FOR IMMEDIATE RELEASE
Monday, December 10, 2012

For Information Contact:
Public Affairs
(202) 252-6933
http://www.justice.gov/usao/dc/index.html

Standard Chartered Bank Agrees to Forfeit $227 Million For Illegal Transactions With Iran, Sudan, Libya and Burma

WASHINGTON – Standard Chartered Bank, a financial institution headquartered in London, has agreed to forfeit $227 million to the Justice Department for conspiring to violate the International Emergency Economic Powers Act (IEEPA). The bank has agreed to the forfeiture as part of a deferred prosecution agreement with the Justice Department and a deferred prosecution agreement with the New York County District Attorney's Office for violating New York state laws by illegally moving millions of dollars through the U.S. financial system on behalf of sanctioned Iranian, Sudanese, Libyan and Burmese entities. The bank has also entered into settlement agreements with the Treasury Department's Office of Foreign Assets Control (OFAC) and the Board of Governors of the Federal Reserve System.

The announcement was made by Ronald C. Machen Jr., U.S. Attorney for the District of Columbia; Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division; New York County District Attorney Cyrus R. Vance Jr.; George Venizelos, Assistant Director in Charge of the FBI New York Field Office; and IRS Criminal Investigation (IRS-CI) Chief Richard Weber.

A criminal information was filed today in federal court in the District of Columbia charging Standard Chartered Bank with one count of knowingly and willfully conspiring to violate IEEPA. Standard Chartered Bank has waived the federal indictment, agreed to the filing of the information and has accepted responsibility for its criminal conduct and that of its employees.

"When banks dodge U.S. sanctions laws, they imperil our financial system and our national security," said U.S. Attorney Machen. "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."

"For years, Standard Chartered Bank deliberately violated U.S. laws governing transactions involving Sudan, Iran, and other countries subject to U.S. sanctions," said Assistant Attorney General Breuer. "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."

"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. Banks occupy positions of trust. It is a bedrock principle that they must deal honestly with their regulators. I will accept nothing less; too much is at stake for the people of New York and this country," said District Attorney Vance. "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."

"Standard Chartered Bank regularly engaged in prohibited banking practices, took steps to conceal the illegal conduct, and misled regulators about the pattern of illegality," said Assistant Director in Charge Venizelos. "New York is a world financial capital and an international banking hub, and you have to play by the rules to conduct business here."

"To protect and uphold the integrity of the American financial system, it is essential that we ensure global banking institutions obey U.S. laws, including sanctions against other countries," said IRS-CI Chief Weber. "Criminal Investigation, the world's preeminent financial investigative agency, was proud to be part of this law enforcement team working collaboratively with our federal and local partners to hold Standard Chartered Bank accountable for their criminal actions. When we work together, it's a force multiplier and it is government working smart. It's what taxpayers expect of us."

Standard Chartered Bank (SCB) operates a branch in New York ("SCB New York") that provides wholesale banking services, primarily U.S.-dollar clearing for international wire payments. SCB New York also provides U.S.-dollar correspondent banking services for SCB's branches in London and Dubai. According to court documents, from 2001 through 2007, SCB violated U.S. and New York state laws by moving millions of dollars illegally through the U.S. financial system on behalf of Iranian, Sudanese, Libyan and Burmese entities subject to U.S. economic sanctions. SCB knowingly and willfully engaged in this criminal conduct, which caused SCB's branch in New York and unaffiliated U.S. financial institutions to process over $200 million in transactions that otherwise should have been rejected, blocked or stopped for investigation under Office of Foreign Assets Control regulations relating to transactions involving sanctioned countries and parties.

According to court documents, SCB engaged in this criminal conduct by, among other things, instructing a customer in a sanctioned country to represent itself using SCB London's unique banking code in payment messages, replacing references to sanctioned entities in payment messages with special characters and deleting payment data that would have revealed the involvement of sanctioned entities and countries using wire payment methods that masked their involvement. This conduct occurred in various business units within SCB in locations around the world, primarily SCB London and SCB Dubai, with the knowledge and approval of senior corporate managers and the legal and compliance departments of SCB.

In addition to evading U.S. economic sanctions, SCB made misleading statements to regulators to further conceal its business with sanctioned countries. In August 2003, SCB wrote in a letter to OFAC that the use of cover payments for transactions related to sanctioned countries was contrary to SCB's global instructions. In fact, SCB used the cover payment method to effect billions of dollars in payments, lawful and unlawful, through SCB New York originating from or for the benefit of customers in Iran, Libya, Burma and Sudan – all U.S. sanctioned countries – and continued to do so after the letter was sent.

During an extensive examination of all transactions at, by, or through SCB New York to detect suspicious activity, SCB failed to disclose to the Federal Reserve Bank of New York and New York Department of Financial Services that it was processing billions of dollars of non-transparent payments for customers in sanctioned countries. As a result of SCB's failure to disclose these transactions, the regulators were misled about the nature and extent of SCB's business with sanctioned countries.

SCB's agreement to forfeit $227 million will settle forfeiture claims by the Department of Justice and New York State. In light of the bank's remedial actions to date and its willingness to acknowledge responsibility for its actions, the Justice Department will recommend the dismissal of the information in 24 months, provided the bank fully cooperates with, and abides by, the terms of the deferred prosecution agreement.

Under the terms of its settlement agreement with SCB, OFAC's penalty of $135 million will be satisfied by $227 million forfeited in connection with the bank's resolution with the Justice Department. OFAC's settlement agreement further requires the bank to conduct a review of its policies and procedures and their implementation, taking a risk-based sampling of U.S. dollar payments to ensure that its OFAC compliance program is functioning effectively to detect, correct and report apparent sanctions violations to OFAC.

The case was prosecuted by Money Laundering and Bank Integrity Unit Trial Attorney Clay Porter of the Criminal Division's Asset Forfeiture and Money Laundering Section, and Assistant U.S. Attorney George P. Varghese of the National Security Section of the U.S. Attorney's Office for the District of Columbia. The case was investigated by the FBI's New York Field Office and IRS-Criminal Investigation's Washington Field Division, with assistance from OFAC.

The Money Laundering and Bank Integrity Unit is a corps of prosecutors with a boutique practice aimed at hardening the financial system against criminal money laundering vulnerabilities by investigating and prosecuting financial institutions and professional money launderers for violations of the money laundering statutes, the Bank Secrecy Act and other related statutes.

The Department of Justice expressed its gratitude to OFAC, under the leadership of Director Adam J. Szubin, and the Federal Reserve Bank of New York. The Department of Justice also expressed appreciation to those who worked on the case from the New York County District Attorney's Office, Major Economic Crimes Bureau, including Executive Assistant District Attorney Adam Kaufmann, Chief of the Investigation Division, and Assistant District Attorneys Edward Starishevsky and Polly Greenberg.

12-435