

## **ENFORCEMENT INFORMATION FOR AUGUST 6, 2019**

**Information concerning the civil penalties process is discussed 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](http://www.treasury.gov/ofac/enforcement).**

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

**PACCAR Inc Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations:** PACCAR Inc (“PACCAR”), a company headquartered in Bellevue, Washington, has agreed to pay \$1,709,325 to settle potential civil liability for 63 apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR) by DAF Trucks N.V. (“DAF”), a wholly owned subsidiary of PACCAR headquartered in Eindhoven, the Netherlands. The apparent violations of § 560.215 of the ITSR occurred on three occasions between the approximate dates of October 2013 and February 2015, when DAF sold or supplied 63 trucks to customers in Europe that it knew or had reason to know were ultimately intended for buyers in Iran. The transactional value of the 63 trucks was \$5,426,428.

PACCAR is engaged primarily in the manufacture and sale of trucks and related goods and services, including under the DAF nameplate, among others. DAF sells its trucks through a network of more than 300 independent dealers that enter into dealer agreements that govern each dealer's relationship with DAF. DAF dealers typically purchase trucks from DAF and then resell the trucks to end-customers. DAF builds most trucks pursuant to specific dealer orders for immediate resale to identified end-customers.

In June and October 2014, a DAF dealer based in Hamburg, Germany, placed two orders with DAF via its wholly owned subsidiary in Germany (“DAF Germany”) for 51 trucks. Even though the final paperwork associated with these transactions identified the ultimate end-customer as an unnamed party in Russia, the Hamburg-based dealer resold the trucks to a buyer in Iran. A former employee/manager of DAF Germany had, at a minimum, reason to know that the trucks were intended for Iran rather than for Russia. The Hamburg-based dealer initially requested a price quotation from, and then placed an order with, DAF Germany for trucks with particular specifications for an Iranian company located in Iran. The then-employee/manager of DAF Germany informed the Hamburg-based dealer that DAF Germany could not sell trucks destined for Iran. That same day, the Hamburg-based dealer submitted a pricing request for a new order of trucks purportedly destined for a customer or end-user in Russia with virtually identical specifications as the earlier order intended for Iran. Although the new pricing request was submitted on the same day on which DAF Germany refused the Iran-related purchase order and the proposed purchase involved the same types of trucks, with the same specifications, and the same delivery point as those included in the Iran-related purchase order, DAF Germany — including the former employee/manager — failed to conduct an adequate inquiry and processed the order.

Separately, DAF Trucks Frankfurt, a directly owned DAF dealer, received two trucks from DAF in October 2013 that were intended for resale to a company in Germany. After the original buyer cancelled the order, DAF Trucks Frankfurt sold the two trucks to a trader based in the Netherlands, which in turn resold the trucks to two buyers in Iran. DAF's investigation showed that an employee of DAF Trucks Frankfurt knew or had reason to know that the two trucks sold to the Netherlands-based trader were intended for resale to buyers in Iran. Among other things, the Netherlands-based trader sent drafts of its invoices, which referenced the buyers in Iran, to a DAF Trucks Frankfurt employee.

Additionally, in June 2014, DAF sold 10 trucks to an authorized DAF sales dealer located in Sofia, Bulgaria. The Bulgarian authorized dealer subsequently sold and delivered the 10 DAF trucks to an affiliated rental company, which in turn sold the 10 trucks to a buyer in Iran. The Bulgarian authorized dealer's parent company disclosed that a used truck sales manager employed by DAF introduced that authorized dealer to the Iranian buyers of the 10 trucks and knew or should have known that the trucks were intended for Iran prior to introducing the parties. A DAF investigation found that the sales manager ignored warning signs indicating the trucks were destined for Iran and failed to take reasonable steps in response to the warnings.

OFAC determined that PACCAR voluntarily disclosed the apparent violations, and that the apparent violations constitute a non-egregious case. The base penalty amount for the apparent violations is \$2,713,214.

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) DAF personnel — specifically, employees in DAF Germany and DAF Trucks Frankfurt and a DAF used trucks sales manager — failed to exercise a minimal degree of caution or care when they ignored warning signs regarding potential sales involving OFAC-sanctioned countries and allowed goods to be sold to customers that they knew or had reason to know intended to re-sell the goods to buyers in Iran; (2) in each case, a DAF employee had knowledge or reason to know the goods were being re-sold to buyers in Iran; (3) DAF's exportation of goods from Germany to Iran conferred millions of dollars in economic benefits on Iran; and (4) PACCAR, DAF's parent company, is a large sophisticated entity that engages extensively in international business.

OFAC considered the following to be mitigating factors: (1) neither PACCAR nor DAF have 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; (2) at the time of the apparent violations, DAF possessed and maintained a trade sanctions compliance program that included contractual prohibitions on dealers and service partners re-selling DAF products in violation of U.S. trade sanctions; (3) upon learning of the apparent violations, DAF took remedial action by conducting an internal investigation regarding this matter; terminating employees involved in some of the apparent violations; cancelling delivery of 20 trucks that were part of an order for a customer that appeared to have allowed other DAF trucks to be resold to buyers in Iran; providing in-person compliance training to DAF subsidiaries on an annual basis from 2015 onward; and implementing enhanced trade compliance controls — including a policy

preventing direct sales agreements except for sales to final end customers — in an effort to prevent similar apparent violations from recurring; and (4) PACCAR and DAF cooperated during the course of OFAC’s investigation, including by submitting a detailed voluntary self-disclosure; thoroughly and promptly responding to OFAC’s requests for information and by entering into a tolling agreement to extend the statute of limitations.

Additionally, PACCAR and DAF have confirmed to OFAC that they have terminated the apparently violative conduct and have taken the following steps to minimize the risk of recurrence of similar conduct in the future:

- DAF hired a full-time Compliance Director who reports to DAF’s General Counsel and Chief Compliance Officer, and is responsible for developing compliance policies and procedures, advising employees about compliance, monitoring internal reports of compliance concerns and ensuring appropriate follow-up, and assisting with compliance investigations and audits;
- DAF updated its EU Trade Restrictions Compliance Manual to strengthen controls on dealer sales that might violate U.S. or other applicable trade restrictions, including by requiring more thorough end-customer and transaction due diligence;
- DAF implemented a policy that only allows direct sales agreements for sales to final end-customers and imposed a contractual ban on the resale of new trucks acquired under a direct sales agreement in the absence of an approved exception;
- DAF sent a letter to all dealers in its dealer network reminding them of their obligations to comply with U.S. and other trade sanctions and received certifications from each of its dealers regarding their compliance with all applicable trade sanctions; and
- DAF has made trade sanctions compliance training an annual requirement and has conducted such trainings at DAF’s headquarters and subsidiaries since 2016.

This enforcement actions highlights the benefits U.S. companies can realize in conducting sanctions-related training and in taking appropriate steps to audit and monitor foreign subsidiaries for OFAC compliance. U.S. parent companies can mitigate risk to sanctions exposure by proactively establishing and enforcing a robust sanctions compliance program. Foreign subsidiaries of U.S. companies are subject to the ITSR, and their U.S. parent companies may face potential exposure to civil monetary penalties for the actions of such entities.

For more information regarding OFAC regulations, please go to: [www.treasury.gov/ofac](http://www.treasury.gov/ofac).