

SETTLEMENT AGREEMENT

This settlement agreement (the Agreement) is made by and between the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and Société Générale S.A. ("Respondent", or "SG").

I. PARTIES

1. OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and persons engaged in activities related to the proliferation of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

2. SG is a bank organized under the laws of France and headquartered in Paris, France.

II. APPARENT VIOLATIONS

3. OFAC conducted an investigation of SG in connection with more than a thousand transactions processed to or through the United States or involving a U.S. financial institutions in apparent violation of the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (CACR); the Sudanese Sanctions Regulations, 31 C.F.R. Part 538 (SSR); and the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR).¹

4. OFAC determined that SG did voluntarily self-disclose the Apparent Violations and that the Apparent Violations constitute an egregious case.

III. FACTUAL STATEMENT

5. For at least five years up to and including 2012, SG, through its headquarters and various branches, processed 1,077 U.S. Dollar (USD) transactions totaling \$5,560,452,994.36 that appear to have violated the following sanctions programs: the Cuban Assets Control Regulations, 31 C.F.R. Part 515 (CACR); the Sudanese Sanctions Regulations, 31 C.F.R. Part 538 (SSR); and the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR). Although SG implemented a sanctions-compliance program, including several group-wide sanctions policies and trainings prior to and during this time period, SG nonetheless processed transactions to or through the United States or U.S. financial institutions that involved countries or persons (individuals and entities) subject to the sanctions programs administered by OFAC (collectively, "OFAC-sanctioned parties"). SG's review revealed that the bank processed certain transactions in a non-transparent manner that removed, omitted, obscured, or otherwise failed to include references to OFAC-sanctioned parties in the information sent to the U.S. financial institutions that were involved in the transactions.

¹ On October 22, 2012, OFAC changed the heading of 31 C.F.R. Part 560 from the Iranian Transactions Regulations to the ITSR, amended the renamed ITSR, and reissued them in their entirety. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). For the sake of clarity, all references herein to the ITSR shall mean the regulations in 31 C.F.R. Part 560 in effect at the time of the activity, regardless of whether such activity occurred before or after the regulations were renamed.

6. On May 16, 2012, SG notified OFAC of certain USD transactions that the Paris Rive Gauche Enterprises (PRGE) branch of SG's retail banking division in France, Banque de Détail en France (BDDF), originated on behalf of an entity ("Sudanese Entity"), a company majority owned by the Government of Sudan. On February 11, 2013, SG submitted a voluntary self-disclosure to OFAC presenting the results of its review of these Sudanese Entity transactions during the five-year review period between May 1, 2007 and May 1, 2012. The February 11, 2013 disclosure also identified other potential issues relating to Iran, Sudan, and Cuba. Following this initial review, SG expanded the review to include client relationships with sanctioned parties at six BDDF large corporate branches and sanctioned bank correspondent accounts maintained by BDDF's correspondent banking division, for the period of May 1, 2007 to February 28, 2013, as well as the Iran, Sudan, and Cuba issues identified in the initial review.

7. In early 2014, following several exchanges between external counsel and OFAC (as well as other investigating agencies), SG agreed to an expanded scope of review to cover USD transactions processed by the in-scope business lines from January 1, 2003 to December 31, 2013, as well as the bank's historical sanctions-related policies and procedures and relevant communications and documents in that period. SG agreed that the review would cover all USD transactions within: (1) BDDF's six large corporate branches and international private clients branch; (2) the Bank's correspondent banking business; and (3) the Global Finance (GLFI) division of SG's Corporate and Investment Bank (SG CIB) at the following locations: Paris, Australia, Canada, Japan, and Singapore. In addition to a global sanctions review for those business lines, the bank conducted interviews of current and former employees at key positions within each business line.

8. Throughout its review, SG provided OFAC with multiple document productions, disclosures and related addendums, and responses to requests for information. SG also reported the results of its review to OFAC and other investigating agencies in a series of meetings and presentations between 2012 and 2017. In its submissions, SG disclosed certain transactions that raise permissibility issues, namely transactions that were both subject to U.S. jurisdiction for purposes of the relevant OFAC sanctions regulations and involved an OFAC-sanctioned party, where SG was unable to identify a contemporaneous exemption, general license, or specific license under the relevant OFAC sanctions regulations that would have exempted or authorized the payment.

