

U.S. DEPARTMENT OF THE TREASURY

Press Center

Treasury Department Reaches \$100 Million Settlement With Zhongxing Telecommunications Equipment Corporation

3/7/2017

*Treasury Settlement Part of Interagency Investigation into
Apparent Violations of Iranian Transactions and Sanctions Regulations*

WASHINGTON – As part of a combined \$1.192 billion resolution, pending court approval, with federal agencies, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today announced a \$100,871,266 settlement agreement with Zhongxing Telecommunications Equipment Corporation and its subsidiaries and affiliates, as well as with ZTE Kangxun Telecommunications Ltd. and its subsidiaries and affiliates (collectively referred to as "ZTE"), to settle ZTE's potential liability for apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560. If ZTE's criminal plea is approved in federal court, the combined resolution figure would include the imposition of \$430,488,798 in combined criminal fines and forfeitures on ZTE as part of a plea agreement with the U.S. Department of Justice, and a \$661,000,000 penalty – of which \$300,000,000 is suspended during a seven-year probationary period – to the U.S. Department of Commerce. Today's settlement resolves OFAC's investigation into ZTE's multi-year and systemic practice of utilizing third-party companies to surreptitiously supply Iran with a substantial volume of U.S.-origin goods, including controlled goods appearing on the Commerce Control List (CCL). This announcement marks OFAC's largest settlement to date with a non-financial entity.

"Today's settlement is OFAC's largest ever against a non-financial entity and sends a powerful message that Treasury will aggressively pursue any company that willfully violates U.S. economic sanctions laws and obstructs federal investigations of such violations," said Steven T. Mnuchin, Secretary of the Treasury. "The settlement is the result of close collaboration and coordination between multiple U.S. government agencies and highlights the effectiveness of our enforcement authorities in pursuing egregious violations of U.S. economic sanctions or export control laws. Treasury will continue to coordinate its efforts with other federal agencies — including the U.S. Department of Justice and the U.S. Department of Commerce — in order to prevent sensitive or controlled U.S.-origin goods from being illegally shipped or exported to sanctioned countries or parties."

OFAC worked closely with its counterparts at the U.S. Department of Justice's National Security Division, the U.S. Department of Commerce's Bureau of Industry and Security and Office of Export Enforcement, the U.S. Attorney's Office for the Northern District of Texas, the Federal Bureau of Investigation, and the U.S. Department of Homeland Security. Together, the agencies collaborated closely throughout the investigation to ensure a settlement across all federal government agencies investigating ZTE.

From on or about 2010 to 2016, ZTE's highest-level management developed, approved, and implemented a company-wide plan that utilized third-party companies to conceal and facilitate ZTE's illegal business with Iran. Members of ZTE's highest-level management were specifically aware of and considered the legal risks of engaging in such activities prior to signing contracts with Iranian customers and supplying U.S.-origin goods to Iran. Essential to the performance of such contracts was ZTE's procurement of and delivery to Iran of U.S.-origin goods.

ZTE's unlawful business activities with Iran were publically disclosed in a media report in 2012. Shortly thereafter, ZTE learned of the U.S. government's investigation into the company's business activities with Iran. ZTE subsequently communicated to the U.S. government that it had wound down and ceased its Iran-related activities. However, ZTE's highest-level leadership decided to surreptitiously resume its Iran-related business in 2013, which it continued until last year, when the Commerce Department suspended the company's export privileges by adding it to the Entity List. Under the direction of its leadership, ZTE deleted evidence and provided the U.S. government with altered information to hide the fact that it had resumed its unlawful business with Iran.

Under the terms of the settlement agreement, ZTE is required to maintain policies and procedures to minimize the risk of any recurrence of U.S. economic sanctions and export control violations in the future.

For the OFAC web posting on this settlement agreement, click [here](#).

