



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

**Enforcement Release: May 17, 2023**

**OFAC Settles with Murad, LLC for \$3,334,286 and with a Former Senior Executive of Murad, LLC for \$175,000 Related to Apparent Violations of the Iranian Transactions and Sanctions Regulations**

Murad, LLC (the “Company”), a cosmetics company based in El Segundo, California, has agreed to pay \$3,334,286 to settle its potential civil liability for an apparent violation of OFAC sanctions on Iran. This apparent violation resulted from the Company’s participation in a conspiracy to engage in the unauthorized export of goods and services from the United States to Iran over an approximately eight-year period. The conspiracy, which ended in 2018, resulted in at least 62 exports of Company products, as well as the export of services to Iran, totaling more than \$11 million. OFAC determined that the Company voluntarily self-disclosed its violation, following its acquisition by Unilever United States, Inc. (“Unilever US”), and that the Company’s apparent violation was egregious.

A former senior Company executive (“U.S. Person-1”) has separately agreed to pay \$175,000 to settle their potential civil liability for three apparent violations of OFAC’s Iran sanctions arising from their role as a manager at the Company. These apparent violations occurred between June 2016 and September 2017. OFAC determined that U.S. Person-1’s apparent violations were not voluntarily self-disclosed and that their conduct was egregious.

**Description of the Apparent Violations**

Following a December 2009 meeting between U.S. Person-1, other senior Company executives, and the Chief Executive Officer (“CEO”) of the Company’s co-conspirator, an Iran-based distributor (“Iranian Distributor”), the Company entered into an exclusive agreement with the Iranian Distributor to sell the Company’s products in the Middle East, including specifically in Iran. As a senior executive with general managerial responsibilities for the Company’s sales and operations, U.S. Person-1 signed the distribution agreement with the Iranian Distributor. The Company subsequently began exporting its products to Iran through the Iranian Distributor, despite having applied for but never receiving a specific license or other applicable guidance from OFAC; none of the exported goods for which the Company requested a license was either generally authorized or exempt from prohibition.

In May 2015, U.S. Person-1 signed a new distribution agreement with the Iranian Distributor’s CEO, this time for a related United Arab Emirates-based company to become the Company’s sole distributor in the Middle East (“UAE Distributor”). Although this later distribution agreement did not specify Iran as a territory serviced by the UAE Distributor, U.S. Person-1 should have understood that the UAE Distributor would export the Company’s products to Iran, which it subsequently continued to do.

On or about July 2, 2015, Unilever US and the Company announced they had entered into an acquisition agreement, which closed on September 1, 2015. In the intervening period, the Company submitted another application for, but did not receive, a specific license to export its products to Iran; as with the previously exported products, none of the products for which the Company requested a license was generally authorized or exempt from prohibition. Despite the Company's knowledge that an OFAC license would be required to lawfully export certain products to Iran, the Company nonetheless completed shipments to Iran via the UAE Distributor, through departments generally overseen by U.S. Person-1. OFAC found U.S. Person-1 to be responsible for at least three of these transactions. Also during this period, the Company provided support for the UAE Distributor to open and operate an independent Company-branded store in Tehran, Iran.

At no point prior to the acquisition did the Company disclose to Unilever US its exports to or involvement with Iran, and Unilever US did not otherwise discover this conduct during its pre-acquisition due diligence. Nor did it learn of an Iranian website with the name "Murad.ir," (".ir" being the country domain for Iran) featuring the Company's products for sale. The Iranian website was active from at least September 1, 2012 until December 5, 2018, more than three years following the acquisition.

Unilever US generally became aware of the Company's Iran-related business on October 20, 2015, nearly two months after the acquisition closed, when a Unilever US employee was forwarded an email sent from the UAE Distributor's CEO to a senior Company executive, explaining the time it took for the Company's products to reach Tehran from California. The following day, Unilever US' corporate counsel directed U.S. Person-1 to instruct the UAE Distributor to cease all exports of the Company's products to Iran. U.S. Person-1 followed these instructions and sent the UAE Distributor's CEO the instruction. Prior to doing so, however, U.S. Person-1 alerted another senior Company executive of the need to ensure that the UAE Distributor's CEO would not suggest that any Company executives approved the export of the Company's products to Iran.

Later, in January 2016, in response to an inquiry by U.S. Person-1 about possible changes to U.S. sanctions on Iran following the Joint Comprehensive Plan of Action, U.S. Person-1 was told by Unilever US' corporate counsel that no relevant prohibitions had changed. Nevertheless, senior Company executives, including U.S. Person-1, continued working with the UAE Distributor to export, or generally oversee personnel exporting, the Company's products to Iran. In early 2017, for example, in response to an Iranian salesman's inquiry, U.S. Person-1 asked a senior Company executive to improve the Company's marketing materials to help "maximize sell" of its products.

The Company's last export to Iran occurred on January 24, 2018. In the following weeks, after an inquiry from the Company's bank about whether certain payments may have involved Iran, Unilever US again told the Company that it needed to instruct the UAE Distributor that it could not sell the Company's products to Iran. The Company then placed an internal hold on all the UAE Distributor's orders and shipments, concluding an apparent eight-year conspiracy that resulted in the export of services and more than \$11 million in goods to Iran on at least 62 occasions.

