



United States Department of Justice

THE UNITED STATES ATTORNEY'S OFFICE
SOUTHERN DISTRICT *of* NEW YORK

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Department of Justice

U.S. Attorney's Office

Southern District of New York

FOR IMMEDIATE RELEASE

Monday, November 19, 2018

**Manhattan U.S. Attorney
Announces Criminal Charges
Against Société Générale S.A.
For Violations Of The**

**Bank to Pay Total Penalties of more than
\$1.3 Billion as part of Resolution with**

Federal and State Prosecutors and Regulators

Geoffrey S. Berman, the United States Attorney for the Southern District of New York, James D. Robnett, the Special Agent in Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation (“IRS-CI”), and Mark Bialek, Inspector General, Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (“IG-FRB/CFPB”), announced criminal charges against Société Générale S.A. (“SG” or the “Bank”) consisting of a one-count felony information charging SG with conspiring to violate the Trading with the Enemy Act (“TWEA”) and the Cuban Asset Control Regulations promulgated thereunder (the “Cuban Regulations”) for SG’s role in processing billions of dollars of U.S. dollar transactions using the U.S. financial system, in connection with credit facilities involving Cuba (the “Cuban Credit Facilities”). The case is assigned to United States District Judge P. Kevin Castel.

Mr. Berman also announced an agreement (the “Agreement”) under which SG agreed to accept responsibility for its conduct by stipulating to the accuracy of an extensive Statement of Facts, pay penalties totaling \$1,340,165,000 to federal and state

prosecutors and regulators, refrain from all future criminal conduct, and implement remedial measures as required by its regulators. Assuming SG's continued compliance with the Agreement, the Government has agreed to defer prosecution for a period of three years, after which time the Government will seek to dismiss the charges. The \$1.34 billion in penalties represents the second largest penalty ever imposed on a financial institution for violations of U.S. economic sanctions.

The penalty shall be collected, in part, through SG's forfeiture to the United States of \$717,200,000 in a civil forfeiture action also filed today. Of that amount, one-half shall be transferred to the United States Victims of State Sponsored Terrorism Fund, pursuant to the Justice for United States Victims of State Sponsored Terrorism Act. In addition, SG has reached separate agreements with the New York County District Attorney's Office ("DANY"), United States Department of the Treasury, Office of Foreign Assets Control ("OFAC"), the Federal Reserve Board of Governors and the Federal Reserve Bank of New York (collectively the "Federal Reserve"), and the New York State Department of Financial Services ("DFS"), under which it shall pay additional penalties of \$622,965,000 as follows: \$162,800,000 to DANY;

\$53,900,000 to OFAC; \$81,265,000 to the Federal Reserve; and \$325,000,000 to DFS.

The Government entered into this resolution due, in part, to SG's acceptance and acknowledgement of responsibility under the laws of the United States for its conduct, as exhibited by its undertaking of a thorough internal investigation, collecting and producing voluminous evidence located in other countries to the full extent permitted under applicable laws and regulations, and its enhancement of its compliance program and sanctions-related internal controls both before and after it became the subject of a U.S. law enforcement investigation. These factors and SG's willingness to enter into the commitments set forth in the Agreement, along with all other relevant factors and considerations, collectively weighed in favor of deferral of prosecution, and outweighed in this particular case SG's failure to self-report all of its violations of United States sanctions laws in a timely manner, as described below.

U.S. Attorney Geoffrey S. Berman said: "Today, Société Générale has admitted its willful violations of U.S. sanctions laws – and longtime concealment of those violations – which resulted in billions of dollars of illicit funds flowing through the U.S. financial

system. With today's resolution, the Bank has accepted responsibility for its criminal conduct and demonstrated its commitment to remedying these failures and enhancing its compliance programs and internal controls. Other banks should take heed: Enforcement of U.S. sanctions laws is, and will continue to be, a top priority of this Office and our partner agencies."

IRS-CI Special Agent in Charge James D. Robnett said: "Today, Société Générale is being held accountable for illegal transactions made through the U.S. financial system on behalf of entities subject to U.S. economic sanctions. Sanctions enforcement is of vital importance to our national security and the integrity of our financial system. IRS-CI will continue to work closely with partner law enforcement agencies, federal regulators and prosecutors to ensure compliance with federal banking laws to promote integrity across financial institutions worldwide."

FRB/CFPB Inspector General Mark Bialek said: "As today's agreement makes clear, Société Générale's knowing and willful violation of U.S. economic sanctions through structuring and concealment has resulted in an agreement to pay over \$1.3 billion in monetary penalties. I commend our agents in New

York and their law enforcement partners for their hard work, along with the coordination of the Federal Reserve Bank of New York and the Federal Reserve Board, which resulted in this outcome.”

