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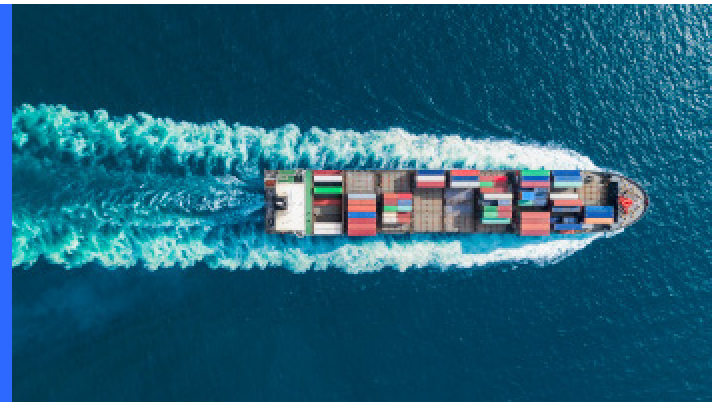

Sanctions & Export Enforcement |
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Antiboycott Compliance Enters a New Enforcement Era: Four 2026 Settlements and What They Mean for Companies Doing Business in the Gulf

We examine the Commerce Department's four 2026 antiboycott settlements and what they reveal about an enforcement program enhanced under the prior administration – and accelerating under the current one.

The last two years have produced the most intensive period of U.S.-Gulf commercial engagement in a generation, with announced trade and investment commitments across the Gulf Cooperation Council states spanning artificial intelligence and data center buildouts, civil and military aviation, energy and critical minerals, advanced manufacturing, and healthcare. At the same time, Gulf sovereign wealth funds have become among the most active foreign investors in U.S. capital markets. As U.S. companies compete for regional tenders, procurement programs, joint ventures, and new investment opportunities, their operational footprint will expand into precisely the jurisdictions where the Arab League boycott of Israel retains commercial expression. Because the U.S. antiboycott regimes attach liability to the receipt of certain requests to participate in unsanctioned foreign boycotts, the same growth that makes the Gulf a strategic priority also increases the risks that can arise from failing to identify reportable boycott requests.

Against this backdrop, the U.S. Commerce Department's Office of Antiboycott Compliance (OAC) has already announced four public settlements in 2026, resolving charges that arose not from deliberate boycott participation, but from routine commercial paperwork, including pre-populated trade show shipping documents and boilerplate purchase order terms containing boycott-related language. Although each respondent voluntarily self-disclosed the conduct, each was nonetheless required to admit its conduct publicly and pay a penalty.

These settlements are the clearest evidence to date that the enforcement program BIS began enhancing in 2022 has outlasted the administration then in place – the reforms announced under the prior administration (including enhanced penalties, mandatory admissions of misconduct, and a public Boycott Requester List) are now being applied, at an accelerating pace, under the current one. For companies doing business in the Gulf, where U.S. commercial engagement is at a generational high and where the Arab League boycott of Israel remains a feature of domestic law, the top takeaway is that antiboycott compliance must remain top-of-mind, not only for compliance and legal departments but also for sales and logistics teams and contract reviewers up and down the organization.

I. Antiboycott Legal Framework in Brief

The United States maintains two separate antiboycott regimes, both enacted in the 1970s in response to the Arab League boycott of Israel and both still in force. They are administered by different agencies on different reporting cycles, and compliance with one does not ensure compliance with the other.

The Commerce regime. Part 760 of the Export Administration Regulations (EAR) applies to "U.S. persons" (a term that reaches foreign subsidiaries controlled by U.S. persons) and prohibits, among other things, refusing to do business with a boycotted country or blacklisted persons, furnishing information about business relationships with them, and implementing letters of credit containing prohibited conditions. Narrow exceptions exist but are construed strictly. Separately, Section 760.5 requires U.S. persons to report, on a calendar quarterly cycle, the receipt of boycott-related requests – whether or not the requests are complied with, and even if the requests are refused outright. Ignorance of the rules is not a defense, and civil penalties can reach the greater of $374,474 per violation or twice the value of the underlying transaction; willful violations may be criminally prosecuted.

