

Press Release

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NYDFS ANNOUNCES CRÉDIT AGRICOLE TO PAY \$787 MILLION, INSTALL INDEPENDENT CONSULTANT, TERMINATE EMPLOYEE FOR TRANSACTIONS ON BEHALF OF SUDAN, IRAN, OTHER SANCTIONED ENTITIES

Anthony J. Albanese, Acting Superintendent of Financial Services for the State of New York, announced today that Crédit Agricole will pay \$787 million and install an independent consultant for New York Banking Law violations in connection with transactions between 2003 and 2008 on behalf of countries and entities subject to U.S. sanctions, including Sudan, Iran, Myanmar, and Cuba. Additionally, while the vast majority of employees who were centrally involved in this misconduct no longer work at the Bank, Crédit Agricole will take action to terminate an additional Managing Director involved in the scheme who currently remains employed at the Bank.

Acting Superintendent Albanese said: "Crédit Agricole engaged in a series of schemes to evade U.S. sanctions and deceive its regulators. Our agency will continue to aggressively investigate and uncover misconduct at banks meant to circumvent U.S. sanctions laws – both past and present."

The overall \$787.3 million Crédit Agricole will pay includes \$385 million to the New York State Department of Financial Services (NYDFS), \$90.3 million to the Federal Reserve; \$156 million to the Manhattan District Attorney's Office and \$156 million to the U.S. Attorney's Office for the District of Columbia. The U.S. Department of the Treasury is also imposing a penalty that is deemed satisfied by the amounts Crédit Agricole is paying to the other agencies.

Wire Stripping and Other Schemes to Facilitate Sudanese and Iranian Transactions

From at least 2003 to 2008, Crédit Agricole used a series of schemes to process more than \$32 billion in U.S. dollar payments through its New York Branch from its branches in Paris, London, Singapore, Geneva, Hong Kong and the Gulf, providing U.S. dollar clearing services on behalf of Sudanese, Iranian, Burmese and Cuban entities.

The Bank agreed to its clients' requests to hide their identities on transactions transiting through New York and to continue to engage in sanctions violations on their behalf. One such client, who **described the crisis in the Darfur region of Sudan as "an exaggeration in the media" – urged the Bank to continue to process U.S. dollar payments related to Sudan anyway**. The client averred that "whilst one must not underestimate the humanitarian cost of any conflict [in Darfur]," it would nevertheless be a "great pity" for the Bank to "throw [] away"

its "position as a serious player in the financial markets" in Sudan during "a period of vastly improved economic prospects brought about by the discovery of oil" in the region.

The Bank processed more than 4,000 transactions in violation of U.S. economic sanctions for Sudan. Instructions were issued to hide clients' identities on transactions through New York. For example, a Sudanese bank client frequently sent the following request to the Geneva Subsidiary: "**DON'T MENTION SUDAN ON THIS PAYMENT ORDER. PLS SEND DIRECT TO BENEF. BANK. DON'T MENTION BANK NAME ON COVER PAYMENT.**" Typically, when an illegal transaction was somehow caught in a sanctions filter, it was not by the Bank's own filter at its New York Branch, but instead by the filter of another U.S. bank.

In addition to intentionally omitting information to identify sanctioned Sudanese parties on payment messages, **the Bank's Geneva employees were also encouraged to complete these otherwise illegal U.S. dollar transactions using a method fabricated by the Bank's Anti-Money Laundering Committee ("CLAB") known internally as the "Sudanese U-turn exception."** In reality, no U.S. law or regulation ever permitted an exception to the embargo on U.S. dollar transactions with sanctioned Sudanese parties by use of a two-stepped non-transparent "**Sudanese U-turn exception.**" Still, with no legal basis, "the Committee decided that [Sudanese] 'U-TURN' transactions are authorized when the underlying reason (for the transaction) is strictly limited to commercial transactions." Blessed by an Anti-Money Laundering committee of the Bank, the "Sudanese U-Turn" permitted Geneva Branch employees to send stripped Sudanese wire messages through New York and complete U.S. dollar denominated transactions undetected.

