

## **ENFORCEMENT INFORMATION FOR April 15, 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 Web site at <https://www.treasury.gov/ofac/enforcement>.**

### **ENTITIES – 31 CFR 501.805(d)(1)(i)**

**UniCredit Bank AG Settles Potential Civil Liability for Apparent Violations of Multiple Sanctions Programs:** UniCredit Bank AG, a financial institution headquartered in München, Germany and a subsidiary of the UniCredit Group, has agreed to a settlement amount of \$553,380,759 to settle its potential civil liability for 2,158 apparent violations of primarily the Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. Part 544 (WMDPSR), but also apparent violations of the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (CACR); the Burmese Sanctions Regulations, 31 C.F.R. Part 537 (BSR)<sup>i</sup>; the Sudanese Sanctions Regulations, 31 C.F.R. Part 538 (SSR)<sup>ii</sup>; the Syrian Sanctions Regulations, 31 C.F.R. Part 542 (SySR)<sup>iii</sup>; the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR)<sup>iv</sup>; the Libyan Sanctions Regulations, 31 C.F.R. Part 570 (LSR); and the Global Terrorism Sanctions Regulations, 31 C.F.R. Part 594 (GTSR) (collectively, the “Apparent Violations”). This settlement with OFAC is part of a global settlement among various UniCredit Group entities, OFAC, the U.S. Department of Justice, the New York County District Attorney's Office, the Federal Reserve Board of Governors, and the Department of Financial Services of the State of New York. The bank's obligation to pay OFAC such settlement amount was deemed satisfied up to an equal amount by payments in satisfaction of penalties assessed by U.S. federal officials arising out of the same patterns of conduct during the same time periods.

OFAC determined that UniCredit Bank AG did not voluntarily self-disclose the Apparent Violations and that the Apparent Violations constitute an egregious case. The total base penalty amount for the Apparent Violations was \$1,366,372,244.

Between January 3, 2007 and December 27, 2011, UniCredit Bank AG processed 2,158 payments totaling \$527,467,001 through financial institutions in the United States in apparent violation of the sanctions programs identified above. During this time period, UniCredit operated U.S. dollar (USD) accounts on behalf of the Islamic Republic of Iran Shipping Lines (IRISL) and several companies owned by or otherwise affiliated with IRISL, and managed the accounts of those companies in a manner that did not identify the interest or involvement of IRISL in transactions sent to or through U.S. intermediaries. UniCredit implemented auto-transfer mechanisms and selectively applied controls on certain of those companies' accounts, and processed transactions involving an interest of IRISL to or through the United States for almost two years after OFAC added IRISL to the List of Specially Designated Nationals and Blocked Persons (the “SDN List”) in September 2008. The IRISL-affiliated companies involved in these transactions included Ashtead Shipping Company Limited (“Ashtead”), Fairway Shipping Limited (“Fairway”), and Hanseatic Trade Trust & Shipping GmbH (“HTTS”), which OFAC had not then listed as SDNs.

In addition to processing payments in which IRISL had an interest, UniCredit also processed USD payments in a non-transparent manner—for example, by confirming that payment instructions did not include references to U.S.-sanctioned persons and countries—through financial institutions in the United States on behalf of persons subject to the WMDPSR and other U.S. sanctions programs. The bank processed such payments pursuant to instructions outlined in a guide that provided step-by-step instructions for handling transactions in an “OFAC neutral manner”. UniCredit also processed USD payments under letters of credit that it issued for the delivery of oil from Central Asia in Kazakhstan but where UniCredit's customer subsequently shipped the oil to Iran. Information related to the onward shipment to Iran was available to UniCredit in the documents it examined prior to effecting the USD payments through the U.S. financial system.

For more information regarding the conduct that led to the Apparent Violations, please see the Settlement Agreement between OFAC and UniCredit Bank AG [here](#).

The settlement amount reflects OFAC’s consideration of the following facts and circumstances, pursuant to the General Factors Affecting Administrative Action under OFAC’s Economic Sanctions Enforcement Guidelines, 31 CFR Part 501, app. A. OFAC found the following to be aggravating factors in this case:

