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Focus on US economic sanctions compliance: OFAC imposes fines and expects more monitoring

By Thad McBride

Thad McBride (tmcbride@bassberry.com) is the head of the International Trade practice at Bass Berry & Sims in Washington, DC. Thad supports clients in compliance matters and investigations involving economic sanctions, export and import controls, the Foreign Corrupt Practices Act, the Committee on Foreign Investment in the United States, and other international trade matters.

The U.S. Treasury Department's Office of Foreign Assets Control (OFAC), the primary U.S. government agency that administers U.S. economic sanctions, was busy at the end of 2019. In the first few weeks of December 2019, the agency designated individuals and entities in multiple countries under U.S. sanctions programs covering corruption, cybersecurity, human rights, Iran, Nicaragua, South Sudan and Venezuela. OFAC designated each of these parties as a Specially Designated National (SDN). As a result, other than in very limited situations, no U.S. individual or entity may transact with any of these parties.

OFAC was also busy in November 2019. In addition to designating a number of parties under various U.S. sanctions programs, the agency announced two enforcement actions that illustrate important lessons for any party conducting business internationally.

Apollo Aviation pays penalty for violations by sublessee

On Nov. 7, OFAC announced a USD 210,600 settlement^[1] with Apollo Aviation Group LLC for 12 apparent violations of the Sudanese Sanctions Regulations.^[2] According to OFAC, beginning in 2013, Apollo leased two aircraft engines to an entity in the United Arab Emirates, which then subleased the two aircraft engines to a Ukrainian airline. The Ukrainian airline subsequently installed the engines on an aircraft leased to Sudan Airways. At the time of that lease, which lasted for approximately four months, Sudan Airways was designated as an SDN.

When it eventually received records outlining the use of the engines, Apollo became aware that the engines had been used on an aircraft operated by Sudan Airways. Apollo also determined that another engine it had leased to the Emirati entity, that was again subleased to the Ukrainian airline, had been on an aircraft wet-leased to Sudan Airways. At that point, Apollo demanded that that third engine be removed from the Sudan Airways plane, then confirmed that removal had occurred. It then disclosed the matter to OFAC.

In announcing its action in this matter, OFAC acknowledged that the lease agreement Apollo entered into with the UAE entity contained a clause prohibiting the lessee from maintaining, operating, flying or transferring the engines to any countries subject to U.S. or U.N. sanctions. However, OFAC also indicated that Apollo apparently did nothing to further ensure that the engines were in fact used in compliance with OFAC regulations. In particular, OFAC emphasized that Apollo did not request periodic certifications of compliance from the lessee or sublessees, nor otherwise closely monitor the use of the engines to ensure compliance with U.S. law.

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