The compliance deficiencies that led to the Company's apparent violation stemmed from several factors. Among them was the conduct of senior Company executives who facilitated the Company's exports to Iran, including U.S. Person-1, who signed the 2009 and 2015 distribution agreements between the Company and the Iranian Distributor and UAE Distributor, respectively. Another contributing factor was the lack of a sanctions compliance program. As primarily a cosmetics company, the Company's compliance efforts were focused on product safety despite also selling its products internationally. What compliance reporting structures it later had in place following its acquisition by Unilever US were likewise inadequate in relation to the sanctions risks the Company faced. These shortcomings were exacerbated by a compliance reporting line running from the Company to personnel in a Unilever division in the United Kingdom who lacked an adequate understanding of OFAC sanctions.

By conspiring with the Iranian Distributor and the UAE Distributor to export approximately \$11,114,287 worth of goods to Iran over approximately eight years, the Company appears to have violated the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 ("ITSR"), including § 560.203(b) of the ITSR. [The settlement agreement for this action may be found here.](#) By executing distribution agreements in furtherance of Company sales to Iran and overseeing relevant departments responsible for the Company's sales to Iran, including in communicating internally and externally regarding sales to Iran, U.S. Person-1 appears to have violated the ITSR, including §§ 560.203(a) and 560.206 of the ITSR.

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

### Murad LLC

The statutory maximum civil monetary penalty applicable to the Company is \$22,228,575. The Company voluntarily self-disclosed its apparent violation, and OFAC determined that this 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 is one-half of the applicable statutory maximum, which in this case is \$11,114,287.

The settlement amount of \$3,334,286 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

- (1) The Company willfully violated U.S. sanctions when it conspired with the Iranian Distributor and the UAE Distributor to export its products and services to Iran, directly or indirectly, despite knowing or having reason to know that such conduct was prohibited; for example, Company officials knew that an OFAC license was required to export products and services to Iran but supplied Company products to Iran without receiving such a license, including after being instructed by Unilever US to cease such exports; and
- (2) Senior Company executives had actual knowledge of the agreements with the Iranian Distributor and UAE Distributor of the exports to Iran, and of the services provided in

support of the independent Company store in Iran. This conduct spanned approximately eight years.

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

- (1) The Company's remedial response, which included conducting a thorough internal investigation, identifying responsible parties and deficiencies, developing sanctions and export control policies and procedures, conducting sanctions and export control training for senior management and key personnel, and implementing screening for all parties involved in its international transactions;
- (2) The benign consumer nature of the Company's products;
- (3) The small overall share of Company sales represented by its sales to Iran;
- (4) The Company 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 violation; and
- (5) The Company's cooperation with OFAC's investigation, during which the Company agreed to toll the statute of limitations and responded to requests for information in a timely manner.

#### U.S. Person-1

The statutory maximum civil monetary penalty applicable to U.S. Person-1 is \$2,787,123. U.S. Person-1 did not voluntarily self-disclose their apparent violations, and OFAC determined that their apparent violations constitute an egregious case. Accordingly, under the Enforcement Guidelines, the base civil monetary penalty applicable in this matter is the applicable statutory maximum, which is \$2,787,123.

The settlement amount of \$175,000 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

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

- (1) U.S. Person-1 was aware of the Company's exports to Iran;
- (2) U.S. Person-1 did not ensure that the UAE Distributor would cease all Company sales to Iran; and
- (3) U.S. Person-1 was a senior Company executive who oversaw several departments responsible for such exports, despite knowing or having reason to know that sales to Iran were prohibited.

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

- (1) U.S. Person-1 is no longer employed by the Company or engaged in international business activity;
- (2) U.S. Person-1's apparent violations involved the export of benign consumer goods;
- (3) U.S. Person-1 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; and
- (4) U.S. Person-1 cooperated with OFAC's investigation by agreeing to toll the statute of limitations and responding to requests for information in a timely fashion.

### **Compliance Considerations**

This case highlights that U.S. sanctions on Iran encompass a wide range of potentially violative conduct, including the formation and execution of conspiracies to engage in prohibited activities such as exporting goods to Iran and causing such exports to occur. OFAC's regulations and enforcement actions make clear that all U.S. persons — companies and individuals alike — face risks of violating U.S. sanctions when engaging in such dealings. Firms with potential sanctions exposure should implement measures to ensure that senior management both commit to and maintain a culture of compliance throughout the company. Senior executives with managerial responsibilities should take particular care to ensure awareness of applicable prohibitions by firm employees and refrain from and prevent potential violations.

Further, because businesses that lack a robust sanctions compliance function face significant risks, clear and efficient reporting streams that can rapidly identify red flags for further evaluation and action are important. In some circumstances, placement of a U.S. entity under the compliance structure of a non-U.S. entity that may lack sufficient familiarity with U.S. sanctions laws could prevent the prompt identification of and response to potentially prohibited conduct.

This action further underscores the importance of companies ensuring that conduct implicating OFAC sanctions is authorized, including by general or specific license, before engaging in what could be prohibited activity.

Lastly, this action emphasizes the importance of conducting sufficient pre- and post-acquisition due diligence in order to identify and promptly remediate compliance deficiencies. After merger and acquisition transactions are complete, companies should closely oversee their new business elements, in addition to their pre-existing units, to identify any sanctions-related risks or issues and take appropriate preventative and remedial measures. Reminders of established compliance policies alone may not result in changes sufficient to avoid a violation of U.S. economic and trade sanctions.

## **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.

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>.

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