



**U.S. DEPARTMENT OF THE TREASURY  
OFFICE OF FOREIGN ASSETS CONTROL**



**Enforcement Release: December 3, 2024**

**Aiotec GmbH Settles with OFAC for \$14,550,000 Related to an Apparent Violation of the Iranian Transactions and Sanctions Regulations**

Aiotec GmbH (“Aiotec”), a Berlin, Germany-headquartered company that sources industrial equipment for the energy sector, has agreed to pay \$14,550,000 to settle its potential civil liability for one apparent violation of OFAC sanctions on Iran. Between 2015 and 2019, Aiotec conspired to cause a U.S. company to indirectly sell and supply an Australian polypropylene plant to Iran, and remit payments for the polypropylene plant through U.S. financial institutions. The settlement amount reflects OFAC’s determination that Aiotec’s apparent violation was not voluntarily self-disclosed and constitutes an egregious case.

**Description of the Apparent Violation**

Aiotec and Co-conspirators Initiate the Conspiracy

In or around 2015, an Australia-incorporated company (the “Australian Company”) hired a U.S. company (the “U.S. Company”) to broker the resale of a decommissioned polypropylene plant in Australia (the “Plant”). The U.S. Company identified Aiotec as a purchaser and entered into an agreement with Aiotec to sell the Plant for \$9.7 million on November 27, 2015 (the “Sale Agreement”). The Australian Company and the U.S. Company then entered into an asset purchase agreement on December 14, 2015 (the “Asset Purchase Agreement”), whereby the Australian Company agreed to sell the Plant to the U.S. Company. Under the Asset Purchase Agreement, the U.S. Company was contractually obligated to dismantle and remove the Plant from the site owned by the Australian Company, but delegated much of that responsibility to Aiotec in the Sale Agreement.

The Sale Agreement between the U.S. Company and Aiotec stipulated that Aiotec would not resell the Plant “to any country, person or entity or for shipment to any destination, which is subject to sanctions or embargo by the United States Government or is otherwise a prohibited destination under United States law.” Prior to purchasing the Plant, one of Aiotec’s managing directors (“Managing Director 1”) sent an email to the U.S. Company on October 19, 2015 that said: (1) the Plant was to be operated in Türkiye; (2) Aiotec intended to operate the Plant as a joint venture with an Istanbul, Türkiye-headquartered company (the “Turkish Company”); (3) Aiotec had no other partners; and (4) Aiotec was not considering any other location to install the Plant. Aiotec also sent the U.S. Company an end-user certificate dated October 26, 2015 signed by Aiotec’s other managing director (“Managing Director 2”), which represented that the Plant would be shipped to Van, Türkiye.

However, Aiotec was simultaneously conspiring with its Iran-organized subsidiary Aiotec Middle East Co. (“Aiotec ME”) and Iranian petrochemical development company Petro-Iranian

Downstream Industries Development Co. (“PIDID”)<sup>1</sup> to divert the Plant to Iran (the “Conspiracy”). On November 29, 2015, two days after signing the Sale Agreement with the U.S. Company, Aiotec, Aiotec ME, and PIDID, unbeknownst to the U.S. Company, entered into a separate agreement (the “Aiotec-PIDID Agreement”) to resell the Plant to PIDID and transport it to Iran. Both Managing Director 2 and the managing director for Aiotec ME signed the Aiotec-PIDID Agreement.

#### Aiotec Initiates the Exportation of the Plant and Conceals its Destination of Iran

In 2016, Aiotec began dismantling the Plant and, between 2017 and 2019, exported it in parts from the Australian port of Newcastle to the port of Bandar Imam Khomeini (BIK), Iran. In doing so, Aiotec entered into contracts with two freight forwarders to transport the Plant in parts to Iran. At Aiotec’s behest, both contracts specifically instructed the freight forwarders not to register the end user’s name and address as “Iran” with Australia’s customs office, but instead to report the final destination as either the United Arab Emirates (UAE) or Türkiye.

