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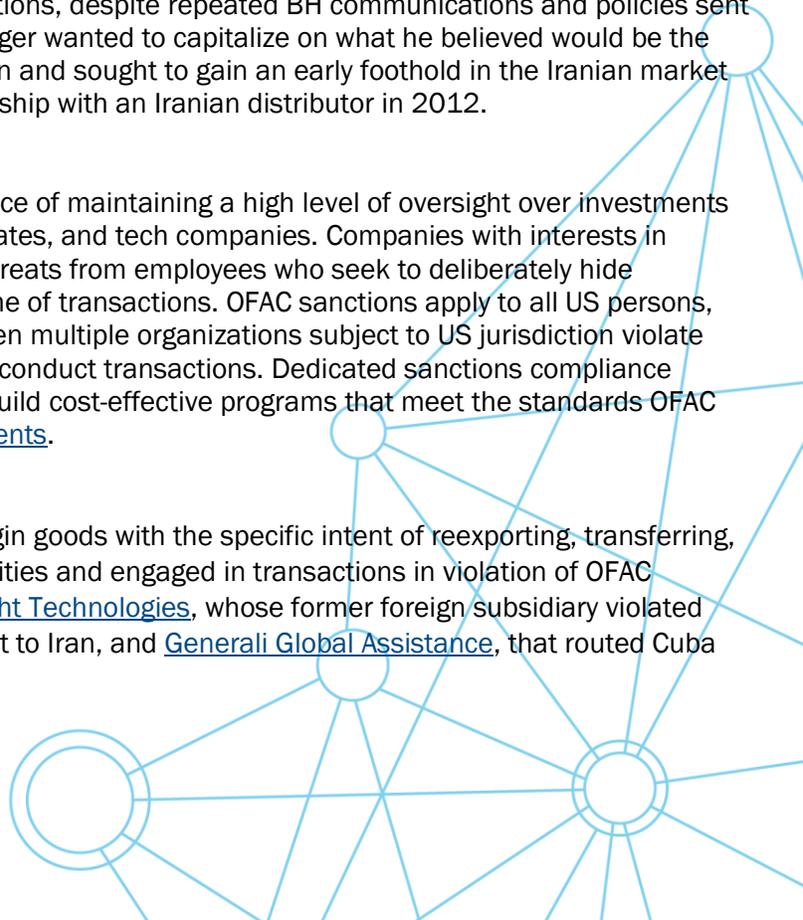
Berkshire Hathaway Settlement Highlights Compliance Risk for Large Firms

Berkshire Hathaway's ("BH") [\\$4.1 million settlement](#) in October 2020 with the US Treasury's Office of Foreign Assets Control (OFAC) for apparent violations of Iran sanctions by its Turkish subsidiary highlights the importance of not only ensuring a robust sanctions compliance program that incorporates strict oversight of affiliates, subsidiaries, and counterparties, but also inspects end-users of goods and services and verifies the accuracy of documentation associated with transactions in risky jurisdictions. BH's Turkish subsidiary Iscar Kesici Takim Ticareti ve Imalati Limited Kirket ("Iscar") intentionally worked to hide violations of OFAC's Iran sanctions, despite being warned about doing business with Iranian entities.

- Iscar Employees deliberately concealed their continued transactions with Iranian entities by creating private (non-corporate) email addresses, falsifying names in internal and transaction records, providing fraudulent documentation showing compliance training, lying to hide wrongdoing in investigations, and instructing employees to falsify communications about orders destined for Iran.
- Although several other BH subsidiaries noted that the orders placed by Iscar may have violated Iran sanctions, only one subsidiary raised its concerns to Iscar, according to OFAC's enforcement web notice. Despite this warning, Iscar completed 144 orders totaling \$383,443 between December 2012 and January 2016 that were ultimately resold and shipped to Iran and purchased goods produced by other BH subsidiaries to fulfill orders destined for Iran.
- Certain Iscar senior managers directed the transactions, despite repeated BH communications and policies sent to Iscar about Iran sanctions. Iscar's General Manager wanted to capitalize on what he believed would be the eventual repeal of both US and EU sanctions on Iran and sought to gain an early foothold in the Iranian market by establishing a small-volume commercial relationship with an Iranian distributor in 2012.

The enforcement action against BH highlights the importance of maintaining a high level of oversight over investments and acquisitions made by large firms, industrial conglomerates, and tech companies. Companies with interests in numerous concerns worldwide are vulnerable to internal threats from employees who seek to deliberately hide sanctions violations that risk getting lost in the sheer volume of transactions. OFAC sanctions apply to all US persons, and US-owned or controlled subsidiaries, and OFAC has seen multiple organizations subject to US jurisdiction violate sanctions by using their foreign affiliates or subsidiaries to conduct transactions. Dedicated sanctions compliance professionals can help large firms with a global presence build cost-effective programs that meet the standards OFAC has highlighted in its [Framework for Compliance Commitments](#).

- Non-US persons have repeatedly purchased US-origin goods with the specific intent of reexporting, transferring, or selling the items to sanctioned individuals or entities and engaged in transactions in violation of OFAC sanctions. In several instances, such as BH, [Keysight Technologies](#), whose former foreign subsidiary violated sanctions by re-exporting test-measuring equipment to Iran, and [Generali Global Assistance](#), that routed Cuba



payments via a Canadian affiliate, this activity occurred despite warnings that US sanctions prohibited the transactions.

- Larger US companies with foreign subsidiaries and affiliates acquire risk exposure from their non-US businesses. Although numerous overseas companies voluntarily comply with OFAC sanctions as a matter of policy, US firms can reduce their risk exposure by incorporating compliance training, oversight, and verification processes and policies for their non-US subsidiaries. Sanctions compliance professionals often have the regional and linguistic expertise to develop these policies.
- Rogue employees can undermine even the most rigorous OFAC compliance program. BH and Keysight both had sanctions compliance programs in place, both of which were undercut by employees of foreign subsidiaries who deliberately engaged in sanctions evasion activities, costing both parent companies penalties.
- Complex corporate structures can also make detecting compliance problems challenging, especially when the parent company is far removed from its subsidiaries. BH indirectly and wholly owns IMC International Metalworking Companies, which is headquartered in the Netherlands, and Iscar is one of eight IMC subsidiaries wholly or majority owned by BH. The company [prides itself](#) on having a lean, decentralized management structure, leaving it open to the potential for abuse by rogue employees.

