

## Update

# US authorities settle sanctions and money laundering charges with two foreign banks

On 10 December 2012, the US Office of Foreign Assets Control (OFAC) announced a USD 132 million settlement with Standard Chartered Bank (SCB) for apparent violations of US sanctions. The following day, OFAC announced a USD 375 million settlement with HSBC Holdings (HSBC), also for apparent violations of US sanctions.

OFAC's investigation concerned processing by SCB's London and Dubai offices of 919 wire transfers through US banks that omitted references to US-sanctioned locations or entities. Such conduct was said to have violated the Iranian Transactions Regulations, the Burmese Sanctions Regulations, the Sudanese Sanctions Regulations, and the now-repealed Libyan Sanctions Regulations. OFAC also alleged that SCB's New York Branch processed eight funds transfers in apparent violation of the Foreign Narcotics Kingpin Sanctions Regulations.

Collectively, SCB will pay USD 327 million to settle the OFAC claims in addition to related claims by the Federal Reserve Bank of New York, the US Department of Justice (DOJ), and the New York County District Attorney. In August 2012, SCB separately agreed to pay USD 340 to settle related claims by the New York State Department of Financial Services.

The following day, 11 December 2012, OFAC announced a USD 375 million settlement with HSBC Holdings plc (HSBC) concerning apparent violations of the Iranian Transactions Regulations, the Burmese Sanctions Regulations, the Sudanese Sanctions Regulations, the Cuban Assets Control Regulations and the former Libyan Sanctions Regulations. After a two-year investigation into HSBC's payment practices, OFAC identified apparent sanctions violations that included the use of SWIFT payment messages in a manner that obscured references implicating US sanctions, removal of information from SWIFT messages, and forwarding of payment messages to US banks that falsely referenced an HSBC affiliate as the ordering institution. According to OFAC, more than 2,300 payments, totaling approximately USD 440 million, were routed through US banks for, or on behalf of, sanctioned parties.

OFAC's settlement with HSBC coincides with the bank's settlement of money laundering charges made by other US authorities. In total, HSBC has agreed to pay USD 1.921 billion, and to enter into a deferred prosecution agreement with the DOJ, to settle the alleged sanctions and money laundering charges.

The announcement of these two enforcement actions further demonstrates the rigor with which US government agencies approach compliance matters. The

extraordinary penalties paid by SCB and HSBC should serve as a warning to all companies that failure to enact comprehensive internal sanctions and anti-money laundering compliance programs can have crippling and devastating effects.

#### **Further information**

If you would like further information on any issue raised in this update please contact:

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