International Trade and Technology Transfer Reporter

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International Trade and Technology Transfer Reporter

A Semiannual Publication of the Squire Sanders Global Import and Export Compliance Group

US Export Controls Reform: Movement of Parts, Components, Accessories and Attachments from the USML to the CCL 3
Change to US Customs Law: Bipartisan Senate Customs Bill Introduced 4
US State Department Changes Practice on Transfer to Dual National/ Third Country National Employees Pursuant to ITAR Agreements 5
Recent Changes in the EU Concerning Restrictive Measures Against Iran 6
US Congress Clears Path for Satellites to Move to Commerce Jurisdiction 8
UN Arms Trade Treaty 8
Exportability Built Into DoD Programs 9
Enforcement Update 10

Download our free ITAR Handbook, available in full page and booklet forms. To receive a hard copy of our ITAR Handbook, please contact Jennifer Rivers (jennifer.rivers@squiresanders.com) or Alexandra Moss (alexandra.moss@squiresanders.com).

For up to date alerts and developments, follow us on Twitter @export_controls. We follow and report on changes in export controls from the US, European Union, UK, France, Germany, Spain and Italy.

Upcoming Events

ITAR Handbook 2013-2014 Addition

Squire Sanders plans to release the latest update to our ITAR Handbook in late April/early May 2013. This year's update will include the Commerce Department's new 600 series of the CCL. The handbook will continue to include our ITAR primer and an extremely useful index and summary of ITAR licensing exemptions.

Three-Day ITAR Workshop

Please join us June 11-13 , 2013 for our annual three-day workshop jointly organized by Squire Sanders, the Export Group for Aerospace and Defense of the UK and Strategic Shipping Company Limited of the UK. Principal presenters include US and UK Government officials, an Airbus export compliance representative and George Grammas, partner in Squire Sanders' Washington DC office. The event will include video examples, panel sessions and exercises designed to give attendees a better understanding of the International Traffic in Arms Regulations (ITAR), access to leading experts in the field and opportunities to network with peers. To register, visit our website.

50th International Paris Air Show

Squire Sanders is sending representatives to the Paris Air Show from June 17-23, 2013. Our representatives will be available at the Air Show to answer any questions related to the articles in this issue or generally on export controls and other international trade matters. Contact George Grammas (george.grammas@squiresanders.com) to arrange a meeting.

Further information on these and other upcoming events can be found on the International Trade and Export Controls Events Page.

Global Import and Export Compliance Group

The International Trade and Technology Transfer Reporter is a semiannual publication of the Squire Sanders Global Import and Export Compliance Group. With 39 offices in 19 countries, Squire Sanders is the first choice for one-stop global import and export compliance advice. See the final pages of this newsletter for a listing of our key import/export compliance lawyers. Our International Trade & Export Controls Practice Group focuses on:

- Export controls and trade sanctions
- Customs
- Anticorruption
- Global government contracting

US Export Controls Reform: Movement of Parts, Components, Accessories and Attachments from the USML to the CCL

The US Departments of State, Commerce and Defense have been reforming the process the US uses to control exports of defense articles. The process, called Export Controls Reform, has focused on re-writing the United States Munitions List (USML) of the International Traffic in Arms Regulations (ITAR) to make it reflect more of the current global arms trade environment. There are several reasons why a country should control the export of defense articles. One reason is to stem the proliferation of weapons. A country can restrict exports in an effort to minimize the volume of arms on the open market, while ensuring its partners have adequate supplies in order to satisfy their security concerns. A state can also restrict exports to protect the technology of its internal industry. The US export controls regimes have taken this stance since the middle of the cold war. It was important to protect technology in an effort to reduce the “enemy’s” ability to understand your capabilities, and to delay or restrict them from developing technologies that could parry your technology.

Times have changed and the US Government is looking to strengthen controls on the most important technologies, while moving other items to Commerce, which allows greater flexibility. This is achieved by modifying the USML to positively list items as well as creating new classifications under the Commerce Control List (CCL) of the Export Administration Regulations (EAR). The beginning phases of the Export Controls Reform involved re-writing the USML. State published draft re-writes of several of the USML to begin the process of moving items from the USML to the CCL. State and Commerce have received feedback from industry on the changes. At the beginning of March 2013, State and Commerce notified Congress of proposed changes to USML Categories VIII, XVII and XXI, and the creation of USML Category XIX and the new 600 series to the CCL. The changes moved certain aircraft and aircraft engine subassemblies and systems as well as parts, components, accessories, and attachments that are specifically designed or modified for a defense article over to the new 600 series of the CCL. The USML will continue to control military aircraft, engines and certain items for strategically significant platforms, namely the following US-origin aircraft that have low observable features or characteristics: B–1B, B–2, F–15SE, F/A18E/F/G, F–22, F–35 (and variants thereof), F–117, or US Government technology demonstrators.

State and Commerce published the new rules on April 16, 2013. The rules will become effective in mid-October after a 180 day waiting period. Now that State and Commerce have published the new rules, exporters can apply for export licenses using the new classifications. However, BIS will not issue any of these licenses until they actually become effective. If exporters need to ship items before the 180 days has expired, BIS recommends applying for licenses from DDTC under the existing rules. Existing licenses are still effective until their expiration date, not to exceed two years from the effective date of the ruling.

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The State and Commerce Departments will publish new rules for many of the other USML categories. These new rules will also become effective 180 days after they are published.

It would be a mistake to assume that just because something was moved from the USML to the CCL that the US Government no longer has control over the item. Moving the items to the CCL will not negate the need to get a license from the US Government, but it will affect from which department an exporter will need to get the license.

Change to US Customs Law: Bipartisan Senate Customs Bill Introduced

A uniquely bipartisan and long-awaited Senate Customs Reauthorization bill was introduced on March 22, 2013, by the Senate Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) that seeks to strengthen trade facilitation and enforcement efforts of US Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). The two Senators have worked closely with the House Ways and Means Committee to draft this bipartisan legislation, since Chairman David Camp (R-MI) introduced his own customs reauthorization bill late in the last Congressional session. Given this collaboration by both parties and chambers of Congress, this bill has a greater likelihood to pass Congress relative to past attempts.

Key sections of the 203-page Trade Facilitation and Trade Enforcement Reauthorization Act of 2013 (S 662) include the following changes, among other items:

1. Statutorily establishes CBP and ICE, and creates two new high-level trade positions – Deputy Commissioner for Trade and Trade Advocate to work with the private sector – and offices – Office of Trade and Office of International Affairs – in CBP.
2. Strengthens trade enforcement by (a) requiring CBP and ICE to draft proposals to improve trade enforcement and develop risk assessment methodologies to target violations; (b) including the ENFORCE (Enforcing Orders and Reducing Circumvention and Evasion) Act previously passed by the Finance Committee in July 2012; and (c) requiring the designation of commercial enforcement officers at the US ports.
3. Strengthens Intellectual Property Rights (IPR) enforcement by (a) creating the National IPR Coordination Center to coordinate federal enforcement efforts; (b) enhancing the CBP tools and authorities to protect IPR at the borders; and (c) increasing CBP's targeted IPR violations and IPR education at US ports.
4. Ensures import safety by creating an interagency Import Safety Working Group to ensure the safety of US imports.
5. Improves trade facilitation by (a) requiring CBP to enhance commercially significant and measurable trade benefits, (b) mandating the creation of CBP's Centers for Excellence and Expertise, and (c) increasing the de minimis trade level from US$200 to US$800.
6. Enhances Customs modernization by (a) allocating more funds to CBP's automated systems (ACE and ITDS) to be completed in three years and (b) streamlining CBP's duty drawback process.
7. Improves consultation, interagency cooperation and oversight by (a) establishing a CBP-led Customs Facilitation and Enforcement Interagency Committee to improve interagency coordination and (b) reforming the Customs Advisory Committee to improve consultations between the private sector and CBP and ICE.