Between 2016 and 2017, in response to follow-up questions from the U.S. Company regarding the Plant’s end-user and destination, Aiotec continued to conceal the fact that the Plant was being exported to PIDID in Iran, and repeatedly misrepresented to the U.S. Company that the Turkish Company was the end user when asked follow-up questions. Specifically:

- On April 15, 2016, Aiotec supplied the U.S. Company with a second, more detailed end-user certificate, again stating that the Plant was being sold to the Turkish Company, would be shipped to Istanbul, Türkiye, and would be erected in Van, Türkiye;
- On June 15, 2017, the general counsel for the U.S. Company emailed Managing Directors 1 and 2 and asked them to reaffirm their commitment to their obligation under the Sale Agreement not to ship the Plant to any destination subject to sanctions by the United States. On June 23, 2017, Managing Director 2 responded that “nothing has changed” and the Plant was to be erected in Türkiye;
- On September 19, 2017, Managing Director 1 emailed the U.S. Company additional details of the fictitious deal between Aiotec and the Turkish Company, such as the division of responsibilities between the two companies; and
- On October 1, 2017, Aiotec provided a third end-user certificate to the U.S. Company signed by Managing Director 1 again stating the Plant’s end user was the Turkish Company in Van, Türkiye.

#### Aiotec Denies PIDID Sale and Completes Exportation of the Plant to Iran

On August 22, 2018, the U.S. Company received a copy of the first page of the Aiotec-PIDID Agreement from an anonymous source, which prompted the U.S. Company and the Australian Company to suspend Aiotec’s access to the Plant, which was still being dismantled in Australia. The U.S. Company sent Aiotec a letter on September 14, 2018 confronting Aiotec with the

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<sup>1</sup> PIDID was indirectly owned by Persian Gulf Petrochemical Industries Company, which OFAC designated pursuant to Executive Order 13382 on June 19, 2019.

allegation that it was exporting the Plant to Iran. In the letter, the U.S. Company specifically cited § 560.204 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (“ITSR”), stating that the section “forbids the export of goods to Iran and/or the Government of Iran,” directly or indirectly by a U.S. person, and that Aiotec had violated the terms of the Sale Agreement by apparently exporting the Plant to Iran. The U.S. Company demanded that Aiotec submit proof that it had not exported the Plant to Iran in breach of the Sale Agreement, including by providing the bills of lading (“B/Ls”) for the portions of the Plant already exported from Australia by Aiotec.

In response to these allegations, Aiotec and the Turkish Company made numerous misrepresentations and produced false documents to the U.S. Company, including:

- On September 21, 2018, Aiotec’s outside counsel denied the authenticity of the PIDID Aiotec Agreement, stating “our client denies any intention to install the Plant in Iran”;
- Aiotec provided the U.S. Company with 26 B/Ls showing the Plant parts had been shipped from Australia to Jebel Ali in the UAE, and followed up on November 2, 2018 to provide nine B/Ls that falsely showed those parts were then reexported from the UAE to Mersin, Türkiye. These B/Ls notably omitted three shipments that had been exported directly from Newcastle, Australia to BIK, Iran;
- On September 27, 2018, Aiotec provided the U.S. Company with a copy of a fraudulent Cooperation and Partnership Agreement between Aiotec and the Turkish Company dated November 29, 2015, stating that Aiotec would export the Plant to the Turkish Company for use in Türkiye. The agreement was signed by both Managing Director 2 and the Turkish Company’s managing director; and
- On November 2, 2018, Aiotec’s outside counsel sent the U.S. Company a letter from the Turkish Company signed by the Turkish Company’s managing director falsely confirming it was the purchaser of the Plant. The letter additionally stated that the Turkish Company was missing integral parts of the plant due to the delays in shipping, and that if Aiotec did not deliver all remaining equipment by December 2018, the Turkish Company would begin to sell all delivered cargo as scrap and draw on Aiotec’s bank guarantees, despite the fact that no cargo had in fact been delivered and despite the fact that no such guarantees existed.

Based on these misrepresentations, the U.S. and Australian Companies restored Aiotec’s access to the Plant site on November 14, 2018, with the condition that Aiotec would provide the U.S. and Australian Companies with a master B/L (issued by the transporting vessel, rather than the freight forwarder), showing the remaining portions of the Plant were being shipped to Türkiye.

Aiotec loaded the final pieces of the Plant on a marine vessel that departed Newcastle for Iran on April 14, 2019. One month later, on May 15, 2019, Aiotec provided the U.S. Company with a fraudulent house B/L issued by the freight forwarder dated April 14, 2019, rather than a master B/L from the transporting vessel as the U.S. Company had requested. This fraudulent house B/L identified that the cargo was loaded at the port of Newcastle, and that the port of discharge was Mersin, Türkiye; it made no reference to Iran or PIDID. However, the accurate house B/L identified the true port of discharge as BIK and consignee as PIDID, among other references to Iran.

