

Press Release

April 20, 2020

**DFS SUPERINTENDENT LINDA A. LACEWELL ANNOUNCES INDUSTRIAL BANK OF KOREA TO PAY \$35 MILLION TO NEW YORK STATE FOR VIOLATIONS OF NEW YORK ANTI-MONEY LAUNDERING AND RECORDKEEPING LAWS**

***DFS Investigation Finds IBK and its New York Branch Failed to Implement and Maintain Adequate Bank Secrecy Act and Anti-Money Laundering Compliance Programs***

Superintendent of Financial Services Linda A. Lacewell today announced that the New York State Department of Financial Services (DFS) has entered into a consent order with Industrial Bank of Korea (IBK) and its New York branch under which the bank will pay fines totaling \$35 million to New York State for violations of New York Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) laws.

“Industrial Bank of Korea until recently failed to demonstrate sustained improvement in its compliance with New York and federal anti-terrorism and anti-money laundering laws,” **said Superintendent Lacewell**. “With this consent order, DFS is holding IBK

accountable for ensuring full continued compliance with the law and its vigilance against unlawful activity.”

**The DFS investigation found that from 2010 to 2019, IBK had repeated problems identified by DFS examinations and failed to do the following, among other violations:**

- Maintain adequate policies and procedures for BSA/AML compliance and an effective transaction monitoring system, among other problems. Due in part to the bank’s poor internal controls, including its deficient transaction monitoring system, IBK failed in 2011 to capture and prevent a billion-dollar fraud on the bank and its New York branch;
- Capture a money laundering scheme that ran from February 2011 through July 2011. IBK’s client, Kenneth Zong, allegedly circumvented United States sanctions laws by transferring funds from IBK’s restricted account to his IBK account in Korean Won, and, in turn, Zong allegedly converted the funds into U.S. dollars and transmitted them to persons and entities located globally. The vast majority of these transactions, which totaled nearly \$1 billion, cleared through financial institutions located in New York, including IBK’s New York branch and at least one other DFS-regulated bank; and
- Resolve repeated deficiencies in its regulatory obligations, including overall condition, risk management, operational controls and compliance. These deficiencies, among others, resulted in a Written Agreement that IBK entered into with DFS and the Board of Governors of the Federal Reserve System in 2016. In the agreement, IBK acknowledged that bank examinations had identified deficiencies in the New York branch’s compliance and risk management programs and agreed to remediate these deficiencies.

While the New York branch made substantial improvements in parts of its compliance program between 2016 and 2018, subsequent safety and soundness examinations found that the branch’s compliance with the Written Agreement and New York’s anti-money laundering laws and regulations had declined even further. Examiners discovered fundamental deficiencies in the branch’s policies and procedures governing transaction monitoring and suspicious activity reporting, and that the branch was not in compliance with DFS’s first-in-the-nation Transaction Monitoring and Filtering Regulation. However, during the most recent examination, IBK remediated deficiencies

identified in previous examinations, including having an adequate BSA/AML compliance program and became compliant with the Written Agreement.

**Under the consent order announced today, IBK must submit to DFS:**

- Written plans to revise its BSA/AML compliance program and enhance its customer due diligence program as well as oversight by the bank and the New York branch of the branch's compliance with BSA/AML requirements and relevant state laws and regulations; and
- Ongoing quarterly reports on any changes to the branch's BSA/AML compliance program and IBK's governance structure and supervision thereof.

The Department acknowledges IBK's substantial cooperation in this matter, including demonstrating a commitment to remediating the shortcomings identified and to building an effective and sustainable BSA/AML compliance program.

Industrial Bank of Korea is an international banking and financial services company with about \$242 billion in assets as of June 30, 2019. The New York branch acts as a correspondent bank for IBK, providing wire transfer service for companies that want to conduct trade transactions with overseas companies and conducting U.S. dollar clearing mainly for IBK's branches and affiliates, having cleared over 13,000 transactions totaling more than \$1 billion by the end of 2016.

Read a copy of the [consent order on the DFS website.](#)

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