Please contact us if you wish to learn more about the new legislation.

Recent Events

3rd Annual Advanced ITAR Compliance Conference and Welcome to Squire Sanders Dinner for Kevin Hoppin

We partnered with Marcus Evans for their 3rd Annual Advanced ITAR Compliance "Aligning Internal ITAR Compliance Processes to Meet Evolving Regulations For Improved Operational Efficiency" on February 11-14, 2013. In conjunction with this event, we hosted a dinner to welcome the newest member of our Squire Sanders export controls team – Kevin Hoppin. Over dinner, Kevin shared anecdotes about his experiences as a DDTC agreements officer. He also discussed expectations of the licensing officer and insights into the DDTC thought process. Thanks to all those who attended!

Hello, My Name is ITAR: An Introduction to the International Traffic in Arms Regulations – Webinar

Chris Skinner and Kevin Hoppin recently conducted a live webinar with L2 Federal Resources to present a brief introduction to the International Traffic in Arms Regulation (ITAR) and its scope as well as review Directorate of Defense Trade Controls (DDTC) registration, Commodity Jurisdiction and the upcoming changes to the United States Munitions List (USML). Copies of the webinar are available on DVD via the L2 Federal Resources website. Enter SQSANDERS at checkout to receive a 15% discount. Contact Alexandra Moss for further details.

US State Department Changes Practice on Transfer to Dual National/Third Country National Employees Pursuant to ITAR Agreements

On March 12, 2013, the Directorate of Defense Trade Controls (DDTC) at the State Department issued new guidance on the transfer of technical data and defense services to Dual National/ Third Country National Employees (DN/TCN) in connection with a Technical Assistance Agreement (TAA) or Manufacturing License Agreement (MLA). The new guidance is not a change to the ITAR, but a change to how DDTC interprets the ITAR.

Section 3.5 of the DDTC Guidelines for Preparing Electronic Agreements (Guidelines), dated August 17, 2011, describes three options foreign licensees/sublicensees can use when transferring technical data and defense services to DN/TCN employees. The first option allows the foreign licensee/ sublicensee to vet its own employees via Section 126.18 or Section 124.16 of the ITAR. Option Two involves the US applicant receiving permission from DDTC to use the transfer authorized in Section 124.16 or list the nationalities of the DN/TCNs. Option Three involves the foreign licensee/ sublicensee gaining permission from DDTC to allow named DN/TCN employees to receive transfer under any agreement.

Under DDTC's old guidance, to use Option One, the US applicant simply needed to add the Option One statement to the agreement. The statement was:

> *Transfers of defense articles, to include technical data, to dual nationals and/or third country nationals by foreign licensees (and its approved sublicensees – if applicable) must be conducted in accordance with the provisions of 22 CFR 124.8(5).*

The foreign licensee/sublicensee could then vet their DN/TCN employees against Section 124.16 or 126.18.

Under DDTC's new guidance, the US applicant is not required to add any statement to the agreement to use Option One. Further, the ITAR does not require DDTC approval for a foreign signatory to use 126.18, therefore, the foreign party can use 126.18 regardless of whether or not the TAA/MLA has the Option One paragraph. However, DDTC still must approve the foreign licensee/sublicensee to use 124.16.

The proper method for a foreign signatory to use vetting from both 124.16 and 126.18 is to have the DDTC 124.16 paragraph in the agreement and to use the Section 124.8(5) paragraph published in the ITAR on May 16, 2011.

The new guidance released on March 12, 2013 states that any agreement using 124.16 in Option One must be amended to include the 124.16 language in the agreement. This should not be a problem, the applicant was always required to notify DDTC in the transmittal letter paragraph 124.12(a)(10) whenever the foreign party was going to use 124.16. Most applicants then included the DDTC required 124.16 paragraph (published in the Guidelines as of August 17, 2011) in the agreement. If the applicant did not include the paragraph, or included the 124.16 text that predated the August 17, 2011 change, the DDTC licensing officer would proviso the applicant to include the updated 1214.16 paragraph in the agreement prior to execution. Therefore, the only agreements that would need to be amended due to the March 12, 2013 clarification would be agreements that do not include the required 124.16 paragraph when the foreign licensee/sublicensee is using 124.16 to vet its DN/TCN employees.

We recommend applicants look at agreements approved after August 15, 2011 to ensure they included the new Section 124.16 paragraph. If they did, no action is required. If they do not, then the applicant should refer to the initial transmittal letter, paragraph 124.12(a)(10) to see if the applicant indicated the foreign licensee/sublicensee was going to use 124.16. The applicant may also want to check with the foreign licensee/sublicensee to see if they were using 124.16 without proper DDTC approval. If the foreign licensee/sublicensee was using 124.16 and the agreement did not have the 124.16 statement, the applicant should amend the agreement to include the 124.16 paragraph.

Recent Changes in the EU Concerning Restrictive Measures Against Iran

Overview

On January 31, 2013, HM Treasury revoked the Financial Restrictions (Iran) Order 2012 (Order), which had been made in November 2012 under Schedule 7 to the Counter-Terrorism Act 2008. The Order prohibited all financial transactions and business relationships between UK financial and credit institutions and banks and credit institutions incorporated in Iran, unless the UK institution obtained a license. This extended to all subsidiaries and branches of banks incorporated in Iran, wherever located, and the Central Bank of Iran.

The Order was revoked on the basis that similar provisions have been introduced by the EU in Regulation 1263/2012 of December 21, 2012 (Regulation), which amended EU Regulation 267/2012. The Regulation contains the EU's financial sanctions against Iran and is directly effective in the UK.

The UK originally introduced a prohibition against financial transactions with Iran in November 2011, and this was renewed in November 2012. The scope of this prohibition was wider than the EU sanctions at the time, which imposed notification and authorization requirements on transfers over a certain amount as opposed to an outright ban. Now, the provisions contained within the Regulation effectively mirror those in the Order, and hence the Order was repealed to minimize the regulatory burden on the UK financial sector and to avoid any confusion resulting from the two restrictions operating in parallel.

Background to the Financial Restrictions

Iranian banks are potentially exposed to the risk of being used by proliferators in Iran's nuclear and ballistic missile programs.