On or around June 14, 2019, Aiotec provided the mate's receipt<sup>2</sup> as well as the manifest to the U.S. Company, which again falsely showed the cargo was destined for Mersin, Türkiye.

### Financial Transactions

Pursuant to the Sale Agreement, Aiotec agreed to pay the U.S. Company the \$9.7 million purchase price for the Plant in installments. Aiotec ultimately remitted 11 payments, each originating in euros, between December 4, 2015 and May 23, 2019 totaling approximately \$9,457,642. Aiotec made nine such payments to the U.S. Company's dollar-denominated account at a U.S. bank (the "U.S. Bank") and two such payments to the U.S. Company's euro-denominated account at the U.S. Bank's London branch.

By conspiring with Aiotec ME, PIDID, and the Türkiye Company to cause the U.S. Company to sell the Plant to Aiotec for supply, transshipment, or reexportation to PIDID in Iran, Aiotec appears to have violated § 560.203(b) of the ITSR (the "Apparent Violation").

### **Penalty Calculations and General Factors Analysis**

The statutory maximum civil monetary penalty applicable in this matter is \$19.4 million. OFAC determined that Aiotec did not voluntarily self-disclose the Apparent Violation and that the Apparent Violation constitutes an egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), 31 C.F.R. Part 501, app. A., the base civil monetary penalty applicable in this matter equals the statutory maximum.

The settlement amount of \$14.55 million reflects OFAC's consideration of the General Factors under the Enforcement Guidelines. In view of the individual facts of this matter, as well as Aiotec's financial circumstances, and its agreement to implement enhanced compliance commitments, \$9.55 million of the settlement amount shall be suspended pending satisfactory completion of Aiotec's compliance commitments. OFAC's Settlement Agreement with Aiotec can be found here.

OFAC determined the following to be **aggravating factors**:

- (1) Aiotec willfully violated U.S. sanctions laws and regulations when it entered into the agreements that formed and furthered the Conspiracy to cause the U.S. Company to indirectly sell and supply the Plant to PIDID in Iran and used the U.S. financial system in furtherance of the Conspiracy. Aiotec was informed multiple times by the U.S. Company that the resale and exportation of the Plant to Iran was a violation of the Sale Agreement and the ITSR. The 2015 Sale Agreement explicitly prohibited the sale of the Plant to sanctioned jurisdictions, and the U.S. Company reminded Aiotec of that obligation in 2017 and 2018. With that understanding, Aiotec's managing directors, in collaboration with Aiotec's co-conspirators, sought to conceal and obfuscate the end-user of the Plant by falsifying numerous shipping documents and contracts, and making false statements over the course of four years to ensure that the Plant was delivered to Iran;

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<sup>2</sup> A mate's receipt is a document issued by the ship's officer acknowledging the receipt of goods on board a vessel.

- (2) Aiotec's senior management advanced the Conspiracy and made multiple false representations to the U.S. Company over the course of four years with the express purpose of deceiving the U.S. Company and concealing the true end-purchaser and destination of the Plant. Aiotec's managing directors were directly engaged in negotiating and signing the Sale Agreement and the Aiotec-PIDID Agreement, which significantly advanced the Apparent Conspiracy. The managing directors additionally signed multiple false end-user certificates, and presented information to the U.S. Company assuring it that Aiotec intended to resell the Plant to the Turkish Company; and
- (3) Aiotec caused substantial harm to sanctions program objectives by providing Iran with a polypropylene plant—a lucrative asset that would otherwise be difficult for it to build or obtain. The Plant could afford PIDID and Iran a significant source of revenue in an industry that the United States has targeted extensively for sanctions and that supports Iran's terrorist financing infrastructure. In June 2019, shortly after the last Plant shipment reached Iran, OFAC designated PIDID's parent company Persian Gulf Petrochemical Industries Company (PGPIC) and a network of its subsidiaries for providing financial support to Khatam al-Anbiya Construction Headquarters, the engineering conglomerate of the Islamic Revolutionary Guard Corps (IRGC). Around the time of PGPIC's designation, PGPIC and its group of subsidiaries held 40 percent of Iran's total petrochemical exports and were responsible for 50 percent of Iran's total petrochemical exports. Providing the Plant to PIDID thus undermined the U.S. government's policy objectives of denying funding and productive assets to key elements of Iran's petrochemical sector, which also provide support to the IRGC.