The Treasury regime. Section 999 of the Internal Revenue Code denies certain U.S. tax benefits (including the foreign tax credit) to taxpayers that participate in or cooperate with an unsanctioned international boycott and requires annual reporting with a company's annual tax return on Form 5713 of operations in boycotting countries and of any request to participate. Participation in a single transaction presumptively taints all operations in that country unless the taxpayer clearly demonstrates that a particular operation is separate and identifiable. Because the two regimes overlap imperfectly and their filings go to different agencies on different schedules, inconsistencies between a company's boycott request reports and its Form 5713 filings are readily identified – and for many multinationals, the Section 999 financial impact (via loss of certain tax credits) exceeds any penalty OAC is likely to assess.

II. The Four 2026 Settlements

As summarized below, each of the four settlements to-date in 2026 followed a voluntary self-disclosure; each required the respondent to admit the conduct alleged; and each resulted in a public charging letter, settlement agreement, and order.

Thales Defense & Security, Inc. (Case 25-02)

On April 15, 2026, Thales Defense & Security (Thales) entered into a settlement agreement with BIS for three violations of the EAR. On January 31, 2019, Thales furnished to a freight forwarder/logistics provider two items of information concerning its relationship with a boycotted country (Israel) with intent to comply with an unsanctioned foreign boycott in violation of 15 C.F.R. § 760.2(d). Specifically, Thales certified to a UAE entity that "no labor, capital, parts or raw materials of Israeli origin ha[d] been used in the printing, publishing or manufacture of" the goods it was shipping to the UAE and that "none [of the shipping entities] are part or parent companies of firms included on the Israeli boycott blacklist." Additionally, on the same date Thales received a boycott request and failed to report it as required in violation of 15 C.F.R. § 760.5. As part of the settlement, Thales agreed to pay the Department of Commerce $44,750.

Colt's Manufacturing Company LLC (Case 26-01)

On May 18, 2026, Colt's Manufacturing Company LLC (Colt) entered into a settlement agreement with BIS for six violations of the EAR. On three occasions in 2019 – January 31, October 8, and November 15 – Colt furnished to a U.S. trade show logistics provider information concerning its business relationships with a boycotted country (Israel) with intent to comply with an unsanctioned foreign boycott in violation of 15 C.F.R. § 760.2(d). In each instance, Colt employees executed and returned a combined commercial invoice/packing list that the logistics provider had supplied in connection with temporary exports of Colt products for display at the International Defense Exhibition and Conference (IDEX) in the UAE, the Bahrain International Defense Exhibition and Conference (BIDEC) in Bahrain, and the Gulf Defense & Aerospace trade show in Kuwait, certifying that "no labor, capital, parts or raw materials of Israeli origin have been used in the printing, publishing or manufacture of these goods." Additionally, Colt received each of those three templates from the logistics provider and failed to report its receipt of the resulting boycott requests as required in violation of 15 C.F.R. § 760.5. As part of the settlement, Colt admitted the conduct alleged and agreed to pay the Department of Commerce $72,750.

MAAG Gala, Inc. (Case 25-03)

On June 18, 2026, MAAG Gala, Inc. (MAAG) entered into a settlement agreement with BIS for 18 violations of the EAR. Between January 2021 and April 2024, MAAG received 18 purchase orders for spare parts, at primarily low values and totaling approximately $115,000, from a single customer located in Qatar. The terms and conditions of each purchase order included boycott-related language stating either that "Israeli origin goods are not permitted to import into Qatar" or directing the recipient to "[f]ollow Qatar import regulations on restricted, banned and boycotted origin goods." MAAG failed to report its receipt of any of the eighteen requests to BIS as required in violation of 15 C.F.R. § 760.5. Unlike in the three other 2026 resolutions, BIS brought no furnishing charge, and the case did not arise from trade show participation. As part of the settlement, MAAG admitted the conduct alleged and agreed to pay the Department of Commerce $67,500.

