# Chinese Bank Unit to Pay Over Money-Laundering Compliance

## Brokerage unit failed to improve its compliance program despite notices from the SEC

[Samuel Rubenfeld](https://www.wsj.com/news/author/7454)May 16, 2018 12:04 pm ET

U.S. authorities and financial industry regulators penalized the New York-based brokerage unit of a large Chinese bank for failures in its anti-money laundering compliance program, imposing millions in fines.

Industrial and Commercial Bank of China Financial Services LLC, or ICBCFS, cleared and settled billions of penny-stock shares without a sufficient compliance program, according to findings from the Securities and Exchange Commission and the self-regulator Financial Industry Regulatory Authority. The brokerage, a unit of China’s biggest lender, had cleared the transactions on behalf of Chardan Capital Markets LLC, which dealt directly with clients.

Neither filed reports on potentially suspicious transactions despite red flags.

Finra fined ICBCFS $5.3 million and [ordered it](http://www.finra.org/newsroom/2018/finra-fines-icbcfs-53-million-anti-money-laundering-compliance-deficiencies-and-other) to retain an independent compliance consultant. The brokerage also [agreed to pay](https://www.sec.gov/news/press-release/2018-87) the SEC $860,000 without admitting or denying the commission’s findings.

ICBCFS had failed to make changes to its anti-money-laundering program despite a notice in June 2014 from the SEC about its customers engaging in risky penny-stock trading that it had failed to detect, Finra alleged.

A representative of ICBCFS didn’t immediately return a request for comment. Its lawyer had no immediate comment.

The SEC also settled with Chardan Capital Markets, which agreed to pay a $1 million penalty. Chardan’s anti-money laundering officer, Jerard Basmagy, agreed to pay $15,000. Chardan’s attorney said the brokerage cooperated with the SEC’s investigation. “We’re certainly pleased to have successfully resolved this matter,” a lawyer for Mr. Basmagy said.

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MLA - Money Laundering

ASC - Associated with, Seen with

Chan Yick-yiu, the head of real estate and finance at the bank pleaded not guilty to six charges two of

conspiracy to launder money

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MLA - Money Laundering

PRB - Probe

09/12/2017, Occrp.org listed an article on 12 September 2017, re: The Spanish High Court approved an

investigation into the Industrial and Commercial Bank of China's (ICBC) European headquarters on

allegations that hundreds of millions of dollars were laundered through the bank's Madrid branch.

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The Asian Development Bank (ADB) declares firms and individuals ineligible to participate in

ADB-financed activity for committing fraudulent or corrupt acts as defined by ADB's Anticorruption Policy. The

entity in this record appears on the ADB's sanctioned/debarred entities list. ~~ Grounds: Sanction violation.

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The UK's Financial Conduct Authority (FCA) has fined India-based Canara Bank and has restricted it from accepting deposits from new

customers.

The bank was fined GBP896,100 and has been restricted from accepting deposits from new customers for 147 days.

The fine comes after it was learnt that the bank, between November 26, 2012 and January 29, 2016, failed to maintain adequate antimoney

laundering systems. It also failed to take remedial measures on identified weaknesses, the FCA said.

Mark Steward, executive director of Enforcement and Market Oversight at the FCA, said, 'Financial crime and money-laundering failures

are areas of focussed priority for us. Canara was warned its money laundering controls were inadequate and so its failure to remediate

them properly is at the more serious end of the range of sanctions.'

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The China Construction Bank Corporation and the embattled VBS Mutual Bank were penalized for not identifying and verifying customers

details, failing to report certain cash transactions above R24,999.99, not keeping records of customer identification, and inadequate

controls pertaining to the reporting of suspicious and unusual transactions.

The China Construction Bank Corporation was handed a R75 million financial penalty, with R20 million suspended for three years, while

VBS, which is under curatorship, was handed a financial penalty of R2.5 million, with R2 million suspended for one year, and a directive to

take remedial action.

In its Bank Supervision Department annual report for 2017, Sarb emphasized though there was no evidence that both banks had facilitated

transactions relating to money laundering and/or the financing of terrorism© 2018 Global Data Point. All Rights Reserved. Provided by

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For years, the bank has racked up bad loans tied to poorly operating state-owned enterprises., 07/11/2005,

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SHANGHAI, China -- Goldman Sachs and Allianz of Germany are in talks to pay more than $1 billion to acquire a stake in China's largest

state-owned bank, the Industrial and Commercial Bank of China, according to a person briefed on the discussions.

The talks come at a time when some of the world's biggest financial institutions are rushing into China to acquire interests in some of the

country's large but troubled state-owned banks ahead of planned initial public offerings in the next few years. The Bank of America said

last month that it would pay $3 billion for 9 percent of the nation's third-largest lender, the China Construction Bank, which is expected to

offer shares to the public late this year.

And UBS said last month that it was considering investing as much as $500 million in the Bank of China, another huge state-owned bank.

"All the big financial institutions want a piece of the action," said Jack J.T. Huang, who oversees China coverage for the law firm Jones

Day in Taipei, Taiwan. "This is not necessarily a rational decision when you look at the numbers. But these institutions believe the

government won't allow these banks to fail. They will step in to help them succeed."

ICBC has nearly 400,000 employees, more than 100 million customers and about $500 billion in assets. It is unclear how large a stake in

ICBC the bank Goldman and Allianz may get. The negotiations were reported by the South China Morning Post in Hong Kong on

Saturday.

Goldman and other large investment banks may be positioning themselves to help take the banks public in the next few years in deals that

could result in hundreds of millions of dollars in investment banking fees.

Citigroup was initially expected to help take China Construction Bank public, but bankers said that deal is now likely to be handled by

Morgan Stanley and its Chinese joint venture partner, China International Capital Corp., after Citigroup passed on buying a stake.

But the huge investments could be risky for some of the financial institutions because China's banking system has been struggling with

massive debts, poor management and deep-rooted corruption for years.

The Chinese government has consistently stepped in to help bail out the banks. For example, it injected $45 billion into the China

Construction Bank and the Bank of China in 2003. And analysts say the government is determined to revitalize the nation's banking

system as it prepares to open the market to foreign banks.

