

ENFORCEMENT INFORMATION FOR APRIL 11, 2019

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 website at www.treasury.gov/ofac/enforcement.

ENTITIES – 31 CFR 501.805(d)(1)(i)

Acteon Group Ltd., and 2H Offshore Engineering Ltd. Settle Potential Civil Liability for Apparent Violations of the Cuban Assets Control Regulations: Acteon Group Ltd. (“Acteon”), an entity organized under the laws of the United Kingdom (UK), and Acteon’s subsidiary 2H Offshore Engineering Ltd. (“2H Offshore”), also organized under the laws of the UK, have agreed to pay \$227,500 to settle their potential civil liability for seven apparent violations of the Cuban Assets Control Regulations, 31 C.F.R. part 515 (CACR). The apparent violations occurred when 2H Offshore’s Malaysian affiliates, 2H Offshore Engineering Sdn Bhd and 2H Offshore Engineering (Asia Pacific) Sdn Bhd (collectively referred to hereafter as “2H KL”), produced analytical reports, or sent employees to Cuba to present these reports, for oil exploration projects in Cuban territorial waters between 2011 and 2012 (collectively referred to hereafter as the “Apparent Violations”).¹ 2H KL’s provision of services pertained to projects managed by: Petronas Carigali Sdn Bhd (“Petronas”); Repsol S.A. f/k/a Repsol YPF S.A. (“Repsol”); Petróleos de Venezuela, S.A. Cuba S.A. (“PdVSA Cuba”);² and JSC Zarubezhneft (“Zarubezhneft”).

2H Offshore’s seven apparent violations of the CACR involved misconduct by 2H Offshore’s former Global Director (the “Global Director”) whose oversight responsibilities included 2H KL, and 2H KL’s Technical Director (the “Technical Director”) who had oversight of the day-to-day operations of 2H KL.

¹ At all times during the period in which the Apparent Violations described below took place, Acteon was a person subject to the jurisdiction of the United States as defined in the CACR.

² OFAC administers and enforces an economic sanctions program targeting individuals and entities contributing to the situation in Venezuela, as set forth in Executive orders (E.O.), issued under the authority of the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, other statutes, and the Venezuela Sanctions Regulations, 31 C.F.R. part 591. These authorities generally prohibit all unauthorized transactions by U.S. persons or within the United States involving the property or interests in property of any individual or entity blocked pursuant to this sanctions program. Additionally, E.O.s 13808, 13827, 13835, and 13850, as amended by E.O. 13857, impose additional prohibitions on certain transactions by U.S. persons or within the United States including, among others, transactions related to certain debt of the Government of Venezuela. On January 28, 2019, OFAC designated Petróleos de Venezuela, S.A. (PdVSA), pursuant to E.O. 13850 of November 1, 2018, “Blocking Property of Additional Persons Contributing to the Situation in Venezuela,” as amended, for operating in the oil sector of the Venezuelan economy. OFAC’s designation of PdVSA blocks the property and interests in property of PdVSA that are in or come within the United States, or that are or come within the possession or control of any United States person, unless authorized or exempt. None of the aforementioned prohibitions were in place at the time the Apparent Violations occurred.

On November 13, 2008, the Technical Director asked the Global Director for guidance regarding a prior email he received from 2H Brazil's director about the Catoche-1 oil well drilling project in Cuban territorial waters that advised against engaging in any business involving Cuba because 2H Offshore was an American-owned company. The Global Director responded by forwarding an October 2007 memorandum from Acteon that specifically prohibited work or trade in Cuba – even through third countries – but with the added statement that he did not want to turn away work from Petronas for a reason with which he was not sympathetic. The Global Director advised finding a way around Acteon's prohibition on work involving Cuba.

On the same day, the Global Director emailed 2H Offshore's then-Managing Director who advised that approval should be sought from Acteon's then-Group Finance Director (the "Finance Director"). The Global Director contacted the Finance Director the next day asking for approval to work on Petronas' project for Repsol. The ensuing correspondence clearly stated the drilling activity would be conducted in Cuba. The Finance Director later responded to the Global Director and 2H Offshore's Managing Director stating that Acteon's prior U.S. person investor-parent had approved the work on the basis of the information provided by the Global Director, but included the conditions that the report be marked confidential and not provided to anyone else.