9. SG's review revealed that certain business lines of SG processed non-transparent payments involving the removal, omission, obscurement, or failure to include references to sanctioned parties in transactions processed to or through the United States or U.S. financial institutions. SG also had documented procedures on how to omit sanctioned parties on payment instructions destined for or transiting the United States. While some of the conduct that led to the apparent violations is specific to a particular branch and/or business line of SG (as described in detail below), several components of SG appear to have engaged in similar conduct that resulted in apparent violation of, rather than compliance with, OFAC sanctions regulations. In addition, while SG implemented sanctions compliance measures prior to and during the review period, several units of SG did not receive guidance at the time and continued to process transactions in apparent violation of OFAC sanctions.

10. At various points in 2003 and 2004, certain SG personnel circulated procedures for processing payments for parties located in embargoed countries by omitting the parties' names from the payment messages sent to U.S. financial institutions. In November 2003, a member of the Treasury Desk and Money Market Back Office (MMBO) within SG CIB received a memo entitled

“Scheme for international settlement with countries under USD embargo,” which described how to process different transactions for customers located in embargoed countries. .

11. Beginning in mid-2004, various units within SG began undertaking a number of efforts to improve sanctions compliance at the bank, partly in response to certain U.S. government enforcement actions against non-U.S. banks for sanctions-related violations, and years before several other significant enforcement actions against non-U.S. banks. SG’s compliance efforts included providing trainings, circulating compliance messages, and updating policies and procedures. Despite these efforts, certain SG personnel continued to process transactions in violation of the applicable OFAC sanctions, including by removing references to OFAC-sanctioned parties in the payment instructions sent to U.S. financial institutions.

12. SG’s PRGE branch originated a number of payments on behalf of the Sudanese Entity. In particular, from at least May 2, 2007 through November 27, 2008, SG’s PRGE branch originated SWIFT payment messages for the Sudanese Entity that used the company’s French mailing address, rather than the Sudanese physical address in BDDF’s client database. Because the messages did not contain references to any OFAC-sanctioned country or party, they were not flagged by BDDF’s automated OFAC interdiction filter for review.

13. From December 4, 2008 through January 16, 2009, BDDF’s payment message system automatically populated seven payment messages with the Sudanese Entity’s Sudanese address, after someone at the PRGE branch’s Middle Office had flagged in the database that mail sent to the Sudanese Entity’s French address had been returned as undeliverable. BDDF’s automated OFAC interdiction filter stopped all seven payments for review, and, at the direction of a senior member of the PRGE branch’s Back Office, Back Office employees at the PRGE branch manually resubmitted four payments to change the Sudanese Entity’s Sudanese address to the company’s French address.

14. On December 4, 2008, after a first payment was automatically populated with the Sudanese Entity’s Sudanese address, PRGE branch Middle Office personnel changed the Sudanese Entity’s address in the client database back to the French address. On December 29, 2008, a PRGE branch Middle Office employee again changed the Sudanese Entity’s physical address in the client database back to the Sudanese address. As a result, seven payments originated between December 4, 2008 and January 16, 2009 used the Sudanese address and triggered alerts in BDDF’s automated OFAC interdiction filter. According to the bank, two of the messages were released “mistakenly” by the filter operators, and then rejected by a U.S. branch of a foreign financial institution, and one of which was subsequently resubmitted by a PRGE branch Back Office employee with the Sudanese Entity’s French address. PRGE branch Back Office employees resubmitted three additional payments between December 4, 2008 and January 8, 2009 after removing the Sudanese Entity’s Sudanese address and replacing it with the Sudanese Entity’s French address. Employees gave conflicting accounts as to why this was done, although one employee on the BDDF filter monitoring team speculated it was done to avoid the OFAC interdiction filter.

15. Since at least July 9, 2007 until October 26, 2010, SG Paris’ Natural Resources and Energy Financing Department under GLFI (a unit within SG CIB) participated with other banks in numerous credit facilities (corporate loans) that involved Cuban parties, directly or indirectly, and were designed to finance various Cuba-related activities (including the import, storage, and refinement of crude oil in Cuba; the storage and export of refined oil products in Cuba; the repayment of debt obligations involving Cuba; the production and export of Cuban nickel; and tax-related facilities). The

facilities involved numerous term and revolving loans that were processed in USD and Euro ("EUR"). A single Dutch corporate entity acted as the borrower for one credit facility (CF1) and secured its financing by using crude and refined oil stored at an oil refinery in Havana, Cuba as collateral. A second Dutch corporate entity secured pre-financing through a second credit facility (CF3) for the production and export of Cuban-origin nickel, while two other credit facilities (CF8 and CF9) were tax-related facilities between SG and Cuban Bank 1 (CB1). Since at least July 9, 2007, SG cleared a number of transactions pursuant to these four credit facilities (CF1, CF3, CF8, and CF9) through the United States, including through the bank's own U.S.-based branch in New York (SGNY). These transactions include two-part foreign exchange (FX) transactions where USD FX transactions corresponded specifically with EUR payments on a one-for-one basis.

