



---

## Case Study 2: Economic Sanctions

- You are a compliance officer based in Paris for the French subsidiary of a U.S.-headquartered company (ABC Corp.) that manufactures high-tech computer equipment.
- One day, you receive a notification through ABC Corp.'s whistleblower hotline purportedly written by a former employee who previously worked at ABC Corp.'s German subsidiary.
- The letter states that the person is writing because ABC Corp. has engaged in a variety of conduct that violates applicable U.S., UK, and EU sanctions.
  - **What steps would you take after receiving this letter?**
- The letter alleges that the French subsidiary sold ABC Corp.'s products to a Turkish distributor and that the distributor subsequently resold the products to:
  - A Russian private company that has a supply relationship with the Red Army; and
  - The daughter of a Russian oligarch targeted by U.S., EU, and UK sanctions; and
  - The Russian subsidiary of a U.S. pharmaceutical company.
  - **Do these allegations give rise to any sanctions concerns?**
- The letter alleges that the French subsidiary's general manager was aware that the Turkish distributor was selling ABC Corp.'s products to Russia.
- Before moving forward with these sales, the French subsidiary's general manager purportedly obtained written approval from:
  - ABC Corp.'s finance director (a Dutch national who works in ABC Corp.'s Chicago office); and
  - the French subsidiary's general manager (a U.S. national who works in ABC Corp.'s London office).
  - **Does the general manager's knowledge present any problems?**
  - **How about the approval of the finance director and the general manager's boss?**
- Finally, the letter states that "it is well known throughout the Company" that ABC Corp.'s restricted party screening system is not effective.
- The letter claims that "senior management" intentionally:
  - set the sensitivity of the restricted party screening to be overly restrictive such that only exact matches register hits due to resource/capacity issues and to reduce "false positive" alerts; and
  - did not include country blocks or other trade sanctions processes to restrict sales to sanctioned countries.
- As a result, the letter claims that ABC Corp.'s EU-based subsidiaries sold products to:
  - customers targeted by U.S./EU/UK sanctions; and
  - customers based in Yemen, Nigeria, Iran, and Haiti.
  - **What are your thoughts regarding ABC Corp.'s restricted party screening process?**
  - **What would you do differently in applying screening processes and/or trade sanctions controls?**