In 2010, 2H KL began performing services for Petronas' project in Cuba, and on August 2011 the Technical Director submitted a proposal to the Global Director to organize and present at a workshop in Cuba that included a statement that he had deliberately omitted the name of the country, i.e. Cuba, as discussed.

The Global Director later instructed a 2H KL administrative employee to replace the words "Cuba" or "Cuban" with "Central America" or "Central American" in the Technical Director's post-trip expense report. After the project was completed in or around April 2012, the Technical Director instructed a 2H KL administrative employee to change the project's name from "Cuba Drilling Riser Analysis" to "Petronas Drilling Riser Analysis."

2H KL's work for PdVSA Cuba involved the issuance of reports, and travel to Cuba by two 2H KL engineers to present at a workshop with regard to PdVSA Cuba's drilling of the Cabo de San Antonio 1X ("CSA-1X") well in Cuban territorial waters. In October 2011, the Global Director emailed the Technical Director regarding a business opportunity for PdVSA Cuba, and said that the International PdVSA Services employee must understand that 2H KL was doing this work "under cover so if things can be done over the phone or video conference will be best thus avoiding a trip to Cuba." The Global Director and the Technical Director deliberately avoided executing the contract for this work with PdVSA Cuba directly, so 2H KL issued its reports to PdVSA Intevop S.A., a PdVSA Venezuelan affiliate. The Technical Director also removed any references to "Cuba" in the letter of intent from PdVSA Cuba for this project in an effort to minimize the project's known nexus to Cuba.

2H KL's work for Zarubezhneft was related to yet another oil well rig in Cuban territorial waters, the Songa Mercur. In September 2012, 2H KL entered into a contract with Zarubezhneft represented by its Operational Office in Havana, Cuba that was executed by its Cuban affiliate

via power of attorney. The Technical Director appears to have proceeded with this project without seeking authorization from the Global Director or Acteon.

OFAC determined that Acteon made a voluntary self-disclosure of the Apparent Violations, and that these Apparent Violations constitute an egregious case. The statutory maximum civil monetary penalty amount for the Apparent Violations is \$455,000. The base civil monetary penalty amount for the Apparent Violations is \$227,500.

For more information regarding the conduct that led to the Apparent Violations, please see the Settlement Agreement between OFAC and Acteon [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 determined the following to be aggravating factors: (1) 2H Offshore's Global Director and 2H KL's Technical Director willfully violated U.S. sanctions laws and regulations when they knowingly dealt with Cuban interests despite prior notification of their unlawfulness, and did so in at least one case with the knowledge and approval of Acteon; (2) 2H Offshore demonstrated reckless disregard for U.S. sanctions laws and regulations by failing to exercise a minimal degree of caution or care when it knowingly provided services or personnel for projects in Cuba; (3) senior 2H Offshore and 2H KL managers deliberately concealed their dealings with Cuba on multiple occasions; (4) 2H Offshore engaged in a pattern or practice of conduct that led to the Apparent Violations and spanned several years; (5) 2H Offshore and 2H KL's senior managers had actual knowledge of the business activity involving Cuba, in addition to Acteon's Finance Director in one instance; (6) 2H Offshore's compliance program, established by Acteon, was ineffective, and 2H Offshore failed to adhere to the sanctions compliance guidance Acteon issued in 2007 to all of its businesses that specifically prohibited dealings with Cuba even through third countries; (7) 2H Offshore's conduct harmed U.S. foreign policy objectives by providing economic benefit to the Government of Cuba, and supported its efforts to extract or exploit valuable natural resources; and (8) 2H Offshore and Acteon are sophisticated international businesses that were aware of the applicable U.S. sanctions laws and regulations.

OFAC determined the following to be mitigating factors: (1) 2H Offshore and Acteon voluntarily submitted information to OFAC, were responsive to follow-up questions, and agreed to toll the statute of limitations on three occasions; and (2) 2H Offshore and Acteon took remedial steps including undertaking appropriate disciplinary actions with respect to the 2H Offshore personnel involved with the Apparent Violations, providing compliance training, and implementing a new sanctions compliance program that includes procedures for elevating issues for review.