- With regard to the IRISL-related conduct: (a) UniCredit Bank AG acted, at a minimum, with reckless disregard for U.S. sanctions requirements by failing to implement and successfully deploy appropriate controls to prevent the processing of transactions in which IRISL had an interest; (b) UniCredit Bank AG acted recklessly when it continued, after the designation of IRISL and a September 15, 2008 internal email policy directive not to process USD payments for IRISL-affiliated customers, to process payments on behalf of Ashtead entirely through the auto-transfer arrangement which did not allow U.S. intermediary parties to discern the IRISL interest in the payments; (c) UniCredit Bank AG acted recklessly when it removed Fairway from the bank’s IRISL customer group (thus removing the internal prohibition on processing USD transactions on behalf of Fairway) approximately two weeks *after* OFAC designated IRISL without first adequately confirming that IRISL did not have an interest in the Fairway accounts; (d) UniCredit Bank AG acted recklessly when it processed USD transactions on behalf of Fairway and HTTS despite knowing of several warning signs regarding IRISL’s interest in the companies’ accounts; and (e) UniCredit Bank AG knew or should have known prior to OFAC’s designation of IRISL that IRISL had an interest in the various IRISL-related accounts (including those belonging to Ashtead, Fairway, and HTTS);
- With regard to the OFAC Neutral Process: (a) the bank appears to have acted with willful intent to circumvent U.S. economic sanctions law by processing transactions to or through the United States pursuant to policies and procedures, codified in a formal UniCredit Bank AG procedures document (“the Guide”), that instructed bank personnel to confirm that payment instructions were formatted in a manner that ensured U.S. intermediary parties could not detect the involvement of OFAC-sanctioned parties or countries, after the bank’s legal department informed the bank’s compliance department it was “pursuing a zero-tolerance policy” regarding “creative solutions” being employed

with respect to payments; and (b) the bank continued processing these non-transparent, OFAC-prohibited transactions to or through the United States for an additional five years;

- With regard to the oil-related transactions, UniCredit Bank AG had at the very least reason to know that the transactions involved Iran because the invoices, bills of lading, and other shipping documentation in the trade files UniCredit Bank AG maintained and was required to review contained references to onward shipment to Iran;
- Further, the conduct described above resulted from a pattern or practice that spanned many years and multiple UniCredit Bank AG branches and product lines;
- UniCredit Bank AG's conduct conferred significant economic benefit to persons subject to U.S. sanctions and undermined the integrity and policy objectives of multiple U.S. sanctions programs. Over the span of almost four years, UniCredit Bank AG processed transactions worth over \$500 million for persons and countries subject to OFAC sanctions, including IRISL, an entity designated by OFAC for its weapons of mass destruction proliferation activities. The processing of these transactions also benefited these sanctioned persons and countries by providing them access to the U.S. financial system; and
- UniCredit Bank AG is a large and commercially sophisticated financial institution.

OFAC found the following to be mitigating factors:

- OFAC has not issued UniCredit Bank AG a penalty notice or Finding of Violation in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations;
- UniCredit Bank AG cooperated with OFAC's investigation of the Apparent Violations by conducting an extensive internal investigation, identifying all of the subject transactions, and executing a statute of limitations tolling agreement with multiple extensions;
- UniCredit Bank AG took remedial action in response to the Apparent Violations described above; and
- A small number of the Apparent Violations involving an interest of IRISL occurred shortly after OFAC's designation of IRISL on September 10, 2008.

For more information regarding OFAC regulations, please visit: <https://www.treasury.gov/ofac>.

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**UniCredit Bank Austria AG Settles Potential Civil Liability for Apparent Violations of Multiple Sanctions Programs:** UniCredit Bank Austria AG (“Bank Austria”), a financial institution headquartered in Vienna, Austria and a subsidiary of the UniCredit Group, has agreed to a settlement amount of \$20,326,340 to settle its potential civil liability for 127 apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR)<sup>v</sup>; the Sudanese Sanctions Regulations, 31 C.F.R. Part 538 (SSR)<sup>vi</sup>; the Burmese Sanctions Regulations, 31 C.F.R. Part 537 (BSR)<sup>vii</sup>; the Syrian Sanctions Regulations, 31 C.F.R. Part 542 (SySR)<sup>viii</sup>; and the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (CACR) (collectively, the “Apparent Violations”). This settlement with OFAC is part of a global settlement among various UniCredit Group entities, OFAC, the U.S. Department of Justice, the New York County District Attorney’s Office, the Federal Reserve Board of Governors, and the Department of

Financial Services of the State of New York. The bank's obligation to pay OFAC such settlement amount was deemed satisfied up to an equal amount by payments in satisfaction of penalties assessed by U.S. federal officials arising out of the same patterns of conduct during the same time periods.

OFAC determined that Bank Austria did not voluntarily self-disclose the Apparent Violations, that 60 Apparent Violations constitute a non-egregious case, and the remaining 67 Apparent Violations constitute an egregious case. The total base penalty amount for the Apparent Violations was \$39,622,495.

For a number of years, up to and including 2012, Bank Austria processed transactions to or through U.S. financial institutions that involved countries, entities, and/or individuals subject to the sanctions programs listed above. Bank Austria appears to have utilized nontransparent payment practices to process transactions to or through the United States in a manner that did not reveal the involvement of the sanctioned parties or countries subject to the sanctions programs administered by OFAC from intermediary financial institutions located in the United States in apparent violation of various OFAC sanctions programs and in contravention of the UniCredit Group policies. The specific payment practices the bank utilized in order to process sanctions-related payments to or through the United States included the use of Society for Worldwide Interbank Financial Telecommunication ("SWIFT") MT202 cover payment messages that did not reveal the involvement of sanctioned parties or jurisdictions and executing payments related to trade finance agreements that did not identify the involvement of sanctioned parties or countries subject to the sanctions programs administered by OFAC to or through U.S. financial institutions.