The Boeing Company (Case 26-02)

On July 31, 2026, The Boeing Company (Boeing) entered into a settlement agreement with BIS for two violations of the EAR. Between on or about October 28, 2019, and November 1, 2019, Boeing furnished to a U.S. trade show logistics provider two items of information concerning its business relationships with a boycotted country (Israel) with intent to comply with an unsanctioned foreign boycott in violation of 15 C.F.R. § 760.2(d). Specifically, in connection with temporary exports of Boeing models and office supplies for the Dubai Airshow held in the UAE in November 2019, a Boeing employee downloaded from the logistics provider's website, and completed on Boeing's behalf, a combined commercial invoice/packing list template certifying that "no labor, capital, parts or raw materials of Israeli origin have been used in the printing, publishing or manufacture of these goods and [that] none are part or parent companies of firms included on the Israeli Boycott Blacklist." BIS charged the two certifications as separate furnishing violations, and no reporting charge was brought. As part of the settlement, Boeing admitted the conduct alleged and agreed to pay the Department of Commerce $41,000.

Respondent	Order Date	Charges	Boycotting Country	Conduct Period	Penalty
Thales Defense & Security, Inc. (Case 25-02)	Apr. 15, 2026	2 violations of § 760.2(d) (furnishing); 1 violation of § 760.5 (reporting)	UAE	2019	$44,750
Colt's Manufacturing Company LLC (Case 26-01)	May 18, 2026	3 violations of § 760.2(d); 3 violations of § 760.5	UAE, Bahrain, Kuwait	2019	$72,750
MAAG Gala, Inc. (Case 25-03)	June 18, 2026	18 violations of § 760.5	Qatar	2021–2024	$67,500
The Boeing Company (Case 26-02)	July 31, 2026	2 violations of § 760.2(d)	UAE	2019	$41,000

A. Comparing the Facts

Participation in trade shows is a consistent source of antiboycott risk. The Thales, Colt, and Boeing actions each arose from participation in Gulf defense or aerospace trade shows in 2019, where a U.S. trade show logistics provider or freight forwarder supplied a combined commercial invoice/packing list template that was pre-populated with boycott certification language – specifically, certifying that "no labor, capital, parts, or raw materials of Israeli origin ha[d] been used in the printing, publishing or manufacture" of the goods, and that none of the entities involved appeared on the Israeli Boycott Blacklist. Company employees completed and returned the templates. The same fact pattern had already produced a factually similar settlement in 2025 (a $44,750 civil penalty for three violations arising from completing a combined commercial invoice/packing list related to participation in the International Defense Exhibition and Conference held in Abu Dhabi in 2019), confirming that OAC worked this cluster as a related set across two enforcement years.

Civil penalties were imposed regardless of the lack of a commercial sale. The goods at issue were temporary exports for display – one charging letter describes the goods as aircraft models and office supplies for use at a Dubai trade show. In three out of four of the settlements, there was no commercial sale – merely an export of goods and supplies to support trade show participation. And in each of these cases, the value of the underlying goods bore no relationship to the penalty imposed because BIS priced these matters per violation rather than by transaction value.

One document can generate multiple violations. In two of the actions, BIS charged each discrete item of prohibited information within a single document as a separate violation: the "no Israeli origin" certification and the "not on the blacklist" certification counted as two "furnishing of information" violations appearing in the same document. Further, these documents generated *two different kinds* of violations – a reporting violation when the document was received and, separately, furnishing violations when they were executed and returned.