In its report of August 30, 2012, the International Atomic Energy Agency highlighted its serious and on-going concerns regarding "the possible existence in Iran of undisclosed nuclear related activities involving military organizations, including activities related to the development of a nuclear payload

for a missile." The Financial Action Task Force reaffirmed these concerns on October 19, 2012 by stating that it remained "particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system."

Prior to implementing the Order, HM Treasury reported that experience of existing UN and EU financial sanctions against Iran demonstrated the ineffectiveness of targeting individual banks. Once one bank was targeted, another merely stepped into its place. Therefore, in light of these concerns, a blanket ban on all business relationships and transactions between the UK financial sector and Iranian banks was considered a necessary and proportionate response.

Effects of the Regulation on UK Financial or Credit Institutions

The Regulation creates an EU-wide prohibition on EU financial or credit institutions entering into or continuing to participate in any transaction with any bank incorporated in Iran, unless prior authorization is obtained. This prohibition extends to such banks' overseas branches and subsidiaries, and the Central Bank of Iran.

In practice, UK credit and financial institutions should not experience a significant difference in complying with the Regulation, vis-à-vis the Order. UK credit and financial institutions remain prohibited from transferring funds to or from Iranian credit and financial institutions unless authorized by the Treasury. The Regulation does not prohibit business relationships between UK credit or financial institutions and Iranian banks in the same way as the Order did. However, some dealings (e.g., new correspondent accounts) with Iranian banks continue to be prohibited. It should be noted that prohibitions in the Regulation apply to Iranian financial institutions (e.g., money transmitters) in addition to Iranian banks.

The key differences from a compliance perspective are the thresholds above which authorization needs to be applied for:

- Personal remittances less than €40,000 and humanitarian payments less than €100,000 are exempt from the prohibition on transfers of funds between EU and Iranian credit and financial institutions. A prior notification must be sent to the Treasury if the transfer is of €10,000 or greater.
- Prior authorization must be obtained for the transfer of personal remittances equal to or greater than €40,000 or humanitarian payments equal to or greater than €100,000 between EU and Iranian credit and financial institutions.
- Prior authorization is required for all other licensable payments between EU and Iranian credit and financial institutions referred to in Article 30(2) of the Regulation (including transfers connected with a specific trade contract), equal to or greater than €10,000.

Effects of the Regulation on UK Exporters

The Regulation does not represent an outright trade ban on Iran. Rather, it reflects the provisions of the Order by indirectly making it harder for an exporter to trade with Iran. Exporters will continue to be prohibited from using UK credit or financial institutions to make or receive payments to or from Iranian banks, unless the payment falls within one of the above exemptions.

In terms of payments due to exporters under existing contracts, the Regulation contains an exemption to allow for payments necessary for the execution of contracts concluded before January 23, 2012 that relate to the supply of crude oil and petroleum products. The Regulation contains similar provisions to the Order which allow for certain transfers in connection with a specific trade contract to be authorised on a discretionary basis. The Treasury has passed a general license in relation to this provision so that transfers in connection with a specific trade contract authorized under the Order are deemed automatically authorized under the Regulation.

The Treasury will retain responsibility for granting licenses going forward, and both exporters and relevant persons may apply for a license. However, a similar approach is likely to be adopted as under the Order, and the Treasury is unlikely to grant licenses for business with Iranian banks on an on-going basis.

US Congress Clears Path for Satellites to Move to Commerce Jurisdiction

Under H.R. 4310 (112th) National Defense Authorization Act for Fiscal Year 2013 (NDAA FY 2013), signed into law by President Obama on January 3, 2013, Congress removed the need to move all satellites and related items to the United States Munitions List (USML). This move was imposed by Section 1513 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999. The law did not remove the need to control the items; it simply removed the need to control all of them under the USML of the International Traffic in Arms Regulations (ITAR). The new law did not remove the need for mandatory technology control plans, mandatory monitoring and reimbursement of foreign launches of satellites and other reporting requirements established in Section 1514 of the same act.

The law also requires the executive branch to come up with a plan to continue to control these items. However, the NDAA FY 2013 did not specify which satellites and parts must be under the Export Administration Regulations (EAR) or the ITAR. Even though some of the satellites and related items may fall under the jurisdiction of the Commerce Department, the law continued to impose restrictions on which countries parties may transfer or retransfer satellites, satellites parts and satellite technology to. The basic restrictions apply to China, North Korea and any state sponsor of terrorism. The law also mandates a presumption of denial for any license of satellite technology to any country for which the US maintains a comprehensive arms embargo.

The change in the law will allow the State and Commerce Departments to continue Export Control Reforms for transferring certain items from Category XV of the USML to the 600 series of the Commerce Control List (CCL) of the EAR. The State Department should publish a draft update to the new Category XV in April of 2013. The draft will go through a review process similar to the process State used for the other USML categories it is re-writing. The final rulings should be published in late 2013.

UN Arms Trade Treaty

The United Nations General assembly passed the new Arms Trade Treaty (ATT) on April 2, 2013. The treaty will help States Parties establish arms trade control measures in their particular countries. In doing so, the ATT will create a level playing field for international arms transfers by requiring all States to abide by a set of standards for transfer controls, which will ultimately benefit the safety and security of people everywhere in the world.

The treaty requires States Parties to establish rules for the international export, import, transit, transshipment and brokering of conventional weapons.

The ATT does not establish a positive list for controls for specific weapons as is contained in the Wassenaar Arrangement, but instead, gives a framework for how States Parties can set up controls.

According to Thomas Countryman, Assistant Secretary of State for International Security and Nonproliferation and the senior member of the US delegation involved in drafting the treaty, the US had several goals in mind during the drafting process.[1] The treaty had to help stop humanitarian

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[1] Remarks of Thomas M. Countryman, Assistant Secretary for International Security and Nonproliferation, US Department of State, April 5, 2013.

disasters fueled by small arms by stemming the flow of weapons to bad actors. The treaty needed to create a balance between imports and exports. The US had to be able to implement the treaty. The final goal was to ensure the treaty would not infringe upon any of the constitutional rights of US citizens. To these ends, he is satisfied the treaty accomplishes these goals. Ratifying and implementing the treaty by the US will not require changes to any of the export or import control measures the US already has in place. The ATT does not affect domestic trade in any fashion, but only requires States Parties to generate laws that regulate international trade.

The ATT will help States Parties in several ways. It will help States Parties expand programs they already have for controls of weapons trade. It will require States Parties to write regulations to comply with the treaty. It will help States Parties in stemming the flow of weapons across their borders, thereby not adding to any regional conflict. The US and other actors throughout the world can help states comply with the ATT by offering assistance on establishing proper weapons trade controls. The treaty also reaffirms that States have an obligation to uphold UN arms embargos.

The earliest any country can sign the treaty is June 3, 2013. The treaty will then become effective after 50 States have signed it. Mr. Countryman is confident the US will ratify the treaty, but does not think the review process will be complete by June 3.

Exportability Built Into DoD Programs

In addition to Export Control Reforms proposed by the Departments of State and Commerce, the US Department of Defense (DoD) is also working on measures to increase the exportability of defense articles. Export Controls Reform (ECR) will offer some relief to the Direct Commercial Sales process and the Security Cooperation Reform (SCR) is working to make improvements to the Foreign Military Sales process. ECR and SCR meet together at what is called Technology Security and Foreign Disclosure Reform (TSFD).