ICBC is one of the most troubled. For years, the bank has racked up bad loans tied to poorly operating state-owned enterprises. It has also

been plagued by corruption. In the past year, more than 350 ICBC officials were punished after an auditor found over $800 million in

irregularities at the bank. Some bank officials were arrested trying to steal about $900 million.

The bank has also been a victim: A private company used forged documents to borrow nearly $900 million from the bank, according to

reports in state news outlets.

But analysts say the government has pressed the big financial institutions to help clean up the banking system by taking sizeable stakes in

the four largest state-owned banks, which also include the Agricultural Bank of China.

Goldman Sachs and Morgan Stanley -- considered the two most powerful foreign investment banks in China -- have each purchased a

substantial number of bad loans from China's financial institutions.

Goldman, J.P. Morgan Chase and ICBC have also teamed up to agree to loan about $9 billion to the China National Offshore Oil Corp.,

one of China's largest state-owned oil companies, if it succeeds in acquiring Unocal Corp., an American energy company. The Chinese

bank, known as CNOOC, is in a bidding war with Chevron over Unocal, and Goldman and J.P. Morgan are CNOOC's financial advisers in

that effort.

Goldman has moved aggressively in recent years to strengthen its operations in China and solidify its ties to the government in the

expectation that the country could some day be a source of billions of dollars in profits.

Henry M. Paulson Jr., Goldman's chairman, has made dozens of trips to China in recent years. And last year, Goldman agreed to donate

$67 million to the government to bail out a Chinese brokerage firm.

Goldman then got approval to form a joint venture that could operate in China's domestic securities market. Altogether, Goldman's

investment in the joint venture is expected to top $200 million in the first few years.

Goldman has ample money to invest in a deal now. It finished raising $8.5 billion in April for Goldman Sachs Capital Partners V, one of the

largest investment funds created this year. Goldman has a track record lately of buying stakes in financial services companies in Asia and then selling them at a big profit several years later, having already done so with the Ping An Insurance Co. of China and Kookmin Bank in

South Korea.

Allianz of Germany, the huge insurance, banking and asset management company that took over Dresdner Bank in 2001, has also been

moving aggressively into China and already has a joint venture with ICBC.

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Kotwali police arrested two professional drug traffickers Dulal Mian, and Abdul Halim and seized 800 gram

smuggled ganja from their possession last night.

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Fariduddin Ahmed Chowdhury was also accused in the police officer murder case.

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Zaki found Ismail Ibrahim was sentenced to death for trafficking in 20.052kg of cannabis.

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BRB - Bribery, Graft, Kickbacks, Political Corruption

ASC - Associated with, Seen with

Derick Chan Po-fui, the head of Industrial and Commercial Bank of China admitted accepting HK$3.3 million

in bribes for helping a businessman extend the repayment period of a HK$2.7 billion loan

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The Justice Department and the Securities and Exchange Commission are trying to determine whether the

Agricultural Bank of China Ltd. and Industrial & Commercial Bank of China Ltd.'s hiring practices violated

U.S. laws against paying bribes overseas., 09/03/2013,

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As U.S. authorities examine the hiring by banks of relatives of powerful Chinese officials, two of the biggest IPOs in history show how

widespread the practice was in Hong Kong.

The initial public offerings of Agricultural Bank of China Ltd. in 2010 and Industrial & Commercial Bank of China Ltd. in 2006 raised $22

billion apiece. Several of the banks that won key roles in the deal employed so-called princelings.

Investment banks in Hong Kong have long hired princelings -- the relatives of high-ranking Chinese government officials -- for their

knowledge of the Chinese financial system and their connections inside China, people in the industry say. They add that most are welleducated

graduates of Western universities.

The Justice Department and the Securities and Exchange Commission are trying to determine whether the banks' hiring practices violated

U.S. laws against paying bribes overseas, according to people familiar with the matter.

The focus on princelings was sparked after the U.S. government began looking into hires that could have helped J.P. Morgan Chase & Co.

win investment-banking deals with state-controlled financial firm China Everbright Group and state-controlled China Railway Group, a

person familiar the matter said.

The scrutiny goes beyond the probe disclosed by J.P. Morgan in August, according to people with knowledge of the situation. A J.P.

Morgan spokeswoman has said the bank is cooperating with investigators.

People familiar with the probes beyond J.P. Morgan believe the inquiries extend geographically to hiring practices in countries other than

China. As with J.P. Morgan, receiving inquiries from the agencies doesn't mean the companies have done anything wrong.

For the U.S. government to prove a case against J.P. Morgan, it would have to demonstrate the bank had "corrupt intent" in bringing

princelings on board, and did so in order to improperly influence a foreign official in an effort to win business, according to lawyers who

specialize in the U.S. anti-bribery law.

No bank, including J.P. Morgan, and no bankers have been accused of wrongdoing. None of the so-called princelings, their high-ranking

contacts, or the companies that had initial public offerings have been accused of any wrongdoing.

U.S. investment bank Merrill Lynch, now part of Bank of America Corp., was one of the lead banks on the IPO of ICBC. In 2004, it hired

Wilson Feng, the son-in-law of a high-ranking Chinese politician, to work in investment banking in the firm's China office, people who used

to work with him said. Mr. Feng was brought on mainly to focus on the ICBC IPO, The Wall Street Journal previously reported, citing a

person familiar with the matter.

Mr. Feng was employed by Merrill Lynch when the firm participated in other high-profile IPOs, like the $1.24 billion listing of Air China Ltd.

in 2004 and the $500 million listing of Dongfeng Motor Corp. in 2005, a former colleague said. While it was unclear exactly what role he

played in those deals, a person who worked at the bank at the time said Mr. Feng acted as an adviser to the bank's senior China

management. ICBC and Air China declined to comment, and Dongfeng Motor didn't return calls for comment.

Mr. Feng was named chairman of China investment banking at the firm in 2007, a year before he left and moved to head state-owned

Guangdong Nuclear Power Energy Investment Fund in 2009. He didn't respond to requests for comment.

Merrill Lynch also employed Margaret Ren, the daughter-in-law of a former Chinese premier. Ms. Ren has been the China chairman since

late last year, her second stint at the bank. Previously she worked at BNP Paribas, Citigroup Inc. and Bear Stearns Cos. During her time at

Citigroup, the bank worked on the $3.5 billion China Life Insurance IPO in 2003. Ms. Ren declined to comment. China Life didn't respond

to requests for comment.