16. Between November 20, 2008 and December 6, 2010, SG processed 30 transactions through financial institutions located in the United States pursuant to credit facilities that were designed to finance various Iran-related activities and/or provide credit to Iranian parties ("Iran-related credit facilities"). SG processed these transactions after November 10, 2008, when OFAC revoked a general license in the ITSR that had previously authorized U.S. depository institutions to process so-called "U-turn" transfers related to Iran.

17. On November 20, 2008, the parties involved in one of the Iran-related credit facilities agreed to receive payments related to credit facility in EUR, pursuant to a Memorandum of Understanding (MOU). After signing the MOU and upon receipt of facility repayments in EUR, SG Tokyo processed a number of one-for-one EUR to USD FX transactions and routed the settlement of each USD leg to or through the United States.

18. On December 9, 2008, SGNY rejected a \$1.4 million payment from a German bank relating to another Iran-related credit facility that included a reference to an Iranian entity in the SWIFT message, after SGNY claimed that its compliance department conferred with OFAC on the payment; SGNY subsequently received an identical payment amount from the same bank.

19. On January 23, 2009, SG sought guidance about the permissibility of transactions involving several Iranian credit facilities from external legal counsel in the United States, which advised that any handling by a U.S. person of payments made by Iranian borrowers would be prohibited by the ITSR. The bank stopped processing transactions relating to the Iranian credit facilities after receiving this explicit advice from outside counsel.

As a result of the activities described above:

20. Between July 9, 2007 and March 19, 2012, SG Paris processed approximately 251 payments totaling \$22,486,039.61 on behalf of the Sudanese Entity to or through financial institutions in the United States, in apparent violation of § 538.205 of the SSR, which prohibited the exportation or reexportation, directly or indirectly, to Sudan of any services from the United States or by a U.S. person.

21. Between November 20, 2008 and December 6, 2010, SG processed 30 transactions totaling \$34,152,962.50 to or through financial institutions in the United States pursuant to several Iran-related credit facilities, in apparent violation of § 560.204 of the ITSR, which prohibits the direct or indirect exportation of services to Iran from the United States or by a U.S. person.

22. Between July 11, 2007 and October 22, 2010, SG processed 753 USD funds transfers pursuant to CF1 totaling \$5,496,607,042.65 that transited the U.S. financial system, in apparent violation of § 515.201 of the CACR, which prohibits dealing in property in which Cuba has an interest.

23. Between August 6, 2007 and January 7, 2008, SG processed six USD funds transfers pursuant to CF3 totaling \$1,335,309.41 that transited through the U.S. financial system, in apparent violation of § 515.201 of the CACR, which prohibits dealing in property in which Cuba has an interest.

24. Between July 11, 2007 and January 15, 2009, SG processed 31 USD funds transfers pursuant to CF8 totaling \$5,808,210.80 that transited through SGNY and the U.S. financial system, in apparent violation of § 515.201 of the CACR, which prohibits dealing in property in which Cuba has an interest.

25. Between July 12, 2007 and October 11, 2007, SG processed six USD funds transfers pursuant to CF9 totaling \$63,429.39 that transited the U.S. financial system, in apparent violation of § 515.201 of the CACR, which prohibits dealing in property in which Cuba has an interest.

26. Moreover, SG cooperated with OFAC's investigation into these apparent violations by expending a significant amount of resources to investigate the associated conduct. SG produced the requisite documentation to OFAC and the other investigating agencies. The institution responded to numerous follow-up requests from OFAC and the other investigative agencies in a timely and efficient manner. The bank executed statute of limitations tolling agreements with OFAC, and extended the tolling period on multiple occasions.

27. OFAC did not issue a penalty notice or Finding of Violation against SG in the five years preceding the earliest date of the transactions giving rise to the apparent violations.

(The transactions described in paragraphs 20-25 above are collectively referred to hereafter as the "Apparent Violations.")

IV. TERMS OF SETTLEMENT

OFAC and Respondent agree as follows:

28. Respondent has terminated the conduct outlined in paragraphs 3-25 above and has established, and agrees to maintain, policies and procedures that prohibit, and are designed to minimize the risk of the recurrence of, similar conduct in the future.