A major goal of TSFD is to have program offices and defense contractors start looking at the exportability before the first milestone. Ideally, new programs will have Defense Exportability Features (DEF) built into the program from the early stages. DoD and the defense contractors will assume a program will eventually get exported, and therefore anti-tamper (AT) and differential capabilities (DC) are built into the program before milestone A.

Focusing on defense exportability from the start allows the US Government to have more flexibility in future Building Partnership Cooperation (BPC) efforts. TSFD will establish a more anticipatory review process for export licenses because the export already has US Government buy in and approval. The programs will be able to offer exportable versions to US allies and close partners throughout the world.

Enforcement Update

Directorate of Defense Trade Controls (DDTC) – US Department of State

China Nuclear Industry Huaxing Construction Co., Ltd., Fined US$1 Million for Violating the IEEPA by Exporting Specialty Coatings to Pakistan

On December 3, 2012, in the District of Columbia, the China Nuclear Industry Huaxing Construction Co., Ltd., a corporate entity owned, by the People's Republic of China (PRC), pleaded guilty to conspiracy to violate the International Emergency Economic Powers Act (IEEPA), and three unlawful exports of high performance coatings to a nuclear reactor in Pakistan. The plea marked the first time that a PRC corporate entity has entered a plea of guilty in a US criminal export matter. Huaxing was also sentenced to the maximum criminal fine of US$2 million, US$1 million of which was stayed pending its successful completion of five years of corporate probation. The terms of Huaxing's probation require it to implement an export compliance and training program that recognizes Huaxing's obligation to comply with US export laws. In both the criminal and administrative case, Huaxing was accused of conspiring to export, re-export and transship high-performance epoxy coatings to the Chashma II Nuclear Power Plant in Pakistan, a nuclear reactor owned by the Pakistan Atomic Energy Commission (PAEC), an entity on the Department of Commerce's Entity List. The Huaxing guilty plea was related to the December 21, 2010, guilty plea of PPG Paints Trading Co., Ltd., and the November 15, 2011, guilty plea by Xun Wang to conspiracy to violate IEEPA.

Following Indictment of Company in 2010, Former Managing Director of PPG Paints Trading Sentenced to Prison for Knowingly Exporting Restricted Microwave Amplifier Technology to China

On October 31, 2012, Fu-Tain Lu was sentenced in the Northern District of California to 15 months in prison. On November 17, 2011, Lu pleaded guilty to selling sensitive microwave amplifiers to the PRC without the required license. Lu was the owner and founder of Fushine Technology, Inc., corporation formerly located in Cupertino, California. Fushine was an exporter of electronic components used in communications, radar and other applications. On April 2, 2004, Fushine exported the amplifier to co-defendant Everjet Science and Technology Corporation (Everjet), located in China, without a license from the Department of Commerce. Fushine and Everjet, were first indicted on April 1, 2009.

Academi LLC Pays US$49.5 million for Violating the Arms Export Control Act in Providing Defense Services to Foreign Nations

On August 7, 2012, a criminal information was unsealed in the Eastern District of North Carolina charging Academi LLC, formerly known as Blackwater Worldwide and Xe Services, LLC, with violating the Arms Export Control Act, the IEEPA, as well as federal firearms laws and other violations. A deferred prosecution agreement (DPA) was also unsealed on the same day, in which the company admitted to certain facts set forth in the bill of information and agreed to pay a US$7.5 million fine. The DPA also acknowledged and referenced a US$42 million settlement between the company and the State Department to settle civil violations of the Arms Export Control Act. The criminal information alleged the company violated IEEPA by exporting satellite phones to the Sudan in November 2005 without a license from the Treasury Department. The information also alleged that the company violated arms export laws by proposing to provide security services and a threat assessment to the government of the Sudan; by providing military training to Canadian military and law enforcement officials between 2006 and 2008; by providing technical data related to the construction of armored personnel carriers to individuals from Sweden and Denmark between 2006 and 2008; and by exporting ammunition and body armor to Iraq and Afghanistan between 2004 and

2006 – all without the required State Department export licenses. This case was investigated by the FBI, IRS, ATF, DCIS and ICE.

Bureau of Industry and Security (BIS) – US Department of Commerce

University of Massachusetts Fined US$100,000 for Exporting EAR99 Controlled Items to Pakistan

On March 15, 2013, the University of Massachusetts at Lowell (UMass Lowell) entered a settlement agreement with BIS relating to two shipments to Pakistan, the same two shipments that apparently were the subject of freight forwarder Vantec World Transport (USA), Inc.'s, settlement with BIS on March 8, 2013. UMass Lowell, through its Center for Atmospheric Research, exported antenna and cables, designated as EAR99, to the Pakistan Space and Upper Atmosphere Research Commission, an organization listed on the Entity List by the Export Administration Regulations (EAR). One month later, UMass Lowell exported an atmospheric testing device, also designated EAR99, to the same Pakistan entity. The settlement agreement provides UMass Lowell with a two year probationary period, whereby, if no further violations occur, the US$100,000 fine will be waived.

Vantec World Transport (USA), Inc., a Freight Forwarder, Fined US$40,000 for Shipping EAR99 Controlled Items to Pakistan

On March 8, 2013, Vantec World Transport (USA), Inc., entered a settlement agreement with BIS regarding two shipments in 2007 to entities in Pakistan that were listed on BIS's Entity List. Both shipments were of items designated as EAR99 under the Export Administration Regulations. The settlement agreement provides Vantec with a two year probationary period, whereby, if no further violations occur, the US$40,000 fine will be waived.

Temrex Corporation Fined US$8,750 for Exporting a Controlled Item to Iran in Violation of the EAR and Iran Transactions Regulations

On December 20, 2012, Temrex Corporation, based in Freeport, New York, a manufacturer of restorative and cosmetic products for dentistry, was fined for exporting Tofflemire matrix bands (used to hold teeth fillings in place) to a third country intended for transhipment to Iran. The BIS investigation uncovered that Temrex intended to complete the OFAC application, but decided to proceed with the sale without obtaining OFAC authorization or an export license.

Capintec, Inc., Fined US$23,000 for Exporting an EAR99 Item to Pakistan Without a License

On December 7, 2012, Capintec, Inc., of Ramsey, New Jersey, a leading worldwide supplier of energy measurement products and services, entered a settlement agreement with BIS whereby it agreed to pay a civil fine of US$23,000. In 2010, Capintec exported a dose calibrator, an item subject to the Regulations and designated EAR99, valued around US$5,000, from the US to Pakistan's Atomic Energy Commission (an entity listed on BIS's Entity List). According to the charging documents, this export violation occurred notwithstanding an outreach visit by Special Agents of BIS's Office of Export Enforcement who discussed with Capintec the need to screen all parties to an export transaction against, *inter alia*, BIS's Entity List.