Goldman Sachs Group Inc. played a key role in the Agricultural Bank of China deal. Goldman banker Hong Ning was lauded by higher-ups

for his work on that IPO, according to a person who worked with him. Mr. Hong's wife is related to Wang Qishan, who previously helped

coordinate China's financial policy and in late 2012 became the party's chief anticorruption enforcer.

Mr. Hong joined Goldman in 2005 and was named partner in 2010, the same year Agricultural Bank raised its billions in a listing in Hong

Kong and Shanghai. Mr. Hong, who is still with the firm, declined to comment. A representative for Agricultural Bank declined to comment

on the matter.

J.P. Morgan acknowledged the SEC's investigation in a filing last month and has assembled a task force to investigate its employment

practices in Asia, a person familiar with the matter said. Both hires in question have since left the bank.

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HONG KONG (Dow Jones)--A Hong Kong court on Wednesday sentenced two former senior bankers at the local unit of Industrial &

Commercial Bank of China Ltd. (1398.HK) to up to three years in jail for accepting bribes worth HK$5.8 million (US$744,000) in return for

helping to facilitate loans.

Derick Chan, former head of corporate banking at Industrial & Commercial Bank of China (Asia) Ltd, was sentenced to two years in prison

after pleading guilty to accepting HK$3.3 million in bribes in or about 2006 and 2007 from Zeng Wei, a businessman involved in property

development and hotels. Beijing-based ICBC is China's biggest lender by market value.

Chan Yick-yiu, former head of real estate and finance at the bank and who worked for Derick Chan, was sentenced to three years in jail

after being convicted of nine counts of bribery and money laundering charges for accepting from Zeng HK$2.5 million in cash, a

HK$33,000 watch and five bottles of wine worth HK$14,500. He pleaded not guilty.

In sentencing, District Court Judge Fred Sham said while neither defendant exerted any undue pressure on bank staff handling loan

applications, their actions involved a serious breach of trust in a city renowned for its anti-corruption efforts.

"The defendants were at the pinnacle of their career, but now they will plumb the depths. The moral is that corruption doesn't pay," the

judge said.

The court heard earlier that Zeng applied to the bank for three loans for his companies totaling about HK$2.7 billion between August 2006

and March 2007. The bank approved the loans following favorable credit endorsements by the two defendants.

Zeng subsequently managed to have the repayment dates for two of the loans extended on five occasions as a result of the endorsement

of both defendants, the court heard.

Zeng, who faces three charges, didn't appear for trial in July and has been at large since. The court has issued a warrant for Zeng's arrest.

ICBC took the former Hong Kong-listed ICBC Asia private in a deal at the end of last year worth HK$10.8 billion in order to streamline its

operations as the state-owned lender expands its Hong Kong operations. The lending giant bought a controlling stake in ICBC Asia,

formerly Union Bank of Hong Kong, in 2000 from China Merchants Finance Holdings Co.

ICBC Asia couldn't immediately be reached for comment Wednesday.

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A case has been registered by the Lokayukta Special Police Establishment against him in a corruption

case.Jhabua Collector and the nagar panchayat CEO had got publicity material printed from a private printer

instead of a government printer.

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It's taken two years, two competing drafts laws and two worried letters to the government from the International Monetary Fund and the

World Bank, but on June 7 Ukraine's parliament finally passed the second and final reading of a bill to create an anti-corruption court.

Even so, there are still doubts that the new legislation meets the requirements of the international lenders and the European Union, on

whose financial support the fate of Ukraine still hangs.

For the approved bill to become law, it now needs to be signed by President Petro Poroshenko.

"Today we have completed the creation of anti-corruption infrastructure," Poroshenko said at a parliament meeting, after first opposing and

then delaying its creation since demands for the creation of the court started in 2016. "I want to emphasize Ukrainian authorities' decisive

anti-corruption efforts. Such decisive legislation doesn't exist in a single country of the world."

But while some lawmakers praised the bill as a major breakthrough, critics believe that it weakens the powers of an expert panel in

selecting the judges and will allow Poroshenko to create a puppet anti-corruption court. The International Monetary Fund had insisted that

at least half of the members of an expert panel open to Ukrainians and foreigners must approve a candidate before he or she could be

considered for a judgeship.

The IMF said it is still analyzing the legislation, which passed on a vote of 315–25.

The court's creation is one of three requirements that Ukraine has to meet for the IMF to agree to disburse a further $2 billion in loans. The

other two conditions are raising household gas prices to market levels, and reducing the deficit of $40 billion national budget to 2.5 percent

of the gross domestic product, down from the current 4 percent.

The Bloc of Petro Poroshenko, the pro-presidential faction in parliament, said the final version of the bill was the result of a compromise

with the IMF and other foreign donors.

Gianni Buquicchio, the head of the European Commission for Democracy through Law, also known as the Venice Commission, said the

commission was satisfied with the bill.

To set up the court, Poroshenko will have to submit an additional bill, according to the legislation. There are concerns that he is hoping to

get an IMF tranche before submitting that second bill.

Daria Kaleniuk, executive director of the Anti-Corruption Action Center, said that the passage of the bill "is supposedly a victory, but it's not

clear what the final text looks like and whether it meets IMF conditions."

"The anti-corruption court bill has been passed," Yegor Sobolev, a lawmaker from the 25-member Samopomich faction, said on Facebook.

"Now there will be a lot of manipulation and sabotage during its implementation, but we'll be able to overcome this resistance."

Sergii Leshchenko, a critical lawmaker from the 136-member Bloc of Petro Poroshenko, said on Facebook it would take about a year to

create the anti-corruption court.

"The bill was passed thanks to our civil society, investigative journalists, a few reformers in the government and foreign partners'

pressure," Leshchenko said. "If the country was run by a genuine reformer, we would already be discussing the anti-corruption court's first

sentences, not amendments. Time is the main resource that we're losing. But I congratulate all those involved with victory."

Foreign experts

According to the final version of the bill, at least three members of the six-member Council of International Experts, a foreign advisory

body, can initiate a joint meeting of the High Qualification Commission and the Council of International Experts on a candidate for the court

if there are doubts about his or her professional integrity.

Then the candidate must be approved by a majority of the joint meeting, given at least three international experts vote for him or her.

