

ENFORCEMENT INFORMATION FOR JUNE 6, 2018

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)

Ericsson, Inc. and Ericsson AB Settle Potential Civil Liability for an Apparent Violation of the Sudanese Sanctions Regulations: Ericsson AB (“EAB”), located in Sweden, and Ericsson, Inc. (“EUS”), located in Texas, both of which are subsidiaries of Telefonaktiebolaget LM Ericsson (“Ericsson”), have agreed to pay \$145,893 to settle potential civil liability for an apparent violation of the International Emergency Economic Powers Act (IEEPA) and the Sudanese Sanctions Regulations, 31 C.F.R. part 538 (SSR).¹

OFAC determined that Ericsson voluntarily self-disclosed the apparent violation to OFAC and that the apparent violation constitutes an egregious case. The statutory maximum civil monetary penalty amount for the apparent violation was \$360,230, and the base civil monetary penalty amount was \$180,115.

On or around September 22, 2011, EAB signed a letter of intent with the Sudanese subsidiary of a third-country telecommunications company in order to provide equipment and services to upgrade and expand telecommunications network coverage in Sudan starting with a test network. Ericsson opted to connect its test network in Sudan via satellite, as it had done in other underdeveloped areas. Ericsson hired BCom Offshore SAL (“BCom”) to assist with installing, configuring, and servicing the satellite equipment destined for Sudan.

In late 2011, the high temperatures in Sudan caused some of Ericsson's equipment to malfunction. In response, two now former EAB employees – a radio systems expert and project manager (“EAB Employee #1”), and a senior engagement director within EAB's business unit responsible for managing the implementation of the Sudanese project (“EAB Employee #2”) – contacted an EUS subject matter specialist and director of business development with EUS's Hosted Satellite Group (“EUS Employee”) to request assistance. The EUS Employee initially responded in a January 2, 2012 email to EAB Employee #1 and his manager (“EAB Manager”) among other EAB employees: “Please do not address any emails relating to this country [Sudan] to me. It is a serious matter and Ericsson can get fined and I can get fired.”

Notwithstanding the email cited above, the EAB personnel continued to discuss how to repair the damaged equipment with the EUS Employee while no longer referencing Sudan by name. For

¹ Pursuant to Executive Order 13761, after October 12, 2017, transactions previously prohibited by the SSR are no longer prohibited. This change does not affect past, present, or future OFAC enforcement investigations or actions related to any apparent violations of the SSR relating to activities that occurred prior to October 12, 2017. All references herein to the SSR shall mean the regulations in 31 C.F.R. part 538 at the time of the activity.

example, on January 27, 2012, EAB Employee #1 sent an email referencing Sudan by name to the EAB Manager and EUS Employee, to which the EAB Manager responded in Swedish “do not use that word ;).” Additionally, on February 22, 2012, the EUS Employee sent an email with “East Africa” in the subject line advising EAB Employee #1 and EAB Employee #2 on how to move forward with the Sudan project given the heat constraints.

On or about February 28, 2012, the EUS Employee met with EAB Employee #2 and the Chief Operating Officer (COO) of Ericsson’s principal subcontractor, BCom, in Barcelona, Spain at a sales conference to specifically discuss the overheating problem in Sudan. The group decided to solve the issue by purchasing an export controlled U.S.-origin satellite hub capable of withstanding the heat.

On March 22, 2012, at the direction of Employee #1, EAB purchased a satellite hub from a U.S.-based company for delivery to BCom’s office in Geneva, Switzerland. On or about March 28, 2012, EAB Employee #1 exchanged emails with Ericsson’s compliance department explaining what the satellite hub was for and why its purchase was necessary. Ericsson’s compliance department informed EAB Employee #1 that the supply of such a satellite hub to Sudan would violate Ericsson’s internal policy regarding sanctions compliance.

Despite the information from Ericsson’s compliance department, the EUS Employee, EAB Employee #1, and BCom’s COO agreed to provide the location of the customer purchasing the satellite hub as “Botswana” if future questions arose. Subsequently, on or about April 2, 2012, EAB Employee #1 structured Ericsson’s purchase of the satellite hub into a multistage transaction between EAB and BCom. The multistage transaction involved transshipping the hub through Switzerland and Lebanon, and ultimately to Sudan. Every stage of the transaction except the last was invoiced. BCom did not issue an invoice to EAB for the final stage of the transaction taking the satellite hub from Lebanon to Sudan. Ericsson has since terminated its relationship with BCom.

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

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: (1) several EAB employees and an employee of EUS willfully violated the SSR by forming a conspiracy with the employees of a third-country company with the specific purpose of evading the U.S. embargo on Sudan; (2) at least one of the EAB employees involved was a manager; (3) those employees ignored warnings from Ericsson’s compliance department that the transaction at issue was prohibited; (4) EAB’s actions caused harm to the sanctions program objectives with respect to Sudan; and (5) Ericsson is a large and commercially sophisticated entity.

OFAC considered the following to be mitigating: (1) Ericsson cooperated with OFAC by filing a voluntary self-disclosure, performing a thorough internal investigation, and signing a tolling agreement; (2) neither Ericsson, EUS, nor EAB have received a penalty notice or finding of violation from OFAC in the five years preceding the date of the transaction giving rise to the

apparent violation; (3) Ericsson's remedial response to the apparent violation and adoption of additional compliance controls and procedures; and (4) the low likelihood of recurrence given the individual characteristics of the apparent violation.

This enforcement action highlights the importance of empowering compliance personnel to prevent transactions prohibited by U.S. economic and trade sanctions. Entities should ensure their sanctions compliance teams are adequately staffed, receive sufficient technology and other resources, and are delegated appropriate authority to ensure compliance efforts meet an entity's risk profile. Sanctions compliance personnel should be equipped with the tools necessary to review, assess, and proactively address sanctions-related issues that arise with ongoing or prospective transactions, customers, or counter-parties.

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