Enterysys Corp. Denied Export Privileges for 10 Years for Knowingly Exporting Without a License

On December 3, 2012, Enterysys Corporation settled charges that it committed 16 violations of the EAR, with intent to evade, for exporting on multiple occasions, and without a license, "ceramic cloth," an item that is subject to the EAR under ECCN 1C010 and controlled for National Security reasons, as well as other "electronic components," designated as EAR99 items. The charging documents

stated that Enterysys purchased the item from a US manufacturer who required a guarantee from Enterysys that it would not leave the US without a license, however, Enterysys exported the item to India and provided a packing list and invoice to a freight forwarder that falsely identified the material to facilitate the export without detection by law enforcement. Enterysys lost export privileges for 10 years for acting with intent to evade the EAR in violation of §764.2(h); acting with knowledge of a violation, in violation of §764.2(e); and engaging in prohibited conduct in violation of §764.2(a).

Littlefuse, Inc., Fined US$180,000 for Exporting Liquid Crystal Polymer Without a License

On October 23, 2012, Littlefuse, Inc. settled charges that it violated the EAR 37 times by exporting to the Philippines. Littlefuse exported liquid crystal polymer, an item classified under Export Classification Control Number 1C008.b and controlled for national security reasons, to the Philippines without the Department of Commerce licenses required by Section 742.4(a) of the Regulations.

Micei International Settles Charges of Violating the EAR by Knowingly Using an Individual Subject to a Denial Order

On October 15, 2012, Micei Internaitonal, of Skopje, Macedonia, settled charges by the US Department of Commerce, BIS, for violations of the EAR. Micei faced a civil penalty of up to US$250,000 per violation. To maintain its export privileges, Micei is required to implement an export compliance program and complete two export compliance audits. Micei did not admit to the allegations in the charging letter. Micei was alleged to have organized the export of various items that were subject to the EAR, and was alleged to have exported other items not subject to the EAR, but by using an agent in the US who was subject to a BIS order denying export privileges under Section 766.25 of the Regulations

OFAC – US Department of the Treasury[2]

SAN Corporation Agreed to Pay US$22,500 to Settle an Alleged Violation of the Iranian Transactions and Sanctions Regulations for Selling Nutritional Supplements to Kuwait with Knowledge the Products were Intended for End Use in Iran

On April 12, 2013, SAN Corporation, Oxnard, California, agreed to pay US$22,500 to settle potential civil liability for an alleged violation of the Iranian Transactions and Sanctions Regulations, 31 CFR part 560. OFAC alleged that SAN sold nutritional supplements to an entity in Kuwait with knowledge that such goods were intended for end use in Iran. OFAC determined that SAN did not voluntarily disclose this matter to OFAC and that the alleged violation constitutes a non-egregious case. The base penalty amount for the alleged violation was US$25,000. This settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines: SAN acted with reckless disregard for US sanctions requirements when it sold goods to an entity in Kuwait with the knowledge that the goods were destined for Iran, and having been informed by the Iranian end user that shipping to Iran required an OFAC license; SAN did not fully cooperate with OFAC's investigation, having provided incomplete and/or inaccurate statements to OFAC; SAN has no history of prior OFAC violations; the goods that SAN sold for end use in Iran appear to have been eligible for a license under the Trade Sanctions Reform and Export Enhancement Act of 2000.

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[2] On October 22, 2012, OFAC changed the heading of 31 CFR part 560 from the Iranian Transactions Regulations to the Iranian Transactions and Sanctions Regulations (ITSR), amended the renamed ITSR, and reissued them in their entirety. See 77 Fed. Reg. 64,664 (Oct. 22, 2012).

Maritech Commercial Inc. Agreed to Pay US$20,800 to Settle Civil Liability for Alleged Violations of the Weapons of Mass Destruction Proliferators Sanctions Regulations for Providing Fuel Services to Vessels Belonging to the Islamic Republic of Iran Shipping Lines

On March 21, 2013, Maritech Commercial Inc., a Kenner, Louisiana, marine/cargo company, agreed to pay US$20,800 to settle potential civil liability for alleged violations of the Weapons of Mass Destruction Proliferators Sanctions Regulations. Between on or about April 20, 2009, and on or about June 14, 2010, Maritech provided fuel inspection services, valued at US$9,868, on board five vessels affiliated with the Islamic Republic of Iran Shipping Lines (IRISL) that had been identified by OFAC as blocked property and placed on OFAC's list of Specially Designated Nationals and Blocked Persons (SDN List). IRISL, which is known to engage in deceptive practices in an attempt to evade sanctions, had changed the names of four of the five vessels prior to the alleged violations; however, the vessels remained identifiable by their IMO numbers.[3] At the time of the transactions at issue in this case, Maritech was not screening the names or IMO numbers of any of the vessels to which it provided services against the SDN List. OFAC determined that Maritech did not voluntarily self-disclose its conduct, and the alleged violations constituted a non-egregious case. The base penalty for the alleged violations was US$32,000. The settlement reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors Affecting Administrative Action listed in OFAC's Economic Sanctions Enforcement Guidelines: Maritech had no sanctions compliance program at the time of the alleged violations; Maritech acted with reckless disregard for US economic sanctions by failing to screen parties involved in its business transactions; Maritech conferred an economic or other benefit on a sanctioned entity, and undermined the integrity of the non-proliferation sanctions programs and its policy objectives; Maritech had no prior OFAC sanctions enforcement history; Maritech has instituted a system to screen against OFAC's List of Specially Designated Nationals; and Maritech is a small company.

EGL, Inc., Agreed to Pay US$139,650 to Settle Alleged Violations of the Cuban Assets Control Regulations and the Iranian Transactions and Sanctions Regulations for Providing Freight Forwarding Services to and from Cuba and Iran

On March 5, 2013, EGL, Inc. (now part of the CEVA Logistics group of companies), Houston, Texas, a freight forwarder, agreed to pay US$139,650 to settle potential civil liability for alleged violations of the Cuban Assets Control Regulations (CACR), 31 CFR part 515, and the Iranian Transactions and Sanctions Regulations (ITSR, formerly the ITR), 31 CFR part 560. The alleged violations of the CACR occurred from 2005 to 2008, when EGL's foreign affiliates engaged in 280 transactions in which they provided freight forwarding services with respect to shipments to and from Cuba. The alleged violations of the ITR occurred in 2008 when affiliates of EGL (then part of the CEVA Logistics group) acted as the freight forwarder of 10 shipments containing oil rig supplies to Aban VIII, an oil drilling rig located in Iranian coastal waters and operated by Petropars, an affiliated company of the National Iranian Oil Company. EGL made a voluntary self-disclosure of the alleged violations of the CACR, but did not make a voluntary self-disclosure of the alleged violations of the ITR. The alleged violations constitute a non-egregious case. The base penalty amount for the alleged violations was US$206,889. 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: EGL has no history of prior sanctions violations; EGL substantially cooperated with OFAC's investigation, including by entering into statute of limitations tolling agreements, and by producing responsive materials in a clear and organized fashion; EGL took remedial measures to prevent future OFAC violations; the alleged violations of the CACR and the ITR by EGL resulted in

[3] "IMO numbers" are unique identifiers that are assigned to vessels of a certain size and nature when constructed, and are permanently and visibly marked on vessels.

significant harm to OFAC's sanctions programs; and EGL had reason to know that the Aban VIII was an oil rig operated by an Iranian company in Iranian waters.