But it is not clear which foreign organizations will select representatives for the Council of International Experts, and in what manner. There

is a high risk that some of the international experts will be biased in favor of the Ukrainian authorities, said Halya Chyzhyk, a member of

the Public Integrity Council, the judiciary's civil society watchdog.

Vitaly Shabunin, the head of the Anti-Corruption Action Center's executive board, argued that the wording of the law does not allow the

Organization for Economic Cooperation and Development, the World Bank and the European Union to nominate their representatives.

According to the legislation, foreign representatives will not be able to take part in the selection of candidates based on knowledge tests

and interviews.

Chyzhyk, Roman Kuybida and Vitaly Tytych — members of the Public Integrity Council — argued that, as a result, the bill would not

prevent the rigging of the competition for anti-corruption judges in favor of government loyalists by the High Qualification Commission.

They say that foreign representatives should take part not just in vetoing the worst candidates on the basis of integrity, but in the selection

process. A special chamber with a majority of foreign representatives should be created as part of the High Qualification Commission to

select judges, according to Kuybida.

The Venice Commission's recommendations (clause 73 of Conclusion No. 896/2017) stipulate that foreign partners must be included in

the competition commission or even the High Qualification Commission's composition, Kuybida said.

"(According to the bill passed by the Rada), the High Qualification Commission will select candidates without foreign organizations'

participation, and the story with manipulations during the Supreme Court competition may be repeated," he said. "Foreign organizations

were only given the opportunity to veto the worst candidates."

Moreover, the legislation does not solve the problem of the High Qualification Commission's arbitrary and subjective assessment

methodology, Tytych said.

During the Supreme Court competition, 90 points were assigned for anonymous legal knowledge tests, 120 points for anonymous practical

tests, and the High Qualification Commission could arbitrarily assign 790 points out of 1,000 points without giving any explicit reasons.

To make the competition's criteria objective, 750 points should be assigned for anonymous legal knowledge tests and practical tests,

Tytych said.

Other aspects

Another way in which the anti-corruption court's creation could be sabotaged is through the discredited Supreme Court, which will be the

cassation instance for the anti-corruption court, Kuybida said. The way to solve this would be to create a special anti-corruption chamber

recruited under transparent rules at the Supreme Court, he added.

However, the High Qualification Commission plans to start recruiting about 80 more Supreme Court judges this fall under the old nontransparent

assessment rules in addition to the 115 incumbent judges. The legislation has also been criticized because it doesn't allow the

Public Integrity Council, which has shown its independence from the authorities, to take part in the creation of the anti-corruption court.

Rigging

Members of the Public Integrity Council believe the competition for anti-corrupt judges cannot be entrusted to the High Qualification

Commission because they say it rigged last year's competition for places on the Supreme Court. The High Qualification Commission

denies the accusations.

First, during the practical test stage of the Supreme Court competition, some candidates were given tests that coincided with cases that

they had considered during their career, which was deemed a tool for promoting political loyalists.

Second, the High Qualification Commission allowed 43 candidates who had not earned sufficient scores during practical tests to take part

in the next stage, changing its rules mid-competition. Members of the Public Integrity Council believe that the rules were unlawfully

changed to prevent political loyalists from dropping out of the competition.

Third, the High Qualification Commission and the High Council of Justice refused to give specific reasons for assigning specific total

scores to candidates and refused to explain why the High Qualification Commission has overridden vetoes by the Public Integrity Council

on candidates who do not meet ethical integrity standards.

Loyal auditor

And even if the authorities fail to create a puppet anti-corruption court, they still have the opportunity to eliminate the National Anti-

Corruption Bureau's independence through an audit. In that case, the anti-corruption court will have no genuine corruption cases to

consider.

NABU Chief Artem Sytnyk could be fired as a result of a negative conclusion by NABU auditors.

The Verkhovna Rada on June 7 appointed Volodymyr Vasylenko as an auditor of the NABU. According to the Apostrof news site's

sources, Vasylenko is the government's preferred candidate for NABU auditor. Vasylenko's son is Andriy Vasylenko, a member of the

government-controlled High Qualification Commission.

In May 2017 Mykhailo Buromensky, an alleged loyalist of the authorities, was appointed as a NABU auditor by the Cabinet of Ministers. A

third auditor has yet to be appointed by Poroshenko.

Danylyuk's dismissal

Another troubling sign for anti-corruption efforts is the firing by the Rada of Finance Minister Oleksandr Danylyuk by the Rada after he

lashed out at Poroshenko's top ally and lawmaker Ihor Kononenko and at corruption at the State Fiscal Service.

Danylyuk said in a June 4 interview with the Yevropeiska Pravda online newspaper that lawmaker Kononenko had tried to install Ihor

Umansky as a deputy finance minister to lobby for his interests. Kononenko denied the accusations.

Danylyuk's deputy Oksana Markarova became the acting finance minister.

She has extensive business experience, including serving as CEO of ITT investment Group, a Ukrainian investment and asset

management firm. Her supporters cite her successful business background and also her drive to make the Finance Ministry more

transparent. She not only served under Danylyuk but also his predecessor, ex-Finance Minister Natalie Jaresko.

But she was also investigated in a graft case against ex-President Viktor Yanukovych's former chief of staff Andriy Klyuyev, according to

Volodymyr Petrakovsky, a former prosecutor and a Reanimation Package of Reforms expert, but never charged with any crime. She denies accusations of wrongdoing. She served as acting chairperson of Klyuyev's bank from 2012-2013.

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WASHINGTON (Alliance News) - Paris-based bank Societe Generale SA has agreed to pay more than USD1 billion to settle allegations

related to bribery schemes and interest rate manipulation, the US Justice Department said Monday.

The bank will pay USD860 million to resolve criminal charges lodged in the US and France. The figure includes USD585 million related to

a bribery scheme involving officials in Libya, the Ddepartment said.

The penalty will be paid over allegations the bank bribed Libyan government officials for several years during the era of former dictator

Moamer Gaddafi. Specifically, the charges relate to business relations between the bank and the Libyan Investment Authority from 2007-

10.

The department said the bank's wholly owned subsidiary, SGA Societe Generale Acceptance, will plead guilty in New York to resolve the

foreign bribery case.

