Release: April 21, 2022

OFAC Settles with Chisu International Corporation for \$45,908 Related to Apparent Violations of the Cuban Assets Control Regulations

Chisu International Corporation (“Chisu”), a Florida-based corporation affiliated with a Suriname-based distributor of explosives and related materials, has agreed to pay \$45,908 to settle its potential civil liability for apparent violations of the Cuban Assets Control Regulations. In 2016 and 2017, Chisu purchased Cuban-origin explosives and explosive accessories from a third-party vendor for a mining project in Suriname, knowing the goods were of Cuban origin. The settlement amount reflects OFAC’s determination that Chisu’s conduct was non-egregious and not voluntarily self-disclosed, as well as OFAC’s consideration of relevant General Factors under its Economic Sanctions Enforcement Guidelines (“Enforcement Guidelines”), including Chisu’s small size.

Description of the Apparent Violations

Between June 2016 and November 2017, Chisu and its affiliates in Suriname and Panama on four occasions procured Cuban-origin explosives and related accessories originating from Cuban entity *Unión Latinoamericana de Explosivos* (ULAEX) on behalf of a U.S. company for the U.S. company’s mining project in Suriname. ULAEX is a joint venture of the Government of Cuba with a non-U.S. person third-party manufacturer and distributor of explosives, and ULAEX is listed by the Department of State as being under the control of, or acting for or on behalf of, the Cuban military, intelligence, or security services.¹ Chisu oversaw the processing of purchase orders and invoices for these transactions while its affiliates in Suriname were responsible for importing the goods into Suriname, including customs clearance, storage, and delivery of the commodities to the U.S. company’s mining project.

Although Chisu procured these explosives and explosive accessories from ULAEX through a non-U.S. person manufacturer and distributor of explosives for the transactions, the bill of lading associated with the first transaction clearly identified ULAEX as the exporter of the goods and the importation permit indicated the goods originated in Cuba. The address provided for ULAEX on the bill of lading was La Campana Manicaragua, Villa Clara, Cuba; the point of export was identified as Villa Clara; and the port of loading was identified as Cienfuegos, a Cuban port city. Bills of lading for the three additional transactions explicitly identified both ULAEX as the provider of the explosives and associated accessories and Cuba as the country of origin. In January 2018, Chisu’s U.S. company customer learned that the explosives and accessories Chisu had previously provided had been sourced from Cuba; the customer thereafter sought and received assurances from Chisu that it would no longer procure goods from Cuba.

¹ See List of Restricted Entities and Subentities Associated with Cuba, <https://www.state.gov/cuba-restricted-list/list-of-restricted-entities-and-subentities-associated-with-cuba-effective-january-8-2021>.

The apparent violations occurred primarily because Chisu, a small company largely overseen by a single individual, failed to understand U.S. prohibitions on dealings in Cuban property or engaging in transactions related to merchandise of Cuban origin outside the United States. Chisu had no compliance program in place at the time the four transactions occurred and was not aware that its indirect dealings in Cuban-origin goods were prohibited until after Chisu's customer brought it to their attention. Upon learning of the sanctions implications, Chisu immediately ceased all activities involving Cuba. These four transactions appear to have violated §§ 515.201 and 515.204 of the Cuban Assets Control Regulations, 31 C.F.R. part 515 (the "Apparent Violations").

Penalty Calculations and General Factors Analysis

The transaction value of these apparent violations is \$688,689, and the statutory maximum civil monetary penalty applicable in this matter is \$367,264. OFAC determined that Chisu did not voluntarily self-disclose the Apparent Violations, and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Enforcement Guidelines, 31 C.F.R. part 501, app. A, the base civil monetary penalty applicable in this matter equals the applicable schedule amount for each apparent violation, capped at \$91,816 per transaction.

The settlement amount of \$45,908 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

- (1) Chisu failed to exercise a minimal degree of caution or care in procuring Cuban-origin explosives and explosive accessories from its supplier;
- (2) Chisu had actual knowledge that it was financing the provision of Cuban-origin goods for export to Suriname; and
- (3) Chisu's actions caused harm to U.S. sanctions program objectives by procuring goods from an entity under the control of, or acting for or on behalf of, the Cuban military, intelligence, or security services.

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

- (1) Chisu is a small company largely overseen by a single individual;
- (2) Chisu 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; and
- (3) Chisu provided information to OFAC in a timely manner and cooperated with OFAC by entering into a tolling agreement.

Compliance Considerations

This case illustrates the risks facing companies of any size operating internationally that do not develop or maintain basic awareness of sanctions risks and do not institute appropriate measures to identify and prevent potential violations.

Such risks can arise from a variety of sources, including a firm's supply chain, even where there is no direct dealing with a sanctioned person or jurisdiction. Companies should accordingly conduct an appropriately scoped risk assessment to ascertain where sanctions risks might arise, including from goods, services, intermediaries, counterparties, or jurisdictions dealt with, directly or indirectly. Such assessments are essential to establish controls to prevent engaging in prohibited transactions.

Controls developed in response to identified risks should be incorporated into a company's day-to-day operations and procedures and be designed to capture indicators of sanctions risks, including information from sources reasonably available to the company, particularly those used in routine activities, such as trade and transactional documentation. Clear, written procedures laying out the steps to be taken in response to such indicators is similarly essential, as is communicating these steps to all relevant personnel, including affiliates and related business units.

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.

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://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>.