Bank of Guam Agrees to Pay US$27,000 to Settle Apparent Violations of the Iranian Transactions Regulations when Bank Employee Recommended Removing References to Iran to Customer

On February 22, 2013, Bank of Guam agreed to remit US$27,000 to settle potential civil liability for two apparent violations of the ITR. The OFAC has determined that Bank of Guam did not voluntarily self-disclose the apparent violations and that the apparent violations constituted a non-egregious case. On May 18, 2010, Bank of Guam originated a US$2,265 wire transfer on behalf of a customer, destined for a trading company in the United Arab Emirates. Another US financial institution rejected the transaction due to a reference to Iran. The customer resubmitted the payment on June 4, 2010, after consulting with a Bank of Guam employee who advised the customer to amend the payment message in a manner that removed the reference to Iran. The second payment was successfully processed. The total base penalty amount was US$20,000. 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: although mitigation was extended because Bank of Guam has not received a penalty notice or a Finding of Violation from OFAC in the five years preceding the date of the transactions giving rise to the apparent violations, the settlement amount reflects an aggravation to the base penalty because Bank of Guam staff acted recklessly by failing to exercise caution or care in processing a funds transfer after becoming aware of the purpose of the payment and actually instructed the bank's customer to resubmit the payment without a reference to Iran in the payment details thereby concealing the sanctioned interest in the transaction. Such conduct undermined the integrity of the US sanctions program, prevented Bank of Guam's correspondent from assessing the permissibility of the payment, and could have resulted in significant sanctions harm. At the time, Bank of Guam employees apparently lacked an understanding of the bank's US sanctions obligations.

Tung Tai Group Agrees to Pay US$43,875 to Settle Alleged Violation of the Cuban Assets Control Regulations for Transactions with Cuban for Scrap Metal

On February 22, 2013, Tung Tai Group, San Jose, California, an electronic scrap and scrap metal recycling company, has agreed to pay US$43,875 to settle potential civil liability for an alleged violation of the CACR. The alleged violation by Tung Tai occurred on or about August 8, 2010, when it entered into contracts to buy and sell Cuban-origin scrap metal. This matter was not voluntarily disclosed to OFAC and the alleged violation constitutes a non-egregious case. The base penalty amount for the alleged violation was US$65,000. 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: Tung Tai has no history of prior OFAC violations.

American Optisurgical, Inc., Agrees to Pay US$404,100 to Settle Alleged Violations of the Iranian Transactions and Sanctions Regulations for Selling Medical Goods to Iran

On February 21, 2013, American Optisurgical, Inc. (AOI), Lake Forest, California, a US medical supply company, agreed to pay US$404,100 to settle potential civil liability for alleged violations of the ITSR, and the Reporting, Procedures and Penalties Regulations (RPPR), 31 CFR part 501. Specifically, OFAC alleged that AOI violated the ITSR on 36 occasions when it exported, or attempted to export, unlicensed medical goods and services to Iran, or to a person in a third country with knowledge or reason to know that the medical goods and services were intended for supply, transshipment, or re-exportation to Iran; and when it engaged in transactions and dealings related to goods and/or services for exportation to Iran. In addition, OFAC alleged that AOI violated the RPPR when it failed to fully respond to two Administrative Subpoenas issued to AOI by OFAC. The alleged

violations involved 36 transactions valued at US$202,765. OFAC determined that AOI did not voluntarily self-disclose the matter to OFAC and that the alleged violations constituted a non-egregious case. The base penalty amount for the alleged violations totaled US$449,000. 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: AOI's alleged violations of the ITSR resulted from willful or reckless conduct; AOI's senior management was directly involved in the willful or reckless conduct; AOI actively participated in concealing the ultimate destination of its exports to Iran; AOI continued to export unlicensed medical goods to Iran even after having received two Administrative Subpoenas from OFAC regarding its conduct; AOI is a commercially sophisticated entity; AOI has not been the subject of prior OFAC enforcement action; the exports at issue likely would have been licensed by OFAC under existing licensing policy; and, AOI agreed to toll the statute of limitations.

Offshore Marine Laboratories Agrees to Pay US$97,695 to Settle Alleged Violations of the Iranian Transactions Regulations and Executive Order 13382 (WMD) for Selling Offshore Drilling Parts to Rig Located in Iranian Waters

On February 1, 2013, Offshore Marine Laboratories (OML), of Gardena, California, agreed to pay US$97,695 to settle potential civil liability for alleged violations of the Iranian Transactions Regulations and Executive Order 13382, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters" (EO 13382). The alleged violations by OML occurred when OML exported to a company in the United Arab Emirates eight shipments of spare parts and supplies intended for supply to an offshore oil drilling rig located in Iranian waters. Both the rig owner and operator were located in Iran, and five of the shipments occurred after the rig owner's property and interests in property were blocked pursuant to EO 13382. This matter was not voluntarily disclosed to OFAC and the alleged violations constitute a non-egregious case. The base penalty amount for the alleged violations was US$167,000. 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: OML harmed sanctions program objectives because the transactions aided the development of Iranian petroleum resources; OML had no OFAC compliance program in place at the time of the alleged violations; OML has no history of prior OFAC violations; OML demonstrated substantial cooperation with OFAC throughout the investigation, including entering into a statute of limitations tolling agreement; and OML took remedial measures by implementing an OFAC compliance program.

Post-Acquisition Dal-Tech Devices, Inc., Agrees to Pay US$10,000 to Settle Apparent Violations of the Iranian Transactions Regulations Occurring Under Prior Ownership

On January 18, 2013, Dal-Tech Devices, Inc., of Boca Raton, Florida, dba Microwave Distributors Company, a distributor of microwave radio frequency devices, agreed to pay US$10,000 to settle potential civil liability for apparent violations of the ITR. Under its prior ownership and management, Dal-Tech apparently violated the ITR by making an unlicensed sale and export of radio frequency measurement devices (RF devices) to Austria with knowledge that the items were intended for transshipment to Iran. The total value of the RF devices was US$3,226. When Dal-Tech learned that the shipment had been returned from Austria without delivery, it re-exported the same goods to Slovenia for transshipment to Iran. Dal-Tech did not voluntarily disclose this matter to OFAC. The alleged violations constitute an egregious case. The base penalty amount for Dal-Tech's apparent violations is US$500,000. 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: the criminal charges set forth in the DPA reflect knowing and willful conduct by an employee that is attributable to the company; Dal-Tech's prior management at least had reason to know that the company's goods were ultimately destined for Iran; Dal-Tech has not been the subject of any prior OFAC enforcement action; Dal-Tech lacked a sanctions compliance program at the time of the apparent violations; pursuant to the DPA, the company will implement a compliance

program that includes sanctions and export compliance training of all employees; the settlement with OFAC is part of a comprehensive settlement with other federal law enforcement agencies; and the enforcement response is proportionate to the nature of the violations, given the totality of the circumstances.