29. Respondent has implemented a number of remedial measures to prevent violations like the apparent violations described above. Specifically:

- a. In February 2009, SG consolidated its sanctions compliance measures and created Group Sanctions Compliance, a centralized and independent sanctions compliance function. At the direction of SG's senior management, Group Sanctions Compliance has continued to implement enhancements at both the group level and within the business lines that were subject to the review.

- b. Between 2009 and 2017, SG increased the number of Group Sanctions Compliance personnel from one employee in 2009 to a robust and centralized Group Sanctions Compliance staff in 2017, and has more than tripled its compliance budget during that time.
- c. As part of its ongoing expansion of Group Sanctions Compliance, SG has clearly outlined and delineated more focused roles for its sanctions compliance personnel. SG has reorganized its reporting lines and enhanced its escalation, information sharing, and reporting procedures. In addition, SG created Heads of Compliance within each business line with separate reporting lines directly to Group Compliance, which now has a direct reporting line to SG's senior management.
- d. SG also enhanced its Know Your Customer (KYC), Customer Due Diligence (CDD), and sanctions screening controls in order to identify customers that experience heightened exposure to both direct and indirect sanctions risk, including customers of the bank's GLFI and Trade Finance business lines.
- e. Finally, SG has implemented a more comprehensive training regime for employees across the group and various business lines, including a group-wide general training program. Group Sanctions Compliance has also developed targeted, in-person training for employees in business lines with a higher risk of exposure to sanctions-related transactions.

30. Respondent agrees to provide OFAC with copies of all submissions to the Board of Governors of the Federal Reserve System (the "Board of Governors") in the same form provided to the Board of Governors pursuant to the "Order to Cease and Desist Issued upon Consent Pursuant to the Board of Governors (Docket Nos. 18-031-B-FB, 18-031-CMP-FB) relating to the OFAC compliance review, subject to receiving the required approvals and consents from the Board of Governors.

31. In consideration of the undertakings of Respondent in paragraph 32 below, OFAC agrees to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations, as described in paragraphs 20-25, arising under the legal authorities that OFAC administers.

32. In consideration of the undertakings of OFAC in paragraph 31 above, Respondent agrees:

- A. Within fifteen (15) days of the date Respondent receives the unsigned copy of this Agreement, to:
 - (i) sign, date, and mail an original signed copy of this Agreement to the Office of Foreign Assets Control, U.S. Department of the Treasury, Attn: Alexandre Manfull, Sanctions Compliance and Evaluation Division, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Respondent should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Respondent mailed the signed Agreement to OFAC; and

(ii) pay to the U.S. Department of the Treasury the amount of **\$53,966,916.05**. Respondent's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing **COMPL-2014-206959**. Respondent must either: (1) indicate payment by electronic funds transfer, by checking the box on the signature page of this Agreement; or (2) enclose payment by cashier's or certified check or money order together with the signed original Agreement to be returned to OFAC at the address in paragraph A(i) above.

B. To waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.

33. Should OFAC determine, in the reasonable exercise of its discretion, that Respondent has materially breached its obligations under paragraph 28 above, OFAC shall provide written notice to Respondent of the alleged breach and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to demonstrate that no material breach has occurred or that any breach has been cured. In the event OFAC determines that a material breach of this Agreement has occurred, OFAC will provide notice to Respondent of its determination, the statute of limitations applying to the Apparent Violations shall be deemed tolled until a date 180 days following Respondent's receipt of notice of OFAC's determination that a breach of this Agreement has occurred.

34. This Agreement shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations, or constitute an admission or denial by Respondent of any allegation made or implied by OFAC in connection with this matter.

35. This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.

36. OFAC may, in its sole discretion, on its Web site or otherwise, post this Agreement and/or a public statement about the facts of this Agreement, including the identity of any entity involved, the settlement amount, and a brief description of the Apparent Violations.

37. This Agreement consists of eight pages and expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's civil penalty matter involving the Apparent Violations. No other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.

38. This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

39. To the extent SG's compliance with this Agreement requires it, SG agrees to use best efforts to ensure that its majority-owned and controlled affiliates comply with the requirements and

obligations set forth in this Agreement, to the fullest extent permissible under locally applicable laws and regulations and the instructions of local regulatory agencies.

Respondent accepts the terms of this Settlement Agreement this 19 day of NOVEMBER, 2018.

Signature



Dominique Bourrinet
Group General Counsel
Société Générale S.A.

- Please check this box if you have not enclosed payment with this Agreement and will instead be paying or have paid by electronic funds transfer (see paragraph 32(A)(ii) and the electronic funds transfer instructions enclosed with this Agreement).

Date: Nov. 19, 2018



Andrea Gacki
Director
Office of Foreign Assets Control