Additionally, Acteon and 2H Offshore have confirmed to OFAC that they have terminated the conduct that led to the Apparent Violations, and have taken the following steps to minimize the risk of recurrence of similar conduct in the future:

- Acteon has taken appropriate disciplinary actions with respect to the 2H Offshore personnel who were involved with the Apparent Violations and has provided new sanctions compliance training.
- Acteon’s Head of Trade Compliance and outside counsel have conducted sanctions and export compliance training for each 2H Offshore office. 2H Offshore will continue to conduct export compliance training tailored to its business model. Additionally, written guidelines on U.S. sanctions and export restrictions have been distributed to Acteon’s operating companies.
- 2H Offshore has implemented new procedures and processes, including an automated project proposal management process that includes customer screening (including customer billing location), location screening (including field development locations), and screening of new service projects before a new project can be actioned.
- 2H Offshore is developing a compliance audit process, including appropriate mechanisms for reporting audit findings and implementing corrective actions. Acteon is assigning appropriate personnel with responsibility for monitoring and periodically assessing 2H Offshore’s compliance with applicable export control and sanctions laws and reporting the results of such assessment. Acteon has appointed a Head of Trade Compliance with responsibility for monitoring and ensuring 2H Offshore’s ongoing compliance, and a Group General Counsel who will provide ultimate oversight of the compliance monitoring function.

This enforcement action highlights the importance of: (1) implementing risk-based controls, such as regular audits, to ensure subsidiaries are complying with their obligations under OFAC’s sanctions regulations; (2) performing heightened due diligence, particularly with regard to affiliates, subsidiaries, or counter-parties known to transact with OFAC-sanctioned countries or persons, or that otherwise pose high risks due to their geographic location, customers, or suppliers, or products and services they offer; and (3) appropriately responding to derogatory information regarding the sanctions compliance efforts of persons subject to the jurisdiction of the United States.

Separately, Acteon Group Ltd. Settles Potential Civil Liability for Apparent Violations of the Cuban Assets Control Regulations, and KKR & Co. Inc. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations: Acteon Group Ltd. (“Acteon”), an entity organized under the laws of the United Kingdom (UK), has agreed to pay \$213,866 to settle its potential civil liability for 13 apparent violations of the Cuban Assets Control Regulations, 31 C.F.R. part 515 (CACR); and the potential civil liability of Acteon’s U.S. investor-parent company, KKR & Co. Inc. (“KKR”), an entity organized under the laws of Delaware, for three apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR)³ (collectively referred to hereafter as the “Apparent Violations”).

³ 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

The three Acteon subsidiaries party to the Apparent Violations are: Seatronics Ltd., organized under the laws of the UK; Seatronics, Inc., organized under the laws of Texas; and Seatronics Pte. Ltd., organized under the laws of Singapore (collectively referred to hereafter as “Seatronics”). KKR-affiliated investment funds acquired a majority stake in Acteon in November 2012; Acteon was previously majority owned by funds associated with another U.S. investment firm. KKR and its affiliated investment funds do not appear to have been directly involved in the Apparent Violations involving Iran, and the Apparent Violations involving Cuba pre-dated the ownership of KKR and its affiliated investment funds in Acteon.

In October 2007, Acteon issued sanctions compliance guidance to all of its Seatronics locations that instructed them not to engage in transactions with Cuba, even indirectly through third countries. Despite receiving this guidance, Seatronics appears to have violated § 515.201 of the CACR when it rented, sold, or received a commission for referring shipments of equipment for projects in Cuban territorial waters on ten occasions, and sent company engineers to service this equipment in Cuban territorial waters on three occasions. Specifically, between August 12, 2010 and March 16, 2012, Seatronics rented or sold equipment to Modus Seabed Intervention Ltd. or Impresub Marine & Diving Contractors S.R.L., and provided company engineers who traveled through Havana, Cuba to reach the vessel on which the equipment was embarked.

Separately, in December 2013, Acteon issued updated sanctions compliance guidance to all Seatronics locations that instructed them not to engage in transactions with Iran, even indirectly through third parties. Despite receiving this updated guidance, Seatronics appears to have violated § 560.215 of the ITSR on three occasions when Seatronics Ltd.’s Abu Dhabi, United Arab Emirates (UAE) branch (“Seatronics-AE”) rented or sold equipment to customers who appear to have embarked the equipment on vessels that operated in Iranian territorial waters. One of these transactions appears to have violated § 560.204 of the ITSR because the equipment was exported from the United States. Specifically, between September 10, 2014 and November 11, 2014, Seatronics-AE rented or sold marine equipment to two UAE companies that appear to have embarked the equipment onboard vessels that operated in Iranian territorial waters.