The bank also acknowledged it manipulated the global benchmark interest rate, impacting financial products traded worldwide. The bank

agreed to pay 275 million dollars to resolve those violations, which arise from its manipulation of the London InterBank Offered Rate, one

of the world's leading benchmark interest rates.

In addition, the bank agreed to pay a fine of USD475 million in regulatory penalties to the Commodity Futures Trading Commission in

connection with the LIBOR scheme.

In related proceedings, Societe Generale reached a settlement with the Parquet National Financier in Paris relating to the Libya corruption

scheme. The US will credit about USD292 million that Societe Generale will pay to the PNF under its agreement.

The Justice Department announced later Monday that a subsidiary of the US investment management firm Legg Mason agreed to pay

USD64 million to resolve allegations that one of its subsidiaries partnered with Societe Generale to solicit business from state-owned

financial institutions in Libya.

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In June 2018, Societe Generale agreed to pay a combined penalty of more than $860 million to resolve

charges in the United States and France, including $585 million relating to a multi-year scheme to pay bribes

to officials in Libya and $275 million for violations arising from its manipulation of the London InterBank

Offered Rate (LIBOR), one of the world's leading benchmark interest rates, according to a U.S. Justice

Department press release. The Libyan Investment Authority sued Societe Generale in March 2014, alleging

the French bank paid more than $58 million in bribes to a Panamanian company that was purportedly a

financial intermediary of the bank but was in fact owned by the son of former Libyan dictator Muammar

Ghaddafi; the LIA claims it lost $1.5 billion on bad derivatives trades by Societe Generale. The head of

Societe Generale's Russian unit, Rosbank, was fired after being arrested in May 2013 for allegedly

demanding a $1.5 million bribe from a businessman. In 2011, Societe Generale took over assets from

Lebanese-Canadian Bank, which had been accused of laundering money for terrorists; in June 2013, $102

million of those assets were seized by U.S. authorities. A rogue trader was blamed for causing more than $7

billion in trading losses in 2008, leading to a drop in its credit rating. Several executives at the French bank

went on trial in 2008 for their involvement in an alleged 32 million euro money laundering scheme between

France and Israel. Nigeria-based defunct bank, Societe Generale Bank of Nigeria's (SGBN) former chairman,

Bukola Olusola Saraki (Saraki), was under investigation in 2013 by the Economic and Financial Crimes

Commission (EFCC) (Nigeria), in connection with financial misappropriation. According to public media

sources, the investigation aimed at the Saraki's handling of the bond secured by the state during his tenure

as Governor of Kwara (Nigeria) between 2003 and 2011 and the associated complicity in the collapse of

SGBN. Société Générale was accused in 2010 of illegally recovering losses through a $1.8billion (£1.1billion)

in a tax write-off and was fined £3.5million by the banking commission, according to public media sources.

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In 2015, Standard Bank agreed to pay $32.6 million to the UK Serious Fraud Office to defer prosecution on

bribery charges involving the bank's Tanzanian unit, according to public media sources. Standard Bank was

ordered to pay a fine of approximately $12 million (GBP 7,640,400) in January 2014 by the UK Financial

Conduct Authority (FCA) for failings to its anti-money laundering (AML) policies and procedures. According to

FCA Press Releases, between December 2007 and July 2011, Standard failed to take reasonable care to

ensure that all aspects of its AML policies were applied appropriately and consistently to its corporate

customers connected to politically exposed persons (PEPs). In 2012, Standard was ordered to hand over

shares of more than R500 million to the Catering and Allied Workers' Union (Saccawu) Provident Fund for an

alleged illegal share trading deal in 2002. The bank was alleged to have infringed the patent rights to a

3MFuture invention in 2011, and was accused of a multi-million theft of Internet security systems from a local

company in 2010.

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JOHANNESBURG - Standard Bank has defended its subsidiary Stanbic Bank Zambia on allegations of bribing three judges in that country

to receive favourable judgment against its former client.

Standard Bank said yesterday that the accusations had no merit. “Stanbic Bank believes in transparency and the rule of law. We respect

the judgment, which was arrived at in a fair and transparent manner in accordance with the laws of the land,” Standard Bank said.

This comes after Stanbic appealed the September 2016 ruling by high court judge Justin Chashi, who ordered the bank to pay Savenda

K192.5 million (R253.23m) for loss of business and vital contracts after the bank reported the local enterprise to the Credit Reference

Bureau for defaulting on instalments.

Savenda received a loan of $540000 (R7.18m) from Stanbic in 2007. According to records, Savenda was servicing the loan as scheduled,

but the bank’s system could not capture these monthly repayments. Stanbic admitted the error and put it in writing that they would rectify

the problem. But, another Standard Bank reported Savenda to the Credit Reference Bureau as a deliquescent borrower.

In March Stanbic appealed to the Court of Appeal, which decided that the damage suffered by Savenda was only nominal or existing in

name only and awarded Savenda K5000.

Three Supreme Court judges Nigel Mutuna, Michael Musonda and Evans Hamaundu dismissed the appeal by Savenda.

Since then, several individuals and organisations have accused the three judges of professional misconduct. The National Empowerment

Forum called on chief justice Irene Mambilima to constitute a tribunal against the three judges.

However, the Law Association of Zambia (LAZ) has defended the Court of Appeals ruling and supported the judges. “As LAZ we have

understood these comments and allegations as being calculated to interfere with the proper administration of justice, calculated at instilling

fear in the minds of the named and other judges for purposes of impending their independence in the adjudicative process and inhibiting

the discharge of the duty that counsel owes his client,” LAZ said.

LAZ said while the members of the public are at liberty to comment on decisions of the courts in Zambia and exchange views on the

decisions, it was contemptuous to allege a bias and incompetence against the court. “A party or any person who makes such allegations is

liable to be cited for contempt of court and if convicted, sentenced to imprisonment or to pay a fine or both,” LAZ warned.

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Event: REG - Regulatory Action

ACT - Disciplinary, Regulatory Action

03/13/2018, The Federal Reserve Board announced the execution of the enforcement action against

Industrial and Commercial Bank of China Ltd. ~~ Cease and Desist Order dated March 12, 2018

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China Banking Regulatory Commission (CBRC) has fined 19 banks over a $3bn pledge loan fraud case in the Shaanxi and Henan

provinces.

