



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

SETTLEMENT AGREEMENT

This settlement agreement (the “Settlement Agreement”) with respect to ENF ██████ is made by and between the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and SCG Plastics Co., Ltd. (“SCG Plastics”).

I. PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators 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.

SCG Plastics is a trading company headquartered in Bangkok, Thailand that purchased, marketed, and sold plastic resin products manufactured by subsidiaries and affiliates of its parent company, SCG Chemicals Co., Ltd. (“SCG Chemicals”). SCG Plastics is currently in the process of liquidation under the laws of Thailand.

Thai Polyethylene Co., Ltd. (“TPE”) is a subsidiary of SCG Chemicals based in Thailand. In January 2022, SCG Plastics transferred all of its assets and existing liabilities to TPE for approximately \$12.9 million. Following this entire business transfer in January 2022, all of these assets—including employees and sales activities—of SCG Plastics now reside at TPE. To help prevent any future violations of U.S. sanctions, and in furtherance of a settlement with OFAC addressing SCG Plastics’ apparent violations of U.S. sanctions, TPE is agreeing to a set of sanctions compliance commitments pursuant to a separate agreement with OFAC (the “Compliance Agreement”).

II. APPARENT VIOLATIONS

Between April 3, 2017 and November 27, 2018, OFAC determined that SCG Plastics caused U.S. correspondent banks to process 467 U.S. dollar-denominated wire transfers totaling approximately \$291 million related to sales of Iranian-origin high-density polyethylene resin (“HDPE”), a strong polyethylene resin common in many injection-molded plastic parts. The HDPE was manufactured by Mehr Petrochemical Company (“MHPC”), a joint venture in Iran in which SCG Plastics’ parent company, SCG Chemicals, two other unaffiliated companies, and the National Petrochemical Company of Iran (“NPC”) had ownership interests.

These 467 transactions consisted of two general categories. In the first category, SCG Plastics engaged in 457 transactions in which it received U.S. dollar payments processed by U.S. correspondent banks from its customers for sales of Iranian-origin HDPE manufactured by MHPC. The total value of these transactions is \$289,345,761.22. In the second category, SCG Plastics engaged in 10 transactions where it initiated U.S. dollar wire transfers on behalf of

MHPC to pay for MHPC's outstanding debts to third-party vendors. The total value of these transactions is \$1,808,357.06.

Through these transactions, OFAC determined that SCG Plastics apparently committed 467 violations (the "Apparent Violations") of § 560.203(a) of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR), by causing U.S. financial institutions to engage in unauthorized financial transactions related to sales of Iranian-origin goods, in apparent violation of §§ 560.204, 560.206, and 560.208 of the ITSR. OFAC determined that SCG Plastics voluntarily self-disclosed the 10 apparent violations from the second category of transactions, but that SCG Plastics did not voluntarily self-disclose the 457 transactions from the first category of transactions. OFAC determined that all 467 violations constitute egregious violations.

III. FACTUAL STATEMENT

Establishment of Mehr Petrochemical Company

In March 2005, SCG Chemicals and two other unaffiliated companies established a Singaporean company, Alliance Petrochemicals Investment (Singapore) Pte Ltd. ("API"), to enter into a joint venture with NPC to establish MHPC to construct and operate a petrochemical plant in Assaluyeh, Iran, a port city located in the Pars Special Energy Economic Zone ("PSEEZ"). The MHPC petrochemical plant has the capacity to produce approximately 300,000 metric tons of HDPE annually.

Under the above arrangement, SCG Plastics was assigned to be the distributor of 60 percent of MHPC's output of Iranian-origin HDPE. MHPC began to produce HDPE sometime in 2009, and SCG Plastics began to purchase HDPE from MHPC for resale to its customers in July 2009.

Obfuscation of Iran in Shipping and Payment Documents

SCG Plastics regularly received U.S. dollar-denominated payments for the Iranian-origin HDPE produced by MHPC that SCG Plastics resold to its customers. To receive such payments, SCG Plastics employed shipping and documentation practices that obfuscated the fact that the HDPE it sold was a product of Iran, thereby evading detection by U.S. correspondent banks that processed these transactions. An informal "Working Team" comprised of SCG Plastics' sales, customer service, freight, finance, and accounting personnel oversaw these processes. These practices obfuscated Iranian parties' involvement in the transactions, thereby causing U.S. financial institutions to process these payments to third-party vendors.

