

## Report on Supply Chain Compliance Volume 2, Number 20. October 24, 2019

### US reaches settlement with General Electric over alleged sanctions violations

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The U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) reached a settlement<sup>[1]</sup> with General Electric Company regarding transactions involving a designated entity in Cuba. The settlement is a dramatic example of the willingness of OFAC to reach deep into the supply chain and find U.S. companies liable for past transactions with non-U.S. companies. From the OFAC release:

Since June 1995, Cobalt had been identified as a specially designated national (SDN) of Cuba and appeared on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List"). Publicly available information also demonstrated that GE's former Canadian customer is a corporation with strong historic and then-current economic ties to the Cuban mining industry through its business partnerships and joint ventures with the Cuban government. Cobalt is one of three entities owned by a public joint venture between GE's Canadian customer and the Cuban government. From at least 1996 until the GE Companies terminated their relationship with their Canadian customer, the GE Companies maintained — and renewed on at least 18 occasions — this customer relationship despite the obvious sanctions risk posed by the relationship. The GE Companies approved Cobalt as a third-party payer and, over a four-year period, failed to appropriately recognize the significant and widely published relationship between Cobalt and their Canadian customer and did not undertake sufficient diligence into their customer's activities.

The enforcement action represents a continued willingness to prosecute and enforce monetary penalties for sanctions violations that *should have been* picked up by due diligence processes — screening, at the minimum — regardless of how many degrees removed those violations might be from the core business.

<sup>1</sup> U.S. Dept. of the Treasury, "Enforcement Information for October 1, 2019," <http://bit.ly/2MRAdbH> (accessed October 22).

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