According to the documents filed today in Manhattan federal court:

SG’s Operation of U.S. Dollar Credit Facilities to Finance Cuban Business

From approximately 2004 through 2010, SG, in contravention of U.S. sanctions laws, operated 21 credit facilities that provided significant money flow to Cuban banks, entities controlled by Cuba, and Cuban and foreign corporations for business conducted in Cuba; those facilities (the “Cuban Credit Facilities”) involved substantial U.S.-cleared payments through U.S. financial institutions, in violation of TWEA and the Cuban Regulations. In total, during this time period, SG engaged in more than 2,500 sanctions-violating transactions through U.S. financial institutions, causing those U.S. financial institutions to process close to \$13 billion in transactions that otherwise should have been rejected, blocked, or stopped for investigation pursuant to regulations promulgated by OFAC. The majority of these transactions and most of the total value involved a

U.S. dollar credit facility designed to finance oil transactions between a Dutch commodities trading firm and a Cuban corporation with a state monopoly on the production and refining of crude oil in Cuba.

SG avoided detection, in part, by making inaccurate or incomplete notations on payment messages that accompanied these sanctions-violating transactions. Indeed, the SG department that managed many of the Cuban Credit Facilities engaged in a deliberate practice of concealing the Cuban nexus of U.S. dollar payments that were made in connection with those facilities. For example, SG routed approximately 500 U.S. dollar-denominated payments through a particular Spanish bank in order to disguise the fact that the transactions violated U.S. sanctions, and employees were instructed to omit any references to Cuba or Cuban entities from the messages that accompanied the fund transfers.

In late 2004, SG began to reconsider its Cuba business in light of U.S. enforcement actions, and began to shift away from U.S. dollar transactions involving Cuba to avoid U.S. scrutiny and possible penalties. In a December 1, 2004, email, a senior leader of SG's global Group Compliance Department expressed concern to a top executive in the SG group responsible for liaising with SG's regulators that (1)

“any discovery of breach” regarding Cuba “attracts the most stringent punishment,” and (2) U.S. authorities, including “criminal authorities,” were focusing on U.S. dollar payments that had been sent through U.S. banks. Several days later, the same senior leader of Group Compliance, after being alerted to a U.S. dollar transaction between SG Canada and an exporter of goods to Cuba in connection with which “[n]o reference to Cuba is made to [the Canadian bank],” emailed several members of SG’s senior management, noting that “we have lived with the OFAC list for some time and have developed various methods of avoiding it,” and asked whether “given the new regulatory scrutiny in the US on USD payments do we remain satisfied with those methods?”

In mid- to late-December 2004, as a result of these concerns, SG’s top management determined that U.S. dollar transactions in connection with the Cuban Credit Facilities should be eliminated as quickly as possible, but still permitted continued U.S. dollar transactions in the interim. Despite the decision in 2004 to wind down U.S. dollar transactions for the Cuban Credit Facilities, as well as the Bank’s overall Cuban exposure, SG continued to engage in such transactions for almost six more years, until October 2010. The conduct continued despite the ongoing

awareness of SG's Group Compliance, and despite awareness by the participants of ongoing U.S. sanctions enforcement actions. In October 2010, as the last of the Cuban Credit Facilities was being replaced with a non-U.S. dollar facility at the insistence of a senior leader of SG's Group Sanctions Compliance function, SG sent payment instructions directing that the final \$600,000 arrangement fee be paid in U.S. dollars, but "not to mention any reference to [Cuban Corporation] within the references of this settlement." From 2005 to 2010, SG conducted a total of 1,921 U.S. dollar transactions that violated TWEA and the Cuban Regulations, with a total value of approximately \$10.3 billion.

SG's Failure to Disclose Its Wrongdoing in a Timely Manner

Despite the awareness of both SG's senior management and Group Compliance that SG had engaged in this unlawful conduct, SG did not disclose its conduct to OFAC or any other U.S. regulator or law enforcement agency until well after the commencement of the Government's investigation.

This investigation was triggered by the blocking by other U.S. financial institutions, in March 2012, of two transactions that SG processed on behalf of a

Sudanese sanctioned entity, and a subsequent February 2013 voluntary disclosure by SG regarding \$22.8 million in transactions with the Sudanese entity and a small number of transactions with other sanctioned entities that violated U.S. sanctions. The Bank did not, however, disclose the existence of the Cuban Credit Facilities at that time, but rather did so only in October 2014, after SG performed a detailed forensic analysis based on the scope of investigation required by the Government and the other investigating agencies.

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Mr. Berman praised the outstanding investigative work of the Internal Revenue Service-Criminal Investigations and The Office of Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau. He also thanked the Board of Governors of the Federal Reserve, the Federal Reserve Bank of New York, the New York State Department of Financial Services, and the Treasury Department's Office of Foreign Assets Control for their assistance with this matter. The New York County District Attorney's Office also conducted its own investigation alongside the United States Attorney's Office for the Southern District of New York on this investigation.

The prosecution is being handled by the Office's Money Laundering and Transnational Criminal Enterprises Unit. Assistant U.S. Attorneys Alexander Wilson and Benet J. Kearney are in charge of the prosecution.

Attachment(s):

[Download societe_generale_civil_complaint.pdf](#)

[Download Societe Generale DPA, Information, Statement of Facts.pdf](#)

Topic(s):

Asset Forfeiture

Component(s):

[USAO - New York, Southern](#)

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