Similarly, **written policies and procedures directing employees to omit information that would identify Iranian parties to U.S. dollar payments processed by the Bank were drafted by a relationship manager dealing in Iranian business and approved by CASA Compliance in Paris.** Such "special treatment" procedures acknowledged the operational risk for conducting these transactions in violation of U.S. laws and regulations, but allowed nevertheless that "our bank has been dealing with these [Iranian] counterparts for over 14 years and in line with market practice and as customary to all our competitors in this market, we have been routing USD payments in the manner specified below in order **to prevent funds being seized by the US authorities.** The various departments involved in this process, i.e. front, middle and the back office, are aware of this special treatment as procedures have been implemented to cover this aspect of operational risk. The matter has also been passed through compliance and Legal to ensure that all aspects are covered...The method for [U.S. dollar] payments is as follows: no mention of Iran is made on the instruction."

Compliance staff in the Geneva Subsidiary's Office of the General Secretariat published and disseminated policy in 2006 entitled, Compliance Embargos, which listed for employees the following non-transparent steps to be taken to effect Iranian-related U.S. dollar transactions: "Transfer instruction (MT 202) sent to Bank A's U.S. correspondent (Bank), **WITH NO MENTION OF IRAN** ... no reference to Iran is made during this [MT 202 coverpayment] transaction."

Similar policies were issued between the Bank's head office in Paris, the London branch and the Geneva Subsidiary under the title "Methodology to be adopted when making payments in US

dollars." The instructions directed that "we send separate MT 202 (bank to bank transfer) to our NY correspondent instructing the transfer of USD xxx to the NY correspondent of the receiver of the MT 103. No mention is made on this message of payment to any Iranian counterpart or beneficiary. Thus, the message containing the "Iranian details" is not sent to the U.S."

The known purpose and result of this policy was to hide from U.S. regulators and authorities the participation of entities in U.S. dollar denominated transactions and to prevent U.S. institutions from performing required screening for the presence of Sanctioned Parties on U.S. dollar denominated transactions.

Anti-money-laundering Compliance Failures

Foreign branches often transmitted payment requests to Crédit Agricole's New York Branch using non-transparent SWIFT payments messages that did not disclose the identity of the remitter or beneficiary. As a result of not having a complete picture of the transactions, Crédit Agricole's New York Branch's compliance processes and controls were ineffective, and fewer alerts or red flags were raised than would have been if full information had been shared.

From its Geneva Branch, The Bank developed and implemented policies and procedures for processing these U.S. dollar-denominated transfers through the New York Branch in a manner that was designed to conceal relevant information that would permit the institutions and their regulators to determine whether the transactions were lawful and consistent with New York State and U.S. laws and regulations. Many of the Bank's policies and procedures to omit identifying details about Sanctioned parties to U.S. dollar transactions were reviewed and approved by its highest level legal and compliance staff at the Geneva Branch. Accordingly, it was the policy of the Bank, as directed by its Geneva compliance professionals, to remove or omit Sudanese, Iranian, Burmese or Cuban information from U.S. dollar denominated payment messages.

Personnel in the Geneva office directed, possessed and oversaw these U.S. dollar transactions with the mentality that "[u]nder the territoriality of the laws principle, our Swiss activities are only subject to [laws] in force in the Switzerland and not those aboard." Furthermore, written economic sanctions directives from the Bank's compliance managers that were in place throughout the Review Period assured staff that, with respect to U.S. dollar transactions, "the effect of the OFAC [SDN] list does not have any reach (outside of the United States)."

In addition, interviews of numerous Bank employees, including its legal and compliance professionals, revealed that many of the Bank's staff who were involved with, or had knowledge of, the Bank's business with Sanctioned Parties claimed ignorance of U.S. sanctions laws and the fact that they applied or could be applied to foreign banks engaged in U.S. dollar denominated transactions – despite contrary admonitions from their colleagues at the New York Branch.

Termination of Crédit Agricole Employee under DFS Order

While the vast majority of the Bank employees who were centrally involved in the improper conduct discussed in this Consent Order no longer work at the Bank, one such employee does remain employed by the Bank.

DFS has ordered the Bank to take all steps necessary to terminate the employee, who was involved in the improper conduct but who remains employed by the Bank: a relationship manager who at the time had responsibility for Iranian clients and drafted the September 2005 memo detailing the Bank's policy on non-transparency related to U.S. dollar payments for Iranian clients, known as "Special Treatment of Iranian Related Payments."

Acting Superintendent Albanese thanked the Manhattan District Attorney's Office, the Federal Reserve, the U.S. Department of Justice, the U.S. Attorney's Office for the District of Columbia; and the U.S. Department of the Treasury for their work and cooperation in this matter.

To view a copy of the DFS consent order regarding Crédit Agricole, please visit, [link](#).

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