For more information regarding the conduct that led to the Apparent Violations, please see the Settlement Agreement between OFAC and Bank Austria [here](#).

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors Affecting Administrative Action under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. Part 501, app. A. OFAC found the following to be aggravating factors:

- Bank Austria appears to have demonstrated a reckless disregard for U.S. sanctions requirements by engaging in a pattern of conduct that lasted many years and which involved the failure of Bank Austria to reveal the sanctions nexus of certain payments from intermediary U.S. financial institutions;
- By utilizing non-transparent payment practices such as the intentional use of cover payments for OFAC-prohibited transactions and the manual manipulation and resubmission of six payments rejected by U.S. financial institutions, Bank Austria did not reveal the sanctions nexus of the payments to other parties involved in processing payments to or through the United States;
- Bank Austria ignored several warning signs that its conduct constituted or likely constituted an apparent violation of U.S. economic sanctions laws, including by apparently ignoring or failing to adhere to UniCredit Group sanctions policies that explicitly prohibited USD transaction with OFAC-sanctioned parties;
- Bank Austria demonstrated an awareness of the conduct giving rise to the Apparent Violations by petitioning the UniCredit Group authorities for certain non-USD-related

exemptions from initial group-wide compliance policies that prohibited the types of transactions at issue in the investigation, and the bank demonstrated an awareness of six of the transactions giving rise to the apparent violations by actively manipulating and resubmitting clean versions of certain payments after U.S. intermediary financial institutions had rejected them due to OFAC concerns;

- The bank's conduct conferred significant economic benefit to persons subject to U.S. sanctions and undermined the integrity and policy objectives of multiple U.S. sanctions programs; and
- Bank Austria is a large and commercially sophisticated financial institution.

OFAC found the following to be mitigating factors:

- Bank Austria has not received a penalty notice or Finding of Violation from OFAC in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations;
- Bank Austria cooperated with OFAC's investigation of the Apparent Violations by conducting an internal investigation, responding to multiple requests for information in a timely manner, and executing a statute of limitations tolling agreement with multiple extensions; and
- Bank Austria took remedial action in response to the Apparent Violations.

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

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**UniCredit S.p.A. Settles Potential Civil Liability for Apparent Violations of Multiple Sanctions Programs:** UniCredit S.p.A., a financial institution headquartered in Milan, Italy and the parent company of the UniCredit Group, has agreed to a settlement amount of \$37,316,322 to settle its potential civil liability for 612 apparent violations of the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (CACR); the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR)<sup>ix</sup>; the Burmese Sanctions Regulations, 31 C.F.R. Part 537 (BSR)<sup>x</sup>; the Sudanese Sanctions Regulations, 31 C.F.R. Part 538 (SSR)<sup>xi</sup>; and the Syrian Sanctions Regulations, 31 C.F.R. Part 542 (SySR)<sup>xii</sup> (collectively, the "Apparent Violations"). This settlement with OFAC is part of a global settlement among various UniCredit Group entities, OFAC, the U.S. Department of Justice, the New York County District Attorney's Office, the Federal Reserve Board of Governors, and the Department of Financial Services of the State of New York. The bank's obligation to pay OFAC such settlement amount was deemed satisfied up to an equal amount by payments in satisfaction of penalties assessed by U.S. federal officials arising out of the same patterns of conduct during the same time periods.

OFAC determined that UniCredit S.p.A. did not voluntarily self-disclose the Apparent Violations and that the Apparent Violations constitute an egregious case. The total base penalty amount for the Apparent Violations was \$72,741,368.

For a number of years, up to and including 2012, UniCredit S.p.A. processed hundreds of transactions to or through U.S. financial institutions that involved countries, entities, and/or individuals subject to the sanctions programs listed above. The banks appear to have utilized nontransparent payment practices to process transactions to or through the United States in a

manner that did not disclose the involvement of the sanctioned parties or countries subject to OFAC sanctions from intermediary financial institutions located in the United States in apparent violation of various OFAC sanctions programs and in contravention of the UniCredit Group policies. The specific payment practices the bank utilized in order to process sanctions-related payments to or through the United States included the use of Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) Message Type (MT) 202 cover payment messages that did not reference the involvement of sanctioned parties or jurisdictions; executing payments pursuant to trade finance agreements that did not identify the involvement of sanctioned parties or countries subject to the sanctions programs administered by OFAC; and executing commercial transactions with knowledge of interests of countries or entities subject to the sanctions programs administered by OFAC by sending USD payment messages through U.S. financial institutions omitting any reference to such interests.

