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## **DFS FINES MASHREQBANK AND ITS NEW YORK BRANCH \$40 MILLION FOR VIOLATIONS OF NEW YORK ANTI-MONEY LAUNDERING AND RECORDKEEPING LAWS**

### ***DFS Examinations Found Multiple Deficiencies in the Bank's Compliance with Anti-Money Laundering Laws and Office of Foreign Asset Controls Regulations***

### ***Bank Must Hire Third-Party Consultant to Address Compliance Deficiencies and Review Transaction Clearing Activity***

Financial Services Superintendent Maria T. Vullo today announced that the Department of Financial Services has fined United Arab Emirates-based Mashreqbank PSC and its New York branch \$40 million for violations of U.S. Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) laws in the New York branch's U.S. dollar clearing operations. Under a consent order announced today Mashreqbank must also immediately hire a third-party compliance consultant to oversee and address deficiencies in the branch's compliance function, including compliance with BSA/AML requirements, federal sanctions laws and New York law and regulations. The bank must also hire a third party "lookback consultant" to conduct a review of the branch's transaction clearing activity for April 2016 to September 2016, along with other remedial actions. The consent order stems from examinations by DFS and the Federal Reserve Bank of New York (FRBNY).

"Mashreqbank failed to fully comply with critical New York and federal banking laws aimed at combating international money laundering, terrorist financing and other related threats by failing to provide adequate oversight of transactions by customers in high-risk regions," **said Superintendent Vullo**. "DFS appreciates Mashreqbank's strong cooperation in resolving this matter. By this consent order, the bank is being held accountable for ensuring vigilance against money laundering and other illicit activity to ensure that our financial system remains safe and sound."

Mashreqbank is the oldest and largest private bank in the UAE, and its New York branch is its only one located in the United States. The New York branch offers correspondent banking and trade finance services and provides U.S. dollar clearing services to clients located in Southeast Asia, the Middle East and Northern Africa – regions that present a high risk in connection with financial transactions. The branch engaged in a substantial amount of U.S. dollar clearing activity for foreign customers in high risk jurisdictions. For example, in 2016, the branch cleared more than 1.2 million U.S. Dollar transactions with an aggregate value of over \$367 billion. In

2017, the branch cleared well over 1 million U.S. Dollar transactions with an aggregate value exceeding \$350 billion.

DFS acknowledges Mashreqbank's strong cooperation in this matter, including demonstrating a commitment to remediating the shortcomings identified, and to building an effective and sustainable BSA/AML and OFAC compliance infrastructure. Among other factors, DFS has given substantial weight to the laudable conduct of Mashreqbank described in the Consent Order in agreeing to the terms and remedies of the consent order, including the amount of the civil monetary penalty imposed.

DFS conducted a safety and soundness examination of the New York branch's operations in 2016, finding that the branch had been unable to meet its commitments to improve its compliance function sufficiently. Following this examination, DFS examiners issued the branch a low overall score, whereas two years earlier the New York branch had received a satisfactory score on its safety and soundness examination. This downgrade was the result mainly of deficiencies in the New York branch's Bank Secrecy Act and Anti-Money Laundering ("BSA/AML") program, as well as certain defects identified in its program and policies designed to comply fully with OFAC regulations. At the time of the 2016 Examination, the branch's BSA/AML and OFAC policies lacked detail, nuance or complexity, doing little more than citing standard language from applicable regulations.

Subsequently, in November and December of 2017, DFS examiners, along with examiners from FRBNY, conducted a joint examination. Examiners found that records regarding specific alerts and dispositions continued to lack detailed information, making it difficult for examiners to assess the adequacy of investigations conducted by compliance staff. Rationales for closing alerts also failed to include essential information.

Further, the examination found that each transaction monitoring alert would be reviewed only once by a single reviewer, who would then determine whether the alert should be closed or escalated, but without adequate quality assurance reviews. The branch's OFAC program also suffered from certain deficiencies in important aspects of its recordkeeping. The branch maintained inadequate documentation concerning its dispositions of OFAC alerts and cases, with branch compliance staff failing to properly substantiate its rationales for waiving specific alerts and cases.

The joint examination also found that the bank's Head Office failed to provide sufficient oversight of a third-party auditor hired to conduct the branch's 2017 AML/BSA audit and to evaluate the branch's remedial work. The 2017 examination detailed additional deficiencies and assigned the New York branch another low score for the second consecutive examination cycle, which followed the branch's earlier failures to fully remediate compliance issues.

Under the consent order announced today, Mashreqbank must also submit to DFS the following:

- A written revised BSA/AML compliance program for the New York branch acceptable to DFS;

- A written program to reasonably ensure the identification and timely, accurate, and complete reporting by the New York branch of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and regulations;
- A written enhanced customer due diligence program acceptable to DFS;
- A written plan to enhance oversight, by the management of the bank and the New York branch, of the branch's compliance with BSA/AML requirements, New York State laws and regulations, and the regulations issued by OFAC.

Mashreqbank must engage an independent third-party consultant, chosen by DFS to oversee and address deficiencies in the branch's compliance function, including compliance with BSA/AML requirements, federal sanctions laws, and New York law and regulations.

A copy of the consent order can be found [here](#).

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