OFAC determined the following to be **mitigating factors**:

- (1) Aiotec cooperated with OFAC by agreeing to toll the statute of limitations and providing extensive documentation detailing the method and means by which it exported the Plant to Iran in response to Requests for Information from OFAC;
- (2) Based on an analysis of Aiotec's financial records from the last five years, OFAC assesses that Aiotec and Aiotec ME are small companies with few employees and limited funds and profits;
- (3) As part of its settlement with OFAC, Aiotec has agreed to invest substantial resources and take remedial actions to implement sanctions compliance commitments designed to minimize the risk of recurrence of similar conduct in the future. This includes, among other commitments, implementing a sanctions compliance program with written policies and procedures; hiring a dedicated compliance officer responsible for implementing Aiotec's sanctions compliance program; and undergoing annual compliance audits by a third party; and
- (4) Aiotec has not 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.

## **Compliance Considerations**

This case demonstrates the risks and potential costs when non-U.S. persons conduct transactions involving a sanctioned jurisdiction and U.S. persons, directly or indirectly. Even though Aiotec is a German company and the Plant and its original owner were located in Australia, the transactions at issue were subject to U.S. jurisdiction due to the involvement of the U.S. Company reseller. Furthermore, even though Aiotec initiated the financial transactions in euros, because Aiotec sent the funds to U.S. financial institutions, Aiotec exposed itself to further potential liability under the ITSR. Companies seeking to do business with Iran, or any U.S.-sanctioned jurisdiction or person, should carefully consider all potential U.S. touchpoints in their transactions.

On March 6, 2024, the U.S. Department of the Treasury, the U.S. Department of Commerce, and the U.S. Department of Justice issued a [tri-seal compliance note](#) to explain and highlight the various obligations of foreign-based persons to comply with U.S. sanctions and export control laws. This compliance note specifically discusses risks that non-U.S. persons face when they engage in conduct that causes or conspires to cause U.S. persons to violate sanctions, including obscuring or omitting references to the involvement of a sanctioned party or jurisdiction in transaction documentation. OFAC encourages non-U.S. persons engaged in business dealings that may involve OFAC-sanctioned persons or jurisdictions to review OFAC's guidance and take appropriate action.

This matter additionally highlights the particular damage apparent conspiracies can cause when multiple actors work in concert to undermine the sanctions controls of an unwitting third party. In this instance, the U.S. Company employed a sanctions compliance program and took multiple steps to confirm the true destination of the Plant to keep it from being exported to a sanctioned jurisdiction like Iran, including: clearly communicating sanctions requirements in the Sale Agreement and in additional communications with Aiotec; requesting documentation like end-user certificates, shipping documents, and further sales contracts from Aiotec; seeking to confirm the authenticity of the shipping documents with the shipping company directly; conducting a site visit to the alleged Plant site in Türkiye; and discussing the Plant with the managing director of the Türkiye Company directly. Despite these best efforts, Aiotec and its apparent co-conspirators were able to deceive the U.S. Company by falsifying documents and making repeated false statements. OFAC will continue to impose strict penalties on such deceptive actors.

## **OFAC Enforcement and Compliance Resources**

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) (the "Framework") in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The Framework also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The Framework includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

OFAC makes available on its website a variety of resources designed to assist with sanctions implementation and compliance, including [industry-specific guidance](#), [instructive videos](#), [answers to frequently asked questions](#), and [tools for searching OFAC's sanctions lists](#).

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Enforcement Guidelines. These references, as well as recent civil penalties and enforcement information, can be found on OFAC's website at <https://ofac.treasury.gov/civil-penalties-and-enforcement-information>.

### **Whistleblower Program**

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) maintains a whistleblower incentive program for violations of OFAC-administered sanctions, in addition to violations of the Bank Secrecy Act. Individuals located in the United States or abroad who provide information may be eligible for awards, if the information they provide leads to a successful enforcement action that results in monetary penalties exceeding \$1,000,000. FinCEN is currently accepting whistleblower tips.

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