OFAC determined that Acteon made a voluntary self-disclosure of the Apparent Violations, and that these Apparent Violations constitute a non-egregious case. The total statutory maximum civil monetary penalty amount for the Apparent Violations is \$1,595,000.⁴ The total base civil monetary penalty amount for the Apparent Violations is \$237,629.⁵

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 determined the following to be aggravating factors:

(1) Seatronics demonstrated reckless disregard for U.S. sanctions laws and regulations by failing to exercise a minimal degree of caution or care when it provided goods and services to vessels or

effect at the time of the activity, regardless of whether such activity occurred before or after the regulations were renamed and reissued.

⁴ The statutory maximum civil monetary penalty amount is \$845,000 for the 13 apparent violations of the CACR, and \$750,000 for the three apparent violations of the ITSR.

⁵ The base civil monetary penalty amount is \$211,937 for the 13 apparent violations of the CACR, and \$25,692 for the three apparent violations of the ITSR.

persons that ultimately operated in Cuban and Iranian territorial waters; (2) Seatronics engaged in a pattern or practice of conduct that led to Apparent Violations of the CACR and the ITSR over the course of several years; (3) Seatronics' senior management had actual knowledge of the business activity involving Cuba and should have known about the Iran-related risks associated with business activity involving the two UAE companies; (4) Acteon's compliance program with respect to the apparent Cuba and Iran violations was, at a working-level, ineffective and Seatronics failed to adhere to the internally distributed sanctions compliance guidance issued in 2007 and 2013 to all of Acteon's affiliates that specifically prohibited dealings with Cuba or Iran, respectively, including explicitly prohibiting such dealings through third countries or third persons; (5) Seatronics' conduct harmed U.S. foreign policy objectives by supporting the efforts of the Government of Cuba and the Government of Iran to extract and exploit highly valuable natural resources, namely oil and gas; and (6) Acteon is a sophisticated international business operating in a high-risk industry that was aware of the applicable U.S. sanctions laws and regulations; likewise KKR is a sophisticated and internationally active company.

OFAC determined the following to be mitigating factors: (1) Acteon voluntarily submitted information to OFAC, was responsive to follow-up questions, and provided substantial cooperation, including by agreeing to toll the statute of limitations on three occasions; (2) Acteon stated it took remedial steps, including undertaking appropriate disciplinary actions with respect to the Seatronics managers who were involved in the exportation of goods or services to vessels operating in Cuban and Iranian territorial waters and providing compliance training; and (3) Acteon, Seatronics, and KKR have not received a Penalty Notice or Finding of Violation in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations.

Additionally, Seatronics has confirmed to OFAC that they have terminated the conduct that led to the Apparent Violations, Acteon has agreed to exercise oversight of Seatronics, and both Acteon and Seatronics have taken the following steps to minimize the risk of recurrence of similar conduct in the future:

- Acteon has taken appropriate disciplinary actions with respect to the Seatronics personnel who were involved with the Apparent Violations.
- Acteon's Head of Trade Compliance and outside counsel have conducted sanctions and export compliance training for each Seatronics office. Seatronics will continue to conduct export compliance training tailored to its business model. Additionally, written guidelines on U.S. sanctions and export restrictions have been distributed to Acteon's operating companies.
- Seatronics has implemented new procedures and processes, including customer screening and Ultimate Destination/End-User/End-Use Forms.
- Seatronics is developing a compliance audit process, including appropriate mechanisms for reporting audit findings and implementing corrective actions. Acteon is assigning appropriate personnel with responsibility for monitoring and periodically assessing Seatronics' compliance with applicable export control and sanctions laws and reporting the results of such assessment to appropriate senior-level officials. Acteon has appointed

a U.S. Trade Compliance Manager with responsibility for monitoring and ensuring Seatronics' ongoing compliance, and a Group General Counsel who will provide ultimate oversight of the compliance monitoring function.

This enforcement action highlights the importance of: (1) implementing risk-based controls, such as regular audits, to ensure subsidiaries are complying with their obligations under OFAC's sanctions regulations; (2) performing heightened due diligence, particularly with regard to affiliates, subsidiaries, or counter-parties known to transact with OFAC-sanctioned countries or persons, or that otherwise pose high-risks due to their geographic location, customers or suppliers, or products and services they offer; and (3) appropriately responding to derogatory information regarding the sanctions compliance efforts of persons subject to the jurisdiction of the United States.

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