For more information regarding the conduct that led to the Apparent Violations, please see the Settlement Agreement between OFAC and UniCredit S.p.A. [here](#).

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors Affecting Administrative Action under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. Part 501, app. A. OFAC found the following to be aggravating factors:

- UniCredit S.p.A. appears to have demonstrated a reckless disregard for U.S. sanctions requirements by engaging in a pattern of conduct that lasted many years and which involved the failure to disclose OFAC-prohibited conduct from intermediary U.S. financial institutions;
- By utilizing non-transparent payment practices such as the intentional use of cover payments for OFAC-prohibited transactions and the manual manipulation and resubmission of payments rejected by U.S. financial institutions, UniCredit S.p.A. obfuscated its conduct in an apparent effort to mislead other parties involved in processing payments to or through the United States;
- UniCredit S.p.A. ignored several warning signs that its conduct constituted or likely constituted an apparent violation of U.S. economic sanctions laws, including by ignoring or failing to adhere to UniCredit Group sanctions policies that explicitly prohibited USD transactions with non-sanctioned parties resident in OFAC-sanctioned countries;
- The bank demonstrated an awareness of a small number of the transactions giving rise to the apparent violations by manipulating and resubmitting clean versions of certain payments after U.S. intermediary financial institutions had rejected them due to OFAC concerns;
- The bank’s conduct conferred significant economic benefit to persons subject to U.S. sanctions and undermined the integrity and policy objectives of multiple U.S. sanctions programs; and
- UniCredit S.p.A. is a large and commercially sophisticated financial institution.

OFAC found the following to be mitigating factors:

- UniCredit S.p.A. has not received a penalty notice or Finding of Violation from OFAC in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations;

- UniCredit S.p.A. cooperated with OFAC’s investigation of the Apparent Violations by conducting an internal investigation, responding to multiple requests for information in a timely manner, and executing a statute of limitations tolling agreement with multiple extensions; and
- UniCredit S.p.A. took remedial action in response to the Apparent Violations described above.

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

<sup>i</sup> On October 7, 2016, the President issued Executive Order 13742, “Termination of Emergency With Respect to the Actions and Policies of the Government of Burma.” This Executive Order terminated the national emergency with respect to Burma, revoked the Burman sanctions-related Executive Orders, and waived other statutory blocking and financial sanctions on Burma. As a result, the sanctions administered by OFAC are no longer in effect, to include the Burma Sanctions Regulations. However, Section 1 of Executive Order 13742 states that these actions shall not affect any action taken or proceeding pending not finally concluded or determined as of the effective date of the Executive Order. See OFAC’s website for more information: <https://www.treasury.gov/resource-center/sanctions/Programs/pages/burma.aspx>

<sup>ii</sup> On January 13, 2017, the President issued Executive Order 13761, “Recognizing Positive Actions by the Government of Sudan and Providing for the Revocation of Certain Sudan-Related Sanctions.” This Executive Order terminated the national emergency with respect to Sudan, revoked sections 1 and 2 of Executive Order 13067 of November 3, 1997, and revoked Executive Order 13412 of October 13, 2006 in its entirety. However, Section 1 of Executive Order 13761 states that the revocation of those provisions of Executive Order of 13067 and of Executive Order 13412 shall not affect any violation of any rules, regulations, orders, licenses, or other forms of administrative action under those orders during the period that those provisions were in effect. In addition, the revocation of these certain provisions does not affect OFAC designations of any Sudanese persons pursuant to sanctions authorities other than Executive Order 13067 and Executive Order 13412. See OFAC’s website for more information: <https://www.treasury.gov/resource-center/sanctions/Programs/pages/Sudan.aspx>

<sup>iii</sup> On May 2, 2014, OFAC amended the SySR and reissued them in their entirety in order to implement various Executive orders, including Executive Order 13582 of August 17, 2011, “Blocking Property of the Government of Syria and Prohibiting Certain Transactions With Respect to Syria.” See 79 Fed. Reg. 25,414 (May 2, 2014). See OFAC’s website for more information: <https://www.treasury.gov/resource-center/sanctions/Programs/pages/syria.aspx>

<sup>iv</sup> On October 22, 2012, OFAC changed the title of 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. See OFAC’s website for more information: <https://www.treasury.gov/resource-center/sanctions/Programs/pages/iran.aspx>

<sup>v</sup> *Supra* note iv.

<sup>vi</sup> *Supra* note ii.

<sup>vii</sup> *Supra* note i.

<sup>viii</sup> *Supra* note iii.

<sup>ix</sup> *Supra* note iv.

<sup>x</sup> *Supra* note i.

<sup>xi</sup> *Supra* note ii.

<sup>xii</sup> *Supra* note iii.