The Chinese banking regulator imposed a fine of nearly CNY52.5m ($8.36m) on the banking institutions found guilty of approving loans to

criminals, who illegally used low-purity gold as pledges.Leading lenders such as Industrial and Commercial Bank of China (ICBC) and

Postal Savings Bank of China (PSBC) were among the penalised banks.In a statement, CBRC stated that this case found multiple defects

in the internal controls and exposed poor management of loans by the banks which were exploited by the criminals.A total of 104

employees were found guilty in this case where 35 criminals associated with the fraud were also arrested.CBRC stated that in the pledged

loan fraud, three PSBC branches were imposed a fine of CNY10m, while four ICBC branches were fined CNY6.5m.Since the beginning of

this year, it is third such event as the CBRC looks to increase crackdown over financial irregularities.Last week, the regulator fined 12

lenders after it found illegal trading of bank bills amounting to CNY7.9bn.

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Luxembourg watchdog levies record fine against Chinese bank

Published on Friday, 24 March, 2017 at 15:12

Luxembourg's financial watchdog has levied a record-high fine of more than 3.7 million euros against Chinese bank ICBC for misconduct.

The Commission de Surveillance du Secteur Financier (CSSF) said the bank failed to employ a "secure supervisory structure" or "adequate management" to comply with standards in the area of 'financial security'.

Financial security issues include the fight against money laundering and the financing of terrorism, the verification of customer data, the freezing of assets, and embargoes.

In its monthly newsletter, the CSSF accuses the bank of "massive misconduct" and "serious" violations of the law.

It warned that the bank's standing had been jeopardised due to the severity of the misconduct.

The fine marks an all-time high for the CSSF.

By comparison, over the course of 2015, the regulator levied a total of 1.3 million euros in fines.

The year previous, that figure was just over 722,000.

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More than 350 ICBC officials were punished after an auditor found over $800 million in irregularities at the

bank. Some bank officials were arrested trying to steal about $900 million., 07/11/2005,

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embroiled in half of the irregularities and suspected criminal activities uncovered at financial companies last

year, underscoring the ineffectiveness of efforts to improve risk management.

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Regulators confiscated an unspecified amount of profits from its lending and fined the bank 500,000 yuan

(US$65,000; euro50,000) for real estate speculation.

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06/23/2000, The Federal Reserve Board today announced the execution of a Written Agreement by and

among Banco Bilbao Vizcaya Argentaria, S.A., Madrid, Spain; Banco Bilbao Vizcaya, S.A. Miami Agency,

Miami, Florida; Banco Bilbao Vizcaya, S.A. New York Branch, New York, New York; the Federal Reserve

Bank of Atlanta; the Federal Reserve Bank of New York; the New York State Banking Department; and the

State of Florida Department of Banking and Finance. DOCKET NUMBER: 00-010-WA/RB-FA DOCKET

NUMBER: 00-010-WA/RB-FB DOCKET NUMBER: 00-010-WA/RB/FBR

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Federal Reserve Board issues termination of enforcement actions with Community Banks of Georgia, Inc., and Grand Mountain Bancshares, Inc.

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Federal Reserve Board issues enforcement action with United Bank Limited and former employee of Hinsdale Bank & Trust and announces termination of enforcement action with United Bank Limited

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BEIJING, Jan 17, 2005 (ODC via COMTEX) --

Chinese authorities have arrested dozens of government officials and others accused in a scheme to steal CNY7.4 billion ($900 million)

from a state bank through fraudulent loans, news reports said Monday. Prosecutors intend to file charges against 69 people, including

former employees of the Industrial & Commercial Bank of China (ICBC.YY), one of the country's four main state-owned commercial banks,

the official Xinhua News Agency said. The government has dismissed 80 officials accused of colluding in the scheme and some of them

are among those being prosecuted, the China Daily newspaper said. China's major state-owned banks are undergoing intensive audits in

an effort to tighten their controls before they try to raise capital by selling shares on foreign stock exchanges. According to investigators,

the scheme at ICBC was led by businessman Feng Mingchang, who was found to have defrauded the bank's branch in Foshan, a city in

Guangdong province near Hong Kong, the news reports said. Dozens of bank and government officials are accused of forging false letters

of credit and proof of land and property in order for Feng to receive loans, they said. More than CNY2 billion ($240 million) still hasn't been

recovered, according to reports. The case adds to a string of multimillion-dollar bank frauds uncovered at Chinese state banks in recent

years. The government announced in November that auditors had found fraudulent transactions at ICBC totaling CNY6.9 billion ($840

million). It wasn't clear whether that report was related to the latest announcement of prosecutions.

-Edited by Sharon Vong

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was found guilty of fraud and false accusation. In 2009, Saenz was convicted by a Barcelona court in the

same case and was sentenced to six months in prison.

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Spain's Supreme Court has disqualified Banco Santander SA's (STD) chief executive, Alfredo Saenz, from running banks as the executive

was found guilty of fraud and false accusation, El Mundo reports in its Monday Internet edition, without citing any sources.

The court's ruling came out in December, but the full text will be unveiled in coming days, the report said.

The case stems from when Saenz was chairman of Banco Espanol de Credito SA (BTO.MC) in 1994 and it relates to efforts made by the

bank to recover a EUR3.8 million loan, the report adds.

In 2009, Saenz was convicted by a Barcelona court in the same case and was sentenced to six months in prison. He appealed the verdict.

In its ruling, the Supreme Court has raised the jail sentence to eight months, the report said. However, his time in jail will be suspended,

the report adds, as it is customary in Spain that people with no criminal records don't serve time when the prison term is less than two

years.

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The State Bureau of Investigation for Economic Offences has submitted a challan against Ashok Kumar Jain

in connection with an old '1.83 crore fraud and embezzlement case

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UNDER fire high street bank TSB has been hit by more than 10,600 alerts of potential fraud since its computer systems meltdown at the

end of April, MPs heard yesterday.

The bank's chief executive Paul Pester faced stinging criticism from regulators and politicians during a grilling in front of the influential

Treasury Select Committee.

TSB has experienced more than 2,200 confirmed fraud attempts, with more than 1,300 customers having money stolen. TSB has

promised to compensate customers who are left out of pocket in any way.

Pester said the bank had been hit by an "unprecedented attack on UK banking from organised crime", with fraud attacks 70 times higher

than normal. More than 12,500 TSB customers have switched their current accounts to competitors since the crisis began. The cost of the

crisis is estimated at £70m so far.

