Press Release

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NYDFS ANNOUNCES BANK OF TOKYO MITSUBISHI UFJ TO PAY ADDITIONAL $315 MILLION PENALTY FOR MISLEADING REGULATORS, INDIVIDUAL BANK EMPLOYEES WILL RESIGN AND ACCEPT BANS

BTMU Pressured its Consultant, PwC, to Remove Key Warnings to Regulators on Bank's Transactions with Sanctioned Countries, Including Iran, Sudan, Myanmar

PwC Previously Received 24-Month Consulting Ban, Paid $25 Million for Misconduct in This Case Under August 2014 DFS Order

Benjamin M. Lawsky, Superintendent of Financial Services, today announced an enforcement action – including an additional $315 million monetary penalty, and disciplinary action for individual Bank employees – against Bank of Tokyo Mitsubishi UFJ (BTMU) for misleading regulators regarding its transactions with Iran, Sudan, Myanmar, and other sanctioned entities. A year-long New York State Department of Financial Services (DFS) investigation uncovered that BTMU employees pressured the Bank's consultant, PricewaterhouseCoopers (PwC), into removing key warnings to regulators in a supposedly "objective" report that the Bank submitted to DFS. That report related to the extent of BTMU's illicit conduct on behalf of those sanctioned countries and entities.

Superintendent Lawsky said: "BTMU employees pressured PwC into watering down a supposedly objective report on the Bank's dealings with Iran and other sanctioned countries, thereby misleading regulators. It is clear that we – as a regulatory community – must work aggressively to reform the cozy relationship between banks and consultants, which far too often has resulted in shoddy work that sweeps wrongdoing under the rug."
Under today's DFS order, BTMU will pay an additional $315 million monetary penalty – beyond a $250 million penalty BTMU paid in a previous **June 2013 DFS agreement** over its sanctioned transactions. As such, the total monetary penalty that BTMU has paid in this case is $565 million. Additionally, at the direction of DFS, the Bank will also take disciplinary action against individual BTMU compliance personnel involved in the watering down of the PwC report.

- After demands from DFS that BTMU terminate his employment, **Tetsuro Anan (Manager, Anti-money Laundering Compliance Office, Compliance Division)** has resigned from BTMU. On multiple occasions, despite being responsible for anti-money laundering compliance, Tetsuro Anan asked PwC to remove from its report specific issues of material concern to regulators about the Bank's misconduct.
- Additionally, two former Bank compliance employees who now work at BTMU affiliates – **Akira Kamiya (Deputy President, Mitsubishi UFJ Securities Holdings)** and **Tetsuji Kamisawa (Executive Deputy President, Defined Contribution Plan Consulting of Japan)** – will be banned from conducting business involving any New York banks (or other financial institutions) regulated by the Department, including BTMU's New York branch.

Superintendent Lawsky continued: "We continue to believe that fines – while often necessary – are not sufficient to deter misconduct on Wall Street. We must also work to impose individual accountability, where appropriate, and clearly proven, on specific bank employees that engaged in wrongdoing."

BTMU Pressured PwC to Alter Report Bank Submitted to Regulators

PwC – under pressure from BTMU executives – improperly altered an "historical transaction review" (HTR) report submitted to regulators on wire transfers that the Bank performed on behalf of sanctioned countries and entities. During the last month of a year-long engagement, PwC found that BTMU had issued special instructions to Bank employees to strip wire messages of information that would have triggered sanctions compliance alerts – after the Bank denied having such a policy only weeks before in a meeting with regulators. PwC understood that this improper

data manipulation could significantly compromise the HTR's integrity and PwC inserted into an earlier draft of the report an express acknowledgement informing regulators that **"had PwC know[n] about these special instructions at the initial Phase of the HTR then we would have used a different approach in completing this project."** Specifically, PwC would have conducted a more in-depth, forensic investigation into the Bank's scheme – rather than simply a more rote, mechanical review of the transactions provided to it by the Bank. In other words, the discovery of the Bank's scheme to falsify wire transfer information cast doubts on whether PwC had a complete set of data to review (among other issues).

However, at the Bank's request, PwC ultimately removed the original warning language from the final HTR Report the Bank submitted to regulators and, in fact, inserted a passage stating the exact opposite conclusion: **"[W]e have concluded that the written instructions would not have impacted the completeness of the data available for the HTR and our methodology to process and search the HTR data was appropriate."** Moreover, also at the Bank's request, PwC removed other key information from drafts of the HTR Report, including:

- deleting the English translation of BTMU's wire stripping instructions, which referenced the Bank doing business with "enemy countries" of the U.S.;
- deleting a regulatory term of art that PwC used throughout the report in describing BTMU's wire-stripping instructions ("Special Instruction") and replacing it with a nondescript reference that lacked regulatory significance ("Written Instruction");
- deleting most of PwC's discussion of BTMU's wire-stripping activities;
- deleting information concerning BTMU's potential misuse of OFAC screening software in connection with its wire-stripping activities;
- deleting several forensic questions that PwC identified as necessary for consideration in connection with the HTR Report; and
- deleting a section of the HTR Report that discussed the appearance of special characters (such as "#" "-" and ",") in wire transfer messages, which disabled PwC's filtering system from detecting at least several transactions involving Sudan and Myanmar. (e.g. SUD#AN).

BTMU Violations of Law

In today's order, BTMU admits that it misled DFS and that it:

- failed to maintain or make available at its New York Branch true and accurate books, accounts and records reflecting all transactions and actions in violation of Banking Law § 200-c; and
- knowingly violated the Department's regulation 3 NYCRR § 300.1, which requires BTMU to submit a report to the Superintendent immediately upon the discovery of fraud, dishonesty, making of false entries and omissions of true entries, and other misconduct, whether or not a criminal offense, in which any BTMU employee was involved; and
- knowingly made or caused to be made false entries in its books, reports and statements and omitted to make true entries of material particularly pertaining to the U.S. dollar clearing business of BTMU through its New York Branch or other New York-based financial institutions, misleading the Superintendent and examiners of the Department who were lawfully appointed to examine BTMU's conditions and affairs.

Extension of Independent Consultant

Under the previous June 2013 settlement, DFS ordered BTMU to install an independent consultant (IC) to conduct a review of the Bank's sanctions compliance programs, policies and procedures. Under today's order, at the conclusion of the IC's engagement in March 2015, the Department shall in its sole discretion, determine if an extension of the engagement is required for a period of up to 18 months. This consultant has and will adhere to the code of conduct, **anti-tampering provisions and other reforms** that DFS has outlined for consulting engagements following the Department's June 2013 enforcement action against Deloitte. That code of conduct is designed to help ensure the independence and autonomy of the consultant from the bank, and to make explicit that the consultant works for DFS rather than BTMU.

The Bank further agrees to relocate its U.S. Bank Secrecy Act/Anti-money Laundering Compliance (BSA/AML) and Office of Foreign Assets Control (OFAC) sanctions compliance programs to New York, and agrees that these programs will have U.S. compliance oversight over all transactions affecting the New York Branch, including those transactions performed outside the U.S. that affect the New York Branch. The IC will oversee, evaluate, and test the implementation of those programs, as well as the BSA/AML and OFAC sanctions compliance programs that operate outside the U.S. and relate to transactions affecting the New York Branch.

To view a copy of NYDFS' order today regarding BTMU, please visit, **link**.

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