Failure to catch routinized prohibited language can quickly increase the penalty. The MAAG case is an outlier among the four cases because it did not arise from trade show participation and there was no allegation that MAAG furnished information regarding relationships with a boycotted country or blacklisted person. Between January 2021 and April 2024, MAAG received 18 purchase orders for spare parts from a single Qatari customer, for goods with a total value of approximately $115,000 – each carrying boilerplate terms restricting Israeli-origin goods. MAAG did not report any of them. Several elements in this case deserve particular attention. First, the conduct is recent and most of it falls in the post-2022 enforcement era. Second, although the language sat close to the exception for compliance with a boycotting country's import requirements, its receipt itself was reportable, and that alone was sufficient to result in a civil penalty. Finally, the arithmetic is sobering: a $67,500 penalty on roughly $115,000 of aggregate sales (approximately 59 cents of penalty for every dollar of revenue). In other words, a recurring clause in a modest, long-running customer relationship proved more costly for MAAG than a one-time certification on marquee airshow shipment did for Boeing.

B. Penalties Per Violation: An Observable Schedule

BIS has not published a per-violation rate card. But the 2026 settlements – together with a closely related May 2025 settlement – point to an arithmetic pattern:

- **760.2(d) furnishing violations (Category B): $20,500 per violation.**
- **760.5 reporting violations (Category C): $3,750 per violation.**

Applying those figures to the penalty amounts and number of violations in each case reproduces every announced penalty exactly. We offer this as an observed pattern rather than as announced agency policy, and it may reflect the particular posture of these cases – all voluntary self-disclosures, all resolved by settlement, none involving egregious conduct. Applied with appropriate caution, however, it is a useful tool for estimating exposure before deciding whether and how to self-disclose. It also makes two points concrete: furnishing violations are priced at roughly 5.5 times reporting violations; and because penalties scale with the *number* of violations rather than with transaction value, a high-frequency, low-value pattern of conduct can generate greater liability than a single significant transaction – as the MAAG case illustrates.

Finally, and critically: all four respondents self-disclosed, and all four nonetheless received a public charging letter, a mandatory admission of misconduct, and a monetary penalty. While the penalties have remained low compared to other BIS enforcement actions (where eight of this year's nine export enforcement resolutions have had penalties of $1,000,000 or more), the public nature of an antiboycott resolution can have an outsized reputational impact. Under the post-2022 policy, voluntary self-disclosure only mitigates – it does not guarantee confidentiality or a no-action outcome. Accordingly, this calculus should be understood before a voluntary self-disclosure decision is made.

III. <u>An Enforcement Push That Spans Administrations</u>

The 2026 settlements did not emerge from nowhere. Through October 2022 and July 2023, BIS overhauled the antiboycott enforcement program through two policy memoranda and a final rule – reforms announced under the prior administration that provide the framework for what is currently unfolding.

The 2022 reforms. An October 2022 policy memorandum regarding *Enhanced Enforcement of the Antiboycott Rules* enhanced penalties (with BIS beginning its penalty calculus for all Category A violations at the statutory maximum) and marked an end to "no admit / no deny" settlements. The 2022 memorandum also renewed enforcement focus on the conduct of controlled foreign subsidiaries of U.S. parents, emphasizing that such firms should neither agree to nor pass along boycott-related requests to U.S. counterparties. A companion BIS final rule in October 2022 reshuffled the violation categories so that Category B captures the violations that most commonly arise in commercial transactions, including furnishing information about business relationships (§ 760.2(d)), and made those violations the express focus of OAC's enforcement.

The 2023 reporting changes. A July 2023 OAC memorandum, *Strengthening Antiboycott Reporting and Compliance*, further required U.S. persons to identify the specific party from whom a boycott-related request was received, an innovation on the longstanding reporting form. For decades previously, only the disclosure of the boycott-related request itself and its country of origin was required. Identification of the boycott "requester" now serves as the engine behind the quarterly Boycott Requester List that BIS began publishing in March 2024. BIS also worked with government offices responsible for public procurement to publish antiboycott policy statements on U.S. government contracting websites, OAM and SAM.gov, framing antiboycott compliance as a contracting responsibility for U.S. Government contractors.

