

ENFORCEMENT INFORMATION FOR AUGUST 10, 2017

Information concerning the civil penalties process can be found in the Office of Foreign Assets Control (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 Web site at www.treasury.gov/ofac/enforcement.

ENTITIES – 31 CFR 501.805(d)(1)(i)

IPSA International Services, Inc. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations: IPSA International Services, Inc. (IPSA), Phoenix, Arizona, has agreed to pay \$259,200 to settle its potential civil liability for 72 apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR).¹ The apparent violations involve, on 44 separate occasions, IPSA's importation of Iranian-origin services into the United States in apparent violation of § 560.201 of the ITSR, and on 28 separate occasions, IPSA's engagement in transactions or dealings related to Iranian-origin services by approving and facilitating its foreign subsidiaries' payments to providers of Iranian-origin services in apparent violation of §§ 560.206 and 560.208 of the ITSR.

OFAC determined that IPSA did not voluntarily disclose the apparent violations, and that the apparent violations constitute a non-egregious case. The total transaction value of the apparent violations was \$290,784. The statutory maximum civil penalty amount in this case was \$18,000,000, and the base civil penalty amount was \$720,000.

IPSA is a global business investigative and regulatory risk mitigation firm that provides due diligence services for various countries and their citizenship by investment programs. In March 2012, IPSA entered into an engagement letter and fee agreement with a third country with respect to its citizenship by investment program ("Contract No. 1"). In October 2012, IPSA's subsidiary in Vancouver, Canada ("IPSA Canada") entered into a similar contract with a government-owned financial institution in a separate third country ("Contract No. 2"). While the majority of the applicants to both of these programs were nationals from countries not subject to OFAC sanctions, some were Iranian nationals. Since most of the information about Iranian applicants could not be checked or verified by sources outside Iran, IPSA Canada and IPSA's subsidiary in Dubai, United Arab Emirates subsequently hired subcontractors to conduct the necessary due diligence in Iran, and those subcontractors in turn hired third parties to validate information that could only be obtained or verified within Iran. Although it was IPSA's foreign subsidiaries that managed and performed both Contract No. 1 and Contract No. 2, with regard to Contract No. 1, IPSA appears to have imported Iranian-origin services into the United States because the foreign subsidiaries conducted the due diligence in Iran on behalf of and for the

¹ On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the ITSR, amended the renamed ITSR, and reissued them in their entirety. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). For the sake of clarity, all references herein to the ITSR shall mean the regulations in 31 C.F.R. part 560 in effect at the time of the activity, regardless of whether such activity occurred before or after the regulations were renamed.

benefit of IPSA. With regard to Contract No. 2, IPSA also appears to have engaged in transactions or dealings related to Iranian-origin services and facilitated the foreign subsidiaries' engagement in such transactions or dealings because IPSA reviewed, approved, and initiated the foreign subsidiaries' payments to providers of the Iranian-origin services.

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. OFAC considered the following to be aggravating factors: (1) IPSA failed to exercise a minimal degree of caution or care when it imported background investigation services of Iranian origin into the United States and when it reviewed, approved, and initiated its foreign subsidiaries' payments to providers of Iranian-origin services, and the frequency and duration of the apparent violations constitute a pattern or practice of conduct; (2) at least one of IPSA's senior management knew or had reason to know that it was importing and/or engaging in transactions or dealings related to services of Iranian origin; (3) the transactions giving rise to the apparent violations resulted in economic benefits to Iran, and the conduct underlying the apparent violations is not eligible for OFAC authorization under existing licensing policy²; (4) IPSA is a commercially sophisticated company operating internationally with experience in U.S. sanctions; and (5) IPSA's OFAC compliance program was ineffective in that it did not recognize or react to the risks presented by engaging in transactions that involved Iranian-origin background investigation services.

OFAC considered the following to be mitigating factors: (1) IPSA has no prior OFAC sanctions history in the five years preceding the earliest date of the transactions giving rise to the apparent violations; (2) IPSA undertook significant remedial measures by taking swift action to cease the prohibited activities, conducting an investigation to discover the causes and extent of the apparent violations, and adopting new internal controls and procedures to prevent reoccurrence of the apparent violations; and (3) IPSA substantially cooperated with OFAC's investigation by conducting an internal look-back investigation for potential sanctions violations and submitting an investigation report to OFAC without receiving an administrative subpoena, promptly providing detailed additional information and documentation in a well-organized manner in response to OFAC's multiple requests for information, and entering into a statute of limitations tolling agreement.

For more information regarding OFAC regulations, please go to: <http://www.treasury.gov/ofac>.

² On January 16, 2016, OFAC issued [General License H](#): Authorizing Certain Transactions Relating to Foreign Entities Owned or Controlled by a United States Person ("GL H"). GL H authorizes, subject to certain conditions, an entity owned or controlled by a U.S. person and established or maintained outside the United States to engage in transactions with any person subject to the jurisdiction of the Government of Iran that would otherwise be prohibited by 31 C.F.R. § 560.215. Under GL H, however, U.S. persons are authorized to engage only in limited activities with regard to U.S.-owned or -controlled foreign entities, and the general prohibition of facilitation remains in place. In addition, OFAC's January 12, 2017 [Guidance on the Provision of Certain Services Relating to the Requirements of U.S. Sanctions Laws](#) notes that U.S. persons may solicit information from covered persons and conduct research to make a determination as to the legality of transactions under U.S. sanctions laws only if "there is no importation of services where the importation of services is prohibited by any part of 31 C.F.R. chapter V."