In particular, SCG Plastics repeatedly issued shipping and payment documents (such as export pro forma invoices) that replaced "Iran" as the country of origin with variants of the term "Middle East," even though the country of origin for the goods was Iran. Similarly, the export pro forma invoices that SCG Plastics issued to its customers listed the loading port as "any port in the Middle East" or "Jebel Ali, UAE," without any mention of Iranian ports where the HDPE would have been loaded. SCG Plastics also routinely sent final commercial invoices to its customers that listed the shipment as being from Jebel Ali, UAE and also listed the "origin" as "Middle East."

Further, SCG Plastics transshipped the HDPE through the UAE. Once the cargo arrived in the UAE, under direction from SCG Plastics, SCG Plastics' shipping agent issued an ocean bill of lading and corresponding shipping documents indicating Jebel Ali, UAE as the port of loading for the HDPE.

Additionally, in those instances where SCG Plastics paid off debts owed by MHPC in U.S. dollars to its third-party vendors in exchange for HDPE produced by MHPC, SCG Plastics failed to provide information to the financial institutions involved in the transactions indicating the payments were on behalf of MHPC. The payment instructions provided by SCG Plastics misleadingly stated the payments were for "payment for goods," even though SCG Plastics had not purchased goods from these vendors.

Termination of SCG Plastics' Distribution of Iranian-origin HDPE

In July 2018, after the United States announced that it was withdrawing from the Joint Comprehensive Plan of Action ("JCPOA"), SCG Chemicals sold its interest in API (and, as a result, its indirect interest in MHPC) to a Hong Kong company. At this point, SCG Plastics ended its sales of Iranian-origin HDPE.

IV. TERMS OF SETTLEMENT

OFAC and SCG Plastics agree as follows:

1. In consideration of the undertakings of SCG Plastics in paragraph 2 of the Settlement Agreement below and the undertakings of TPE in paragraph 2 of its Compliance Agreement with OFAC, dated the 14th day of February, 2024, OFAC agrees to release and forever discharge SCG Plastics, without any finding of fault, from any and all civil liability in connection with the Apparent Violations arising under the legal authorities that OFAC administers.
2. In consideration of the undertakings of OFAC in paragraph 1 above, SCG Plastics agrees and represents:
 - A. SCG Plastics is in the process of liquidation under the laws of Thailand and will not engage in further business activities after the execution of this Settlement Agreement other than those necessary and required, or ordinary and incident under Thai law to complete its orderly process of liquidation.
 - B. Within ninety (90) days of the date that both SCG Plastics and OFAC sign this Settlement Agreement, SCG Plastics will pay or arrange for the payment by another payor or payors to make payment on its behalf to the U.S. Department of the Treasury the amount of **\$20,000,000**. This payment must be made either by electronic funds transfer in accordance with the enclosed instructions, or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing ENF [REDACTED]

- C. SCG Plastics will waive (i) any claim by or on behalf of SCG Plastics, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Settlement Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Settlement Agreement at any future date.
3. Should OFAC determine, in the reasonable exercise of its discretion, that SCG Plastics has made any material misrepresentations or materially breached its obligations under paragraph 2 above, OFAC will provide notice to SCG Plastics of its determination and whether OFAC is re-opening its investigation. The statute of limitations applying to the Apparent Violations shall be deemed tolled until a date 180 days following SCG Plastics' receipt of notice of OFAC's determination that a breach of, or misrepresentation in, this Settlement Agreement has occurred.
 4. This Settlement Agreement does not constitute a final agency determination that a violation has occurred and shall not in any way be construed as an admission by SCG Plastics that SCG Plastics engaged in the Apparent Violations.
 5. This Settlement Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil monetary penalties, with respect to any activities by SCG Plastics or TPE other than those set forth in the Apparent Violations.
 6. OFAC may, in its sole discretion, post on OFAC's website this entire Settlement Agreement and/or issue a public statement about the factors of this Settlement Agreement, including the identity of any entities involved, the settlement amount, and a brief description of the Apparent Violations.
 7. This Settlement Agreement consists of five (5) pages and expresses the complete understanding of OFAC and SCG Plastics regarding resolution of OFAC's enforcement matter involving the Apparent Violations. Other than the separate Compliance Agreement with TPE, no other agreements, oral or written, exist between OFAC and SCG Plastics or its affiliates regarding resolution of this matter.
 8. This Settlement Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

ENF [REDACTED]

SCG Plastics accepts the terms of this Settlement Agreement on this 14th day of February, 2024.

Rm.

Signature

Ramida Boonyarat palin

Printed Name of SCG Plastics' Duly Authorized Representative

Liquidator

Printed Title of SCG Plastics' Duly Authorized Representative

Date: _____

Bradley T. Smith

Digitally signed by Bradley T. Smith
Date: 2024.02.14 16:54:31 -05'00'

Bradley T. Smith
Director
Office of Foreign Assets Control