The computer collapse began when TSB tried to migrate its systems from former owner Lloyds over a single weekend. Problems started

within 20 minutes of the switchover, with hundreds of thousands of customers locked out of accounts for days.

Yesterday MPs asked Pester and chair Richard Meddings if he would resign.

"Do you think that TSB deserves its new nickname of the 'Truly Shambolic Bank'?" asked committee chair Nicky Morgan.

Conservative committee member Charlie Elphicke said MPs were of the opinion that "the way you have communicated to this committee

is, frankly, misleading".

Pester apologised repeatedly for the meltdown, adding that he takes "complete and utter responsibility for this".

Andrew Bailey, chief executive of the Financial Conduct Authority (FCA), said that TSB was "initially... overwhelmed" by the volume of

complaints and enquiries - 95,613 in total.

The regulator is investigating the fiasco. Regulators previously fined Royal Bank of Scotland £56m for a similar computer failure in 2012.

In an earlier testimony on 2 May Pester should have given a "a more thorough and balanced communication" rather than the "rather rosy"

view he portrayed, Bailey added. At the time some customers were waiting for hours in vain on helplines. Pester said he had been

unaware of those problems in early May.

"There were serious problems with the fraud line of your bank, for which you are accountable, and you didn't know about it?", Labour MP

Alison McGovern asked Pester.

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Top law firms, a senior State Counsel and renowned valuation companies have been named among suspects who forged land documents

to secure five loans worth Sh449 million from CBA Bank. The 17 individuals and companies that the Directorate of Criminal Investigations

wants (DCI) prosecuted for grand forgery include Edna Khaemba, a senior State counsel, lawyers George Kithi, and Gladys Mboya and

Lloyd Masika, a real estate valuer. Mboya Wangong’u and Waiyaki Advocates, Khaemba and Khaemba Advocates and Kithi & Company

Advocates make the list of law firms in the prosecutors' crosshairs. The DCI wants the suspects charged with conspiracy to defraud,

obtaining credit by false pretense, forgery of document of title and uttering false documents. The DCI report, seen by the Business Daily,

lays bare details of the forgery racket involving law firms, and unscrupulous businessmen that worked with internal staff to ship out the

cash from the bank. “It is evident that the directors of Ndonga Limited, Wardpa Holdings Limited and Kinjune Garden Limited, Commercial

Bank of Africa Limited officials, M/s Khaemba and Advocates, the external advocates of CBA and the external valuers of CBA conspired to

defraud Commercial Bank of Africa Sh449, 051,999 using forged documents,” the DCI says in the recommendation signed by Nairobi

County Criminal Investigations officer Nicholas Kamwende. Also in the list of suspects are Patrick Kangethe, Edward Kangethe, George

Kangethe, Margaret Kangethe, and Gladys Kangethe, the owners of companies that were used to secure the loan. The DCI says the

Kangethes and their companies obtained High Court orders suspending their prosecution but it is not possible to determine whether the

order has since been lifted. READ: Elite Kenyan law firms set sights on big deals READ: BIKO INTERVIEW: Breaking into the elite

lawyers’ club CBA managers Stephen Warui, who was a relationship manager at CBA when the crime was committed, and valuer Mureithi

Limited, are also named in the list of high-profile suspects. Ms Khaemba is said to have obtained orders stopping her prosecution and had

yesterday filed a fresh suit at Nairobi's Milimani Courts seeking orders against her prosecution in relation to the forgeries. It’s not clear why

other law firms and companies recommended for prosecution had not been charged. Ms Khaemba, a senior State counsel based in

Kisumu, has listed the Inspector-General of Police and her boss, the Director of Public Prosecutions (DPP), as respondents in the suit.

She claims in the suit to have received information on plans to arrest and charge her with an offence that was allegedly committed before

she joined the State department. Ms Khaemba, the lawyer who handled the conveyance of the titles and properties used as security when

the Kangethes secured a loan from the bank, accuses the DPP of planning to charge her with the offence yet the rest of the accused are

protected by court orders that suspended their prosecution pending conclusion of a case filed at the High Court. Ms Khaemba says she did

the work in her capacity as a High Court advocate and was not privy to any forgeries that took place. She further claims that the lender

procured services of the police to arrest her client and charged them with unfounded allegations as part of the plan to force them into

accepting unfair settlement terms. Finer details Her case has, however, lifted the lid on the racket, revealing the finer details of the alleged

transaction as contained in the DCI's report. The DCI says Ms Khaemba was at the centre of the transaction having made the bank to

believe that the deal was clean until February 2016 when one of the lenders advertised plans to auction the property in their custody. CBA,

upon investigations, found that the Kangethes had used fake documents to secure the loan, helped by Mr Warui, the relationship manager

who introduced them as clean clients and Edna’s law firm Khaemba and Khaemba Advocates. The company at the centre of the forgery

scam had proposed to purchase a property and gave a forged title as security. In one instance, Sh56 million borrowed was obtained to

finance a commercial property in Nairobi's Ngara estate, owned by a client of Khaemba and Khaemba Advocates. The security was

approved by Tysons Limited, CBA’s external valuer and searches at Ministry of lands was handled by Mboya, Wangong'u and Waiyaki

Advocates. Investigations found that all these were falsified and that the RTGS Transfer document for stamp duty made from Bank of

Baroda by Khaemba and Khaemba Advocates was a forgery. New loan A further loan of Sh28.8 million was advanced after the Kangethes

presented a forged document and the process handled by Mr Warui, the relationship manager. It was validated by the CBA’s external

valuers Llyod Masika, Tysons Limited, Mureithi Limited and external law firms of Mboya Wangong'u and Waiyaki Advocates. The racket

allegedly further managed to secure a further two loans, of Sh100 million and Sh160 million, when a newspaper advert accidentally

exposed the well-planned scheme. The DCI report indicates that Land ministry officials have disowned the signatures on all the

documents, claiming they were forged. Ms Khaemba denies any wrongdoing arguing as a lawyer they were just handling conveyance.