Acceleration under the current administration. The current administration has not merely maintained these developments; it has put them to work in practice. Five public enforcement actions have been issued so far since January 20, 2025. Each furnishing charge was brought under § 760.2(d), the paradigmatic Category B violation: BIS previously identified where it would focus its enforcement, and that is where it has in fact looked. Each settlement carried a mandatory admission of misconduct, creating a public factual record precedent from which other actors and companies are expected to learn. Finally, the Boycott Requester List is functioning as designed – both as notice to U.S. persons of counterparties likely to generate reportable requests and as a lever on requesters themselves, with BIS removing entities that certify they have ceased making boycott-related requests. At the same time, however, BIS has stopped publishing updated iterations of the list quarterly as it originally promised, with updates coming annually since the new administration. Perhaps to level-set expectations, BIS now promises only that the list will be updated "periodically."

IV. <u>Compliance Program Takeaways</u>

Risk lives in third-party paperwork, not only in negotiated contracts. Not one of the 2025 or 2026 cases involved a term that in-house counsel negotiated. The offending language arrived in a forwarder's template invoice or a customer's standard purchase order terms – i.e., documents that may never reach the legal department. Companies are expected to extend compliance review to third-party-supplied transactional documents, including commercial invoices, packing lists, certificates of origin, shipping instructions and bills of lading, letters of credit and documentary collections, tender and pre-qualification packages, and purchase order terms and conditions. Practical measures include automated keyword screening (for example, "Israeli origin," "blacklist," "boycott," "banned origin," "eligible to enter the ports of"), standing instructions that logistics providers may not complete or submit shipping documentation on the company's behalf without review, and contractual representations from forwarders, brokers, and exhibition agents. Logistics and freight forwarding companies should note if they are themselves U.S. persons subject to Part 760 – distributing a boycott-laden template is not a commercially neutral act. Financial institutions should ensure that trade finance and documentary credit teams screen instrument terms before implementation.

Treat reporting as a standalone program, because that is where violations often accumulate. The reporting obligation is triggered by receipt, runs on a fixed quarterly clock under the Commerce Department rules, and applies even where the company refuses the request outright. It is also where volume builds: 18 reporting failures can produce a penalty larger than two or three furnishing violations, even though reporting failures are considered third-tier ("Category C") violations. Companies should establish a defined intake and escalation channel for boycott-related requests and train the functions that actually receive them – sales, order management, logistics, accounts receivable, trade finance, and tender or bid teams – rather than only the trade compliance group. Legal and compliance must closely track quarterly filing deadlines. Because a request that is reportable but not prohibited is easy to overlook, the intake process should be triggered by boycott *language*, not by a determination that the language is unlawful.

Screen against the Requester List and reconcile Commerce with Treasury. The quarterly Boycott Requester List should be run against the customer, supplier, and counterparty base as a matter of routine – not to restrict dealings, which it does not require, but to identify in advance which relationships are likely to generate reportable requests. Separately, companies should confirm that relevant facts (such as geographic scope of operations) are reflected consistently in their Section 760.5 reports and their Form 5713 filings, while accommodating different reporting requirements and exemptions across the two regimes. The two regimes ask overlapping but non-identical questions; they are answered by different functions that often do not speak to one another. Legal and compliance teams can serve an important role by ensuring that information collected for the purpose of complying with the Commerce Department antiboycott rules is accurately relayed and appropriately tailored to the Treasury Department reporting requirements.

Gibson Dunn's International Trade Advisory & Enforcement practice group is closely monitoring antiboycott developments and advises clients across the manufacturing, defense, financial services, technology, and logistics sectors on the full range of U.S. antiboycott issues under both the Commerce and Treasury regimes, including assessing antiboycott compliance programs, evaluating potential self-disclosures, and responding to agency inquiries. Should you have any questions regarding these issues, please do not hesitate to contact us.

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Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these issues. For additional information about how we may assist you, please contact the Gibson Dunn lawyer with whom you usually work, the authors, or the following leaders and members of the firm' Sanctions & Export Enforcement or International Trade Advisory & Enforcement practice groups:

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