



**U.S. DEPARTMENT OF THE TREASURY
OFFICE OF FOREIGN ASSETS CONTROL**



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SCG Plastics Co., Ltd. Settles with OFAC for \$20,000,000 for Apparent Violations of the Iranian Transactions and Sanctions Regulations

SCG Plastics Co., Ltd. (“SCG Plastics”), part of a multinational enterprise headquartered in Bangkok, Thailand that sells plastic resins, has agreed to pay \$20,000,000 to settle its potential civil liability for 467 apparent violations of OFAC sanctions on Iran. From 2017 to 2018, SCG Plastics caused U.S. financial institutions to process \$291 million in wire transfers for sales of Iranian-origin high-density polyethylene resin (HDPE) manufactured by a joint venture in Iran owned by, among others, SCG Plastics’ parent company and the National Petrochemical Company of Iran (“NPC”), an entity that is part of the Government of Iran. HDPE is a strong resin commonly used to manufacture a wide variety of injection-molded plastics, including food and beverage containers, shampoo and cleaning product bottles, and other industrial items. During the same timeframe that SCG Plastics received these wire transfer payments for Iranian-origin HDPE, it also initiated U.S. dollar wire transfer transactions on behalf of this Iranian-based joint venture to pay the joint venture’s outstanding debts to third-party vendors.

SCG Plastics employed certain shipping and documentation practices that obfuscated the product’s Iranian origin and Iranian parties’ involvement, which caused U.S. financial institutions to process these wire transfers in violation of OFAC’s sanctions on Iran. As a result of these transactions, significant economic benefits were conferred to Iran’s petrochemical sector, a major source of revenue generation for the Iranian regime.

In January 2022, SCG Plastics transferred all of its assets and existing liabilities to Thai Polyethylene Co., Ltd. (“TPE”), a subsidiary of SCG Plastics’ parent company, that is based in Thailand. Accordingly, following this entire business transfer, SCG Plastics is no longer an operating business. In connection with SCG Plastics’ settlement agreement with OFAC, TPE has also entered into an independent agreement with OFAC to maintain U.S. sanctions compliance commitments for five years. The \$20,000,000 settlement amount with SCG Plastics reflects OFAC’s determination that SCG Plastics’ apparent violations were egregious and, with the exception of ten transactions, were not voluntarily self-disclosed. This enforcement action demonstrates OFAC’s intent to impose significant penalties on non-U.S. companies that obfuscate the involvement of sanctioned persons or jurisdictions in shipping or payment documentation so that U.S. financial institutions process those financial transactions.

Description of the Apparent Violations

In March 2005, SCG Chemicals Co., Ltd. (“SCG Chemicals”), the parent company of SCG Plastics, and two other unaffiliated companies, established a Singaporean company for the purpose of entering into a joint venture with NPC. This joint venture, called Mehr Petrochemical Company

("Mehr"),¹ constructed a petrochemical plant in Assaluyeh, Iran, which began production in 2009 and has the capacity to produce approximately 300,000 metric tons of HDPE annually.

SCG Plastics, was a trading company that purchased, marketed, and sold plastic resin products manufactured by affiliates of SCG Chemicals, including Mehr. SCG Plastics' customers for the Iranian-origin HDPE produced by Mehr generally were manufacturers in East Asia that purchased bulk plastic resins for the manufacture of plastic goods. Consistent with its performance obligations under a 2006 distribution agreement, SCG Plastics purchased and resold 60 percent of Mehr's output of Iranian-origin HDPE to its customers from 2009 to July 2018, with a year-long pause from 2013 to 2014.

To receive payment for the Iranian-origin HDPE that it sold, SCG Plastics regularly issued invoices to its customers that instructed them to remit U.S. dollar-denominated payments into SCG Plastics' bank accounts in Thailand. These U.S. dollar-denominated payments were processed by U.S. financial institutions acting in their capacity as correspondent banks.

To effectuate these 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. These practices, which were inconsistent with industry-standard shipping documentary practices, are hallmarks of deceptive practices that OFAC has previously found to be used by persons to obscure Iranian involvement to engage in prohibited transactions.

Specifically, SCG Plastics repeatedly issued shipping and payment documents that listed variants of the term "Middle East" as the country of origin rather than "Iran," even though the country of origin for the goods was Iran. This practice was reflected in the export pro forma invoices that SCG Plastics issued to its customers that listed the loading port as "any port in the Middle East" or "Jebel Ali, UAE," without any mention of the Iranian loading port, Assaluyeh. Further, SCG Plastics routinely sent final commercial invoices to its customers omitting the Iranian nexus by listing shipments as being from Jebel Ali, UAE and entering "Middle East" as the HDPE's country of origin. SCG Plastics also transhipped the Iranian-origin HDPE it resold to its customers 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 instead of Iran.

Separately, on at least ten occasions, SCG Plastics paid debts owed by Mehr in U.S. dollars to Mehr's third-party vendors in exchange for HDPE produced by Mehr. In doing so, SCG enabled Mehr to access the international financial system and engage in commercial trade by not providing accurate information to the financial institutions involved in the transactions that would have indicated that the payments were on behalf of Mehr, an Iranian entity. Moreover, 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. Some of these

¹ On March 9, 2023—after SCG Plastics' conduct with Mehr had ceased in 2018—OFAC designated Mehr and added it to OFAC's Specially Designated Nationals and Blocked Person List for being part of "a significant 'shadow banking' network, one of several multi-jurisdictional illicit finance systems which grant sanctioned Iranian entities ... access to the international financial system and obfuscate their trade with foreign customers." See [Treasury Targets Sanctions Evasion Network Moving Billions for Iranian Regime](#), March 9, 2023.

third-party vendors to which Mehr owed debts were Iranian, while others were from third countries. Where the invoicing vendors were Iranian companies, Mehr instructed SCG Plastics to pay to bank accounts held under other non-Iranian companies' names in countries other than Iran, further obfuscating Iranian parties' roles in these transactions and aiding Iran's furtive attempts to engage in trade intermediated by U.S. financial institutions.

In July 2018, SCG Chemicals sold its indirect interest in Mehr, and SCG Plastics stopped selling Iranian-origin HDPE, ending SCG Plastics' business relations with Iran.

Penalty Calculations and General Factors Analysis

OFAC determined that by engaging in this conduct SCG Plastics committed 467 apparent violations (the "Apparent Violations") of § 560.203(a) of the Iranian Transactions and Sanctions Regulations (ITSR), 31 C.F.R. part 560, 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.

These 467 transactions fall into 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. The total value of these 457 transactions was \$289,345,761.

The second category included 10 transactions where SCG Plastics initiated U.S. dollar wire transfers on behalf of Mehr to pay for Mehr's debts to third-party vendors. The total value of these 10 transactions was \$1,808,357.

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 apparent violations from the first category of transactions. OFAC determined that all 467 Apparent Violations constitute egregious violations.

Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), 31 C.F.R. part 501, app. A., the base civil monetary penalty applicable in this matter equals \$597,648,703. The statutory maximum civil monetary penalty applicable to the 467 Apparent Violations in this matter is \$600,399,124.

The settlement amount of \$20,000,000 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines and TPE's agreement to implement U.S. sanctions compliance commitments for five years. OFAC's Settlement Agreement with SCG Plastics can be [found here](#).

OFAC determined the following to be **aggravating factors**:

- (1) SCG Plastics willfully engaged in a persistent, multi-year pattern of conduct to conceal the fact that the HDPE that it sold was of Iranian origin, thus demonstrating an intent to evade detection by financial institutions processing the transactions and avoid measures these institutions would likely have taken to comply with U.S. law.

- (2) SCG Plastics caused significant harm to the policy objectives of OFAC sanctions on Iran by conferring significant economic benefits to Mehr, an entity partially owned by the Government of Iran and that is part of Iran's petrochemical sector, a major source of revenue generation for the Government of Iran. In particular, SCG Plastics expanded Mehr's ability to sell Iranian-origin HDPE throughout the world by enabling it to sell its products to its customers in U.S. dollars, the common currency used in the petrochemical industry. Further, through its payments to third-party vendors of Mehr, SCG Plastics paid debts of Mehr, allowing Mehr to maintain credit to acquire more products from these vendors needed to continue HDPE production and further enabling this Iranian petrochemical company's access to the international financial and commercial system in contravention of U.S. policy goals. Some of these debt payments went to other Iranian companies, further providing a benefit in Iran.
- (3) SCG Plastics was commercially sophisticated at the time of the Apparent Violations, and OFAC identified that a significant amount of SCG Plastics' total revenue arose from the Apparent Violations.

