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District Attorney, New York County

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## **STANDARD CHARTERED BANK REACHES \$327 MILLION SETTLEMENT FOR ILLEGAL TRANSACTIONS**

*Bank Violated U.S. Sanctions by Moving Hundreds of Millions of Dollars Through U.S. for Primarily Iranian and Sudanese Clients and Submitting False Statements to State and Federal Regulators*

*Investigation into Bank Uncovers Criminal Activity Dating Back to 2001*

*District Attorney's Office and Federal Partners Have Secured More Than \$2 Billion in Settlements Since 2009*

Manhattan District Attorney Cyrus R. Vance, Jr., together with the U.S. Department of Justice (DOJ), today announced the resolution of a joint investigation into the criminal conduct of STANDARD CHARTERED BANK (SCB), a British bank, and the payment of \$327 million in penalties and forfeiture to resolve the matter. In the Deferred Prosecution Agreement (DPA) and corresponding Statement of Facts, SCB admitted that it violated New York State law by falsifying the records of New York financial institutions and by submitting false statements to its state and federal regulators about its business conduct.

The \$327 million resolution includes parallel resolutions of regulatory inquiries, in which the Board of Governors of the Federal Reserve System (Board of Governors) imposed an additional \$100 million civil monetary penalty, and the Office of Foreign Assets Control of the United States Department of the Treasury (OFAC) issued a settlement of \$132 million for apparent violations arising out of the same pattern of conduct.

"Investigations of financial institutions, businesses, and individuals who violate U.S. sanctions by misusing banks in New York are vitally important to national security and the integrity of our banking system," said District Attorney Vance. "Banks occupy positions of trust. It is a bedrock principle that they must deal honestly with their regulators. My Office will accept nothing less – too much is at stake for the people of New York and this country. These cases give teeth to sanctions enforcement, send a strong message about the need for transparency in international banking, and ultimately contribute to the fight against money laundering and terror financing. I thank our federal partners for their cooperation and assistance in pursuing this investigation."

SCB moved more than \$200 million through the U.S. financial system primarily on behalf of Iranian and Sudanese clients by removing—or "stripping"—information that would have revealed the payments as originating with a sanctioned country or entity. These transactions otherwise would have been rejected, blocked, or stopped for investigation under OFAC regulations. These prohibited dollar-denominated transactions violated New York and U.S. laws by concealing the illegal nature of these transactions and deceiving U.S. banks into processing the illegal payments.

SCB also displayed a lack of candor in its submissions and responses to the Federal Reserve Bank of New York (FRBNY) and the New York State Banking Department<sup>[1]</sup> during a targeted Bank Secrecy Act/Anti-Money Laundering (BSA/AML) examination and look-back review from 2004 to 2007. The examination and look-back were imposed to address previous compliance failures. Despite a detailed risk-rating methodology agreed to by the regulators and SCB, which should have identified all payments involving OFAC-sanctioned countries, SCB failed to disclose that SCB New York was processing billions of dollars of stripped payments for Iranian clients and clients from other sanctioned countries. Although the vast majority of these payments were legal under then-existent exemptions to the sanctions laws, they nonetheless should have been disclosed under the terms of the look-back agreement and in response to questions posed by the regulators. This failure to inform was despite the fact that SCB and the regulators had agreed that financial transactions with Iran and other OFAC-sanctioned entities posed a *de facto* AML risk.

Pursuant to the DPA, SCB has agreed to adhere to best practices for international banking transparency, implement procedures and training designed to ensure U.S. sanctions compliance, and pay \$227 million in criminal penalties and forfeiture.<sup>[2]</sup>

The nearly three-year investigation was conducted jointly with DOJ's Asset Forfeiture and Money Laundering Section, and the National Security Section of the United States Attorney's Office for the District of Columbia. District Attorney Vance recognized the substantial contributions of FRBNY and OFAC, which conducted their own investigations, the Federal Bureau of Investigation, and the Internal Revenue Service Criminal Investigation.

Assistant Attorney General of the Criminal Division Lanny A. Breuer said: "For years, Standard Chartered Bank deliberately violated U.S. laws governing transactions involving Sudan, Iran, and other countries subject to U.S. sanctions. The United States expects a minimum standard of behavior from all financial institutions that enjoy the benefits of the U.S. financial system. Standard Chartered's conduct was flagrant and unacceptable. Together with the Treasury Department and our state and local partners, we will continue our unrelenting efforts to hold accountable financial institutions that intentionally mislead regulators to do business with sanctioned countries."

U.S. Attorney for the District of Columbia Ronald C. Machen, Jr., said: "When banks dodge U.S. sanctions laws, they imperil our financial system and our national security. Today's agreement holds Standard Chartered Bank accountable for intentionally manipulating transactions to remove references to Iran, Sudan, and other sanctioned entities, and then further concealing these transactions through misrepresentations to U.S. regulators. This \$227 million forfeiture should make clear that trying to skirt U.S. sanctions is bad for business."

OFAC Director Adam J. Szubin said: "Today's settlement is the result of an exhaustive interagency investigation into Standard Chartered Bank's attempts to violate U.S. sanctions programs through the 'stripping' from payment messages of critical information. We remain committed to working with our partners in the regulatory and law enforcement community to ensure that the U.S. financial system is protected from the risks associated with this type of illicit financial behavior."