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06/18/2018, Pennsylvania Attorney General announced a $100 million settlement with Citibank for

fraudulent conduct involving interest rate manipulation that had a significant impact on consumers and

financial markets around the world - including organizations in Pennsylvania. The multistate investigation by

42 Attorneys General found that Citibank's false rate submissions involving the London Interbank Offered

Rate, or LIBOR, a benchmark interest rate, affected financial instruments worth trillions of dollars and had a

widespread impact on consumers and global markets. The Attorneys General alleged that Citibank

misrepresented the integrity of the LIBOR benchmark to state and local governmental, not-for-profit, private,

and institutional trading counterparties by concealing, misrepresenting, and failing to disclose that Citibank

made inaccurate USD LIBOR submissions to avoid negative publicity and protect the reputation of the bank.

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Get the DealBook newsletterto make sense of major business and policy headlines — and the power-brokers who shape

them.\_\_\_\_\_\_\_\_\_\_

In a Dublin courtroom earlier this month, David Drumm, the former C.E.O. of Anglo Irish Bank, joined an exclusive club.

He became the latest senior banking executive to be convicted of a crime tied to the 2008 global financial crisis.

Mr. Drumm was found guilty of fraud and false accounting in connection with a plan to falsely convince people that Anglo Irish was

financially healthier than it really was. On Wednesday, he was sentenced to six years in prison — two fewer years than the base term for

such crimes, but still necessary for what the judge called “grossly reprehensible behavior.”

But Mr. Drumm is a rarity. Few of the top executives that helped push the global economy to the brink have been convicted of crimes in

the decade since the financial crisis.

Here’s a look at some of those that were charged with crimes related to the downturn in 2008. (It’s not a long list.)

Kareem Serageldin

The former global head of structured credit for Credit Suisse, Mr. Serageldin pleaded guilty in 2013 of lying about the value of the

mortgage-backed assets, which later soured to the tune of more than $100 million. He was sentenced to 30 months in prison.

Here’s what Mr. Serageldin said of his sentence in a 2014 article in the NYT Magazine:

Icelandic banking executives

More than perhaps any other country, Iceland pursued criminal cases against senior figures in its banking industry, which crumbled under

the weight of billions of dollars worth of debt. Many of the executives were accused — and convicted — of market manipulation and fraud

tied to efforts to prop up the stock prices of their banks.

These banks saw the following senior executives convicted:

Kaupthing:Sigurdur Einarsson, its former chairman; Hreidar Mar Sigurdsson, its onetime C.E.O.; Magnus Gudmundsson, once the head of

its Luxembourg division; and Olafur Olafsson, one of its biggest shareholders.

Glitnir:Larus Welding, the firm’s former C.E.O., and Gudmundur Hjaltason, its former head of finance.

Landsbanki: Sigurjon Arnason, its former C.E.O.

And, for something slightly different ...

Several former Barclays executives — including John Varley, the British bank’s former C.E.O.; Roger Jenkins, a former top investment

banker; Tom Kalaris, the onetime head of its wealth unit; and Richard Boath, the former head of its financial institutions group — face

individual criminal charges for their role in a 2008 effort to raise money to shore up the lender.

Barclays raised billions of pounds from Qatar and other investors. But the men were charged with conspiracy to commit fraud in relation to

that fund-raising activity, amid allegations that improper side deals were struck alongside those capital raises. (Charges against the firm

itself were dismissed last month.)

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The Indian Banks Association (IBA) has condemned the spate of chargesheets and arrests of bankers by investigative agencies and has

called an emergency meeting on Friday in Mumbai to discuss the alleged high-handedness of the investigative agencies in alleged bank

fraud cases.

To slap a criminal case against bankers for sanctioning loans is silly, said VG Kannan, IBA CEO and former State Bank of India (SBI)

official. We have already taken up the matter with the department of financial services in Delhi and the Maharashtra government here.

Both claim ignorance about why these arrests happened and have promised all cooperation. We plan to meet on Friday and decide what

to do next, Kannan said.

On Wednesday, the Economic Offences Wing (EOW) of the Pune Police arrested Bank of Maharashtra (BoM) CEO Ravindra Marathe,

former managing director Sushil Muhnot, executive director Rajendra Gupta and two other bank officials for allegedly colluding with real

estate developer DS Kulkarni to divert money and cheat shareholders.

All the officials were booked under various sections of the Indian Penal Code and the Prevention of Corruption Act amounting to cheating,

forgery, criminal conspiracy, criminal breach of trust, and were remanded to police custody till June 27.

Marathe and Muhnot are the latest to face the heat of investigative agencies. It all started in January last year when former IDBI chairman

Yogesh Agarwal and four other executives were arrested in a case linked to the Vijay Mallya loan default.

Former Canara Bank chairman RK Dubey, former United Bank of India chairman Archana Bhargava, former Punjab National Bank CEO

Usha Ananthasubramanian and former IDBI executives Kishor Kharat, Melwyn Rego and MS Raghavan are also facing charges.

RECOVERY PROCESS WAS UNDERWAY

Public sector bankers are furious and feel let down by the government for allowing agencies to treat public sector bankers without any

respect. It looks like a conspiracy to show public sector bankers in a bad light and in that way promote private sector banks. We have

always seen even regulators treating private sector banks with kid gloves while wielding all the powers on us public sector banks. This has

now gone so far that even investigative agencies are taking us for granted, said a senior official at one of the public sector banks.

Pune EOW sources claimed that bank officials misused their positions to sanction loans worth Rs 60 crore in two tranches. They alleged

DSK Group diverted the said loans for personal use including renovation of the promoters house. Bank of Maharashtra claims its total

outstanding exposure to DSK Developers is about Rs 94.52 crore which is fully secured by primary and collateral securities.

Recovery process like SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest) action

has already been initiated by the bank and some of the properties are due for auction, the bank said in a statement. The bank has also

declared DSK Developers and its promoters as wilful defaulters, the bank said. Bankers said the arrests are shocking especially because

the recovery process was underway.

At this rate, no banker will be willing to give loans. If we are being hauled up for a petty Rs 94-crore loan when we deal in hundreds of

crores daily it just shows that there is a witch hunt on. Why would anyone want to take a lending decision when we are being treated this

way? said another banker.

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TER - Terrorist Related

SET - Settlement or Suit

Lawsuit alleges the money was then wired to terrorist leadership in Israel, the West Bank and Gaza Strip "for

the purpose of planning, preparing for and executing terrorist attacks

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TER - Terrorist