OFAC determined the following to be **mitigating factors**:

- (1) OFAC has not issued SCG Plastics a Penalty Notice or Finding of Violation in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations.
- (2) SCG Plastics provided substantial cooperation to OFAC, including by conducting an independent internal investigation, responding promptly to OFAC's requests for information, providing large volumes of data regarding the Apparent Violations, and entering into tolling agreements with OFAC.
- (3) SCG Plastics is in the process of undergoing a liquidation under the laws of Thailand and will not engage in further business activities after the execution of the settlement agreement with OFAC except those necessary to implement the settlement and its liquidation.
- (4) TPE, the entity that purchased all of SCG Plastics' assets, has implemented multiple remedial measures to respond to the Apparent Violations, including adopting a sanctions compliance policy. As mentioned above, in connection with SCG Plastics' settlement agreement with OFAC, TPE has also entered into an agreement with OFAC to maintain certain compliance commitments and to report to OFAC on the implementation of these compliance commitments for five years. TPE has already begun implementing some of these commitments, including the following:
 - After extensive collaboration with outside counsel, creating and adopting a risk-based U.S. sanctions compliance policy tailored to the company;
 - Opening and hiring a new sanctions compliance officer position that will permanently remain within the corporate structure;
 - Implementing sanctions screening policies and procedures;

- Scheduling and hosting regular compliance training sessions for employees across business divisions covering U.S. sanctions obligations; and
- Ensuring regular auditing of these sanctions compliance procedures.

Compliance Considerations

This case highlights the risks and potential costs that non-U.S. companies are exposed to when using the U.S. financial system for transactions that may involve U.S. sanctioned persons or jurisdictions. Commercial activity that might not otherwise violate OFAC regulations—such as the sale of non-U.S. goods by a non-U.S. person to an entity in an OFAC-sanctioned country—can nonetheless result in a violation when the financial transactions related to that activity are processed through or involve U.S. financial institutions. Further, as this particular case demonstrates, non-U.S. companies that obfuscate the involvement of sanctioned persons or jurisdictions in shipping or payment documentation so that U.S. financial institutions process those transactions expose themselves to significant penalties.

Additionally, on March 6, 2024, the U.S. Department of the Treasury, the U.S. Department of Commerce, and the U.S. Department of Justice issued a [tri-seal compliance note](#) to explain and highlight the various obligations of foreign-based persons to comply with U.S. sanctions and export control laws. This compliance note specifically discusses risks that non-U.S. persons face when they engage in conduct that cause U.S. persons to violate sanctions, including obscuring or omitting references to the involvement of a sanctioned party or jurisdiction in transaction documentation. OFAC encourages non-U.S. persons engaged in business dealings that may involve OFAC-sanctioned persons or jurisdictions to review OFAC’s guidance and take appropriate action.

Accordingly, non-U.S. companies engaging in transactions involving U.S. persons are well served by implementing a risk-based sanctions compliance program. Such a compliance program should include risk assessments to identify business partners or activities that pose potential sanctions-related risks. Such a compliance program should also implement effective risk-based internal controls to identify, interdict, escalate, and prevent violations of OFAC-administered sanctions.

OFAC has also repeatedly issued guidance highlighting Iran sanctions-related risks related to companies operating in the energy and maritime sectors. For example, On May 14, 2020, OFAC, the U.S. Department of State, and the U.S. Coast Guard issued a [joint advisory](#) to provide those engaged or involved in trade in the energy sector and maritime industry with further information and tools to counter trends related to illicit shipping and sanctions evasion related to Iran, as well as North Korea and Syria. This advisory emphasized that complete and accurate shipping documentation is critical to ensuring all parties to a transaction understand the parties, goods, and vessels involved in a given shipment, noting that companies have been known to falsify vessel, cargo, and other trade documentation to obscure the origin of petroleum shipments. Attention to these illicit practices remains especially important when operating in or near high-risk jurisdictions, which may include areas frequently used for potentially evasive transportation-related activities.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in

or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The Framework also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The Framework includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent civil penalties and enforcement information, can be found on OFAC's website at <https://ofac.treasury.gov/civil-penalties-and-enforcement-information>. For more information regarding OFAC regulations, please go to <https://ofac.treasury.gov/>.

Whistleblower Program

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) maintains a whistleblower incentive program for violations of OFAC-administered sanctions, in addition to violations of the Bank Secrecy Act. Individuals located in the United States or abroad who provide information may be eligible for awards, if the information they provide leads to a successful enforcement action that results in monetary penalties exceeding \$1,000,000. FinCEN is currently accepting whistleblower tips.