Post-Acquisition Ellman International, Inc., Agrees to Pay US$191,700 to Settle Apparent Violations of the Iranian Transactions Regulations Occurring Under Prior Ownership

On January 2, 2013, Ellman International, Inc. of Oceanside, New York, a company specializing in advanced radiofrequency (RF) technology for precision surgical and aesthetic procedures, agreed to pay US$191,700 to settle apparent violations of the ITR. Under prior ownership and management, Ellman sold and exported medical equipment to Iran, in apparent violation of the ITR, and engaged the services of a physician in Iran, in apparent violation of §560.201 and §560.206 of the ITR. The value of the relevant transactions totaled US$317,211. Ellman's new owners and management self-reported the matter to OFAC. However, the submission was determined not to be a voluntary disclosure because Ellman's prior owners failed to properly respond to a prior OFAC inquiry. The apparent violations do not constitute an egregious case. The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under the Enforcement Guidelines: the transactions appear to have been undertaken by Ellman's prior owners willfully with knowledge that such transactions likely constituted violations of US law; Ellman's senior management actively participated in the conduct; Ellman did not have a sanctions compliance program in place at the time of the apparent violations; the transactions likely would have been eligible for an OFAC license; Ellman's new owners and management substantially cooperated with the investigation; OFAC has no record of prior sanctions enforcement matters involving Ellman; and the new owners/management of Ellman undertook significant remedial measures, including implementing a sanctions and export compliance program.

Bank of Tokyo-Mitsubishi UFJ, Ltd., Pays More Than US$8 Million to Settle Apparent Violations of Multiple Sanctions Programs from Wire Transfers to Sanctioned Countries

On December 12, 2012, the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), based in Tokyo, Japan, agreed to remit US$8,571,634 to settle potential civil liability for apparent violations of the Burmese Sanctions Regulations (BSR), the ITR, EO 13382, the Sudanese Sanctions Regulations (SSR) and the CACR, that occurred between April 3, 2006, and March 16, 2007, with a value of approximately US$5,898,943. BTMU's Tokyo operations engaged in practices designed to conceal the involvement of countries or persons subject to US sanctions in transactions that BTMU processed through financial institutions in the US. Pursuant to written operational instructions utilized in a Tokyo operations center, BTMU employees systematically deleted or omitted from payment messages any information referencing US sanctions targets that would cause the funds to be blocked or rejected, prior to sending the transactions through the US. In 2007, BTMU's senior management learned of these practices and initiated a voluntary self-disclosure to OFAC. OFAC found that the apparent violations constitute an egregious case.

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: BTMU's conduct concealed the involvement of US sanctions targets and displayed reckless disregard for US sanctions; the general manager of the Operations Center in Tokyo knew or had reason to know that procedures had been implemented instructing employees to manipulate payment instructions; BTMU's conduct conferred a substantial economic benefit to targets of OFAC sanctions; BTMU is a large, commercially sophisticated financial institution; BTMU has undertaken significant remediation to improve its OFAC compliance policies and procedures; BTMU substantially cooperated with OFAC's investigation, including providing detailed and organized information regarding the apparent violations, and entering into a tolling agreement with OFAC; and BTMU has no history of prior OFAC violations.

HSBC Holdings plc Agrees to Pay US$375 Million to Settle Potential Liability for Apparent Violations of Multiple Sanctions Programs from Wire Transfers to Sanctioned Countries

On December 11, 2012, HSBC Holdings plc agreed to remit US$375 million to settle potential civil liability on behalf of it and certain of its affiliates (collectively HSBC Group) for apparent violations of: the CACR, BSR, the SSR, the now-repealed Libyan Sanctions Regulations (LSR) and the ITR. HSBC Holdings' settlement with the OFAC is part of a global sanctions-related settlement among HSBC Holdings, OFAC, the US Department of Justice, the New York County District Attorney's Office and the Federal Reserve Board of Governors. OFAC has determined the apparent violations were egregious under its Economic Sanctions Enforcement Guidelines. HSBC Group processed transfers from 2004 to 2007 of approximately US$18,817,452 involving Cuba, US$136,736,510 involving Burma, US$109,042,996 involving Sudan, US$1,172,363 involving of Libya or Libyan persons (in apparent violation of the now-repealed LSR) and US$164,308,904 involving Iran. The HSBC Group did not voluntarily self-disclose. The total base penalty amount under the Guidelines for this set of apparent violations equals the statutory maximum penalty, which in this case is US$1,159,872,734.

In reaching its determination that the violations were egregious, OFAC found that HSBC Group failed to exercise a minimal degree of caution or care in avoiding conduct that led to the apparent violations; several HSBC Group employees, including senior management, were aware of the conduct that led to the apparent violations; the apparent violations resulted in significant harm to US sanctions programs objectives; HSBC Group is a highly sophisticated global financial organization; and HSBC Group did not maintain adequate policies or procedures to ensure compliance with the sanctions programs administered by OFAC. Mitigation was extended because some of the apparent violations processed by HSBC Group may have been eligible for an OFAC license; HSBC Group has not received a penalty notice, finding of violation, cautionary letter, warning letter, or other administrative action from OFAC in the five years preceding the date of the transactions giving rise to the apparent violations; HSBC Group provided substantial cooperation to OFAC; HSBC Group took remedial action in response to matters described above; and this settlement is part of a comprehensive sanctions related settlement with other federal, state, or local agencies. Mitigation was further extended because HSBC Holdings agreed to settle these apparent violations.

Standard Chartered Bank Pays US$132 Million to Settle Potential Liability for Apparent Violations of Multiple Sanctions Programs from Wire Transfers to Sanctioned Countries

On December 10, 2012, Standard Chartered Bank (SCB) agreed to pay US$132 million to settle potential civil liability for apparent violations of the BSR, the ITR, the now-repealed LSR, the SSR and the Foreign Narcotics Kingpin Sanctions Regulations (FNKSR). SCB's settlement with the OFAC is part of a global settlement among SCB, OFAC, the US Department of Justice, the New York County District Attorney's Office and the Federal Reserve Board of Governors. Except for the apparent violations of the FNKSR, OFAC determined the violations were egregious. The violations stemmed from wire transfers, between 2001 and 2007: US$59,642 involving Burma, US$24,002,250 involving Iran, US$12,349,361 the Government of Libya or Libyan persons, (in apparent violation of the now-repealed LSR) and US$96,665,537 involving Sudan, as well as separate and unrelated transfers in apparent violation of the FNKSR. SCB voluntarily self-disclosed. The statutory maximum penalty in this case was US$427,852,032.