The U.S. government restricts certain countries, including Iran, Sudan, and Cuba, as well as entities and individuals from those countries, from accessing the U.S. banking system.

OFAC is charged with administering these economic sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy, or economy of the United States. Sanctioned financial institutions, countries, and individuals generally are prohibited from accessing the U.S. financial system.

Banks in Manhattan, which process most of the world's U.S. dollar payments, use sophisticated computer systems commonly known as "OFAC filters" to prevent sanctioned entities, as well as terrorists, money launderers, and other criminals, from gaining access to the U.S. banking system. These OFAC filters act as the first line of defense to protect the U.S. financial system. SCB helped its sanctioned clients, predominantly from Iran and Sudan, evade U.S. banks' OFAC filters and illegally gain access to the U.S. financial system.

Beginning in 2001 and continuing through 2007, SCB committed this criminal conduct by, among other things: (1) processing U.S. dollar payments on behalf of sanctioned customers without reference to the payments' origin; (2) deliberately using a less transparent method of payment messages, known as cover payments; (3) eliminating any payment data that would have revealed the involvement of sanctioned countries and entities, including Iran and Sudan; and (4) advising sanctioned clients on how to conceal their involvement in U.S. dollar transactions and evade OFAC filters.

SCB's conduct caused unaffiliated U.S. financial institutions to process transactions that otherwise should have been rejected, blocked, or stopped for investigation pursuant to OFAC regulations. This conduct occurred within SCB locations around the world, with the knowledge of senior corporate managers and legal and compliance departments.

District Attorney Vance emphasized that while today's DPA was designed to impose a substantial punishment on SCB, and to send a strong message of deterrence to other banks, important mitigating factors led to the agreement to defer prosecution. Those factors included the fact that SCB fully cooperated throughout the investigation and devoted significant resources to both its internal investigation and the investigations conducted by the District Attorney's Office and DOJ. SCB also fully acknowledged and accepted responsibility for its conduct, and voluntarily undertook a series of remedial actions prior to entering the DPA. Moreover, SCB left the sanctioned entity clearing business voluntarily before being contacted by the District Attorney's Office.

The Manhattan District Attorney's Office previously has reached Deferred Prosecution Agreements with **ING**, with a penalty of \$619 million in 2012; **Barclays** for \$298 million in 2010; **Credit Suisse** for \$536 million in 2009; and **Lloyds Bank**, with a penalty of \$350 million in 2009. Within the past four years, five banks, including SCB, have forfeited in settlements approximately \$2 billion for their illegal conduct, with half of the funds being paid to the City and State of New York.

The SCB case was investigated and resolved by Assistant District Attorney Edward Starishevsky, Senior Investigative Counsel, and former

Assistant District Attorney Aaron Wolfson, under the supervision of Assistant District Attorney Polly Greenberg, Chief of the Major Economic Crimes Bureau, Assistant District Attorney Christopher Conroy, Principal Deputy Chief of the Major Economic Crimes Bureau, and Executive Assistant District Attorney Adam S. Kaufmann, former Chief of the Investigation Division. Investigative Analyst Lewis McCorkle assisted in the investigation, along with former Investigative Analysts Marguerite Colson, Sarah Schoknecht, Aaron Davidowitz, and Pope McCorkle.

District Attorney Vance also thanked the following agencies and individuals for their assistance in the investigation: Assistant Attorney General Lanny Breuer, Chief of the Criminal Division of the United States Justice Department; Ronald C. Machen, Jr., U.S. Attorney for the District of Columbia, Assistant U.S. Attorney George P. Varghese of the National Security Section, and Gregg Maisel, Chief of the National Security Section; Trial Attorney Clay Porter, Deputy Chiefs Jonathan Lopez and Seetha Ramachandran, and Jaikumar Ramaswamy, Chief of the Asset Forfeiture and Money Laundering Section of the Criminal Division of the United States Justice Department; Thomas Baxter, General Counsel and Executive Vice President of FRBNY, Katherine Landy, Counsel, Yoon Hi Greene, Vice President and Counsel, and Sean O'Malley, Vice President and Deputy Chief Investigator; George Venizelos, Assistant Director in Charge of the FBI New York Field Office, and FBI Agents Matt Komar, Brendan Griffin and Keith Garwood; Adam J. Szubin, Director of OFAC, Dennis Wood, Assistant Director for Sanctions Compliance & Evaluation, and case officer Brandon Reddington at OFAC; and Richard Weber, Chief, Internal Revenue Service Criminal Investigations and former Chief of the Major Economic Crimes Bureau at the Manhattan District Attorney's Office, and IRS Agents Nicole Davis and Allison Lareau.

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[1] NYSBD was recently incorporated into the New York Department of Financial Services.

[2] Pursuant to a separate Deferred Prosecution Agreement with the United States, SCB has agreed to pay the entire Settlement Amount (\$227,000,000) to the United States for violations of Title 18, United States Code, Section 371, by conspiring to violate Title 50, United States Code, Section 1705 (International Emergency Economic Powers Act, or "IEEPA"), and regulations issued thereunder. The Settlement Amount will be equitably shared by the United States with the District Attorney's Office pursuant to the policy set forth in the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies* (April 2009).