In reaching its determination that the above-referenced apparent violations were egregious, OFAC determined that SCB's conduct was marked by recklessness; a number of SCB employees, including senior management, were aware of the conduct that led to the apparent violations; the apparent violations resulted in significant harm to US sanctions programs objectives; SCB is a highly sophisticated global financial institution; SCB did not maintain adequate policies or procedures to ensure compliance with the sanctions programs administered by OFAC; and any civil penalty should be commensurate with the seriousness of SCB's conduct in order to achieve maximum future

compliance effect and deter similarly situated financial institutions. Mitigation was extended because some of the apparent violations processed by SCB may have been eligible for an OFAC license; SCB has not received a penalty notice, finding of violation, cautionary letter, warning letter or other administrative action from OFAC in the five years preceding the date of the transactions giving rise to the apparent violations; SCB voluntarily self-disclosed all of the apparent violations; SCB provided substantial cooperation to OFAC; and SCB took appropriate remedial action in response to matters described above. Mitigation was further extended because SCB agreed to settle these apparent violations.

Sogda Limited, Inc., Agrees to Pay US$128,250 to Settle Potential Violations of the Iranian Transactions Regulations for Exporting Goods to Iran

On November 15, 2012, Sogda Limited, Inc. of Kirkland, Washington, a seafood distribution company, agreed to pay US$128,250 to settle potential civil liability for alleged violations of the ITR. The alleged violations by Sogda occurred between March 25, 2009 and August 26, 2010, when it engaged in seven export transactions that involved the transshipment of goods through Bandar Abbas, Iran. This matter was not voluntarily disclosed to OFAC and the alleged violations constitute a non-egregious case. The base penalty amount for the alleged violations was US$570,000. OFAC considered the following facts and circumstances, under OFAC's Economic Sanctions Enforcement Guidelines: Sogda has no history of prior OFAC violations; Sogda undertook remedial measures by creating an OFAC compliance program; and Sogda cooperated with OFAC by providing information regarding substantially similar additional transactions of which OFAC had not been aware.

Natoli Engineering Company, Inc., Agrees to Pay US$52,920 to Settle Potential Civil Liability for Alleged Violations of the Foreign Narcotics Kingpin Sanctions Regulations for Selling Tablet Compression Products to Blocked Persons

On November 15, 2012, Natoli Engineering Company, Inc., a provider of tablet compression products based in Missouri, has agreed to pay US$52,920 to settle potential civil liability for alleged violations of the FNKSR. The alleged violations by Natoli occurred between November 2008 and January 2010, when it sold various products to Productos Farmaceuticos Collins, S.A. de C.V., an entity on the Specially Designated Nationals and Blocked Persons List, and when it attempted to reimburse Productos Farmaceuticos for overpayments that it had previously made to Natoli. This matter was not voluntarily disclosed to OFAC and the alleged violations constitute a non-egregious case. The base penalty amount for the alleged violations was US$98,000. 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: Natoli has no history of prior OFAC violations; and Natoli cooperated with OFAC's investigation.

Foreign Corrupt Practices Act (FCPA) – DOJ and SEC

Koninklijke Philips Electronics Agreed to Pay More Than US$4.5 Million to Settle Charges That Its Polish Subsidiary Made Improper Payments to Healthcare Officials in Poland

Koninklijke Philips Electronics (Philips), the Netherlands-based multinational, was charged by the SEC with FCPA violations related to improper payments made by employees at Philips's Polish subsidiary, Philips Polska sp. z o.o. (Philips Poland), a healthcare company, to healthcare officials in Poland regarding public tenders proffered by Polish healthcare facilities to purchase medical equipment. The violations took place at Philips Poland from at least 1999 through 2007. During this time, in at least 30 transactions, employees of Philips Poland made improper payments to public officials of Polish healthcare facilities to increase the likelihood that public tenders for the sale of medical equipment would be awarded to Philips. Representatives of Philips Poland entered into arrangements with officials of various Polish healthcare facilities whereby Philips submitted the

technical specifications of its medical equipment to officials drafting the tenders who incorporated the specifications of Philips' equipment into the contracts, greatly increasing the likelihood that Philips would be awarded the bids. When Philips was awarded the contracts, the officials were paid, often through a third party, the improper payments that usually amounted to 3% to 8% of the contracts' net value. At times, Philips Poland employees also kept a portion of the improper payments as a "commission." The improper payments made by employees of Philips Poland to Polish healthcare officials were falsely characterized and accounted for in Philips's books and records as legitimate expenses. At times those expenses were supported by false documentation created by Philips Poland employees and/or third parties. Philips Poland's financial statements are consolidated into Philips' books and records.

Eli Lilly and Company Agreed to Pay More Than US$29 Million to Settle FCPA Charges Brought by the SEC for Improper Payments Made by Subsidiaries in Russia, Brazil, China and Poland

On December 20, 2012, Eli Lilly and Company, Indianapolis-based pharmaceutical company, agreed to pay more than US$29 million to settle the charges brought by the SEC for improper payments its subsidiaries made to foreign government officials to win business in Russia, Brazil, China and Poland. Lilly. The most egregious violations came from the pharmaceutical company's subsidiary in Russia. The SEC alleged the Russian subsidiary used offshore "marketing agreements" to pay millions of dollars to third parties chosen by government customers or distributors, despite knowing little or nothing about the third parties beyond their offshore address and bank account information. These offshore entities rarely provided any services and in some instances were used to funnel money to government officials in order to obtain business for the subsidiary. Paperwork was accepted at face value and little was done to assess whether the terms or circumstances surrounding a transaction suggested the possibility of foreign bribery. Lilly's subsidiary in Brazil allowed one of its pharmaceutical distributors to pay bribes to government health officials to facilitate US$1.2 million in sales of a Lilly drug product to state government institutions. Employees at Lilly's subsidiary in China falsified expense reports in order to provide spa treatments, jewelry, and other improper gifts and cash payments to government-employed physicians. Lilly's subsidiary in Poland made improper payments totaling US$39,000 to a small charitable foundation that was founded and administered by the head of one of the regional government health authorities in exchange for the official's support for placing Lilly drugs on the government reimbursement list. Lilly agreed to pay disgorgement of US$13,955,196, prejudgment interest of US$6,743,538 and a penalty of US$8.7 million for a total payment of US$29,398,734. Without admitting or denying the allegations, Lilly consented to the entry of a final judgment. Lilly agreed to comply with certain undertakings including the retention of an independent consultant to review and make recommendations about its foreign corruption policies and procedures.

Allianz SE Agreed to Pay More Than US$12.3 Million to Settle Charges That It Obtained/Retained Insurance Contracts by Improper Payments in Violation of the FCPA

On December 17, 2012, the SEC charged the Germany-based insurer, Allianz SE, with violating the books and records and internal controls provisions of the FCPA for improper payments to government officials in Indonesia during a seven-year period that resulted in US$5.3 million in profits. The SEC's investigation uncovered 295 insurance contracts on large government projects that were obtained or retained by improper payments of US$650,626 by Allianz's subsidiary in Indonesia to employees of state-owned entities. The misconduct occurred from 2001 to 2008 while the company's shares and bonds were registered with the SEC and traded on the New York Stock Exchange. Managers were using "special purpose accounts" to make illegal payments to government officials in order to secure business in Indonesia. Without admitting or denying the findings, Allianz agreed to cease and desist from further violations and pay disgorgement of US$5,315,649, prejudgment interest of US$1,765,125 and a penalty of US$5,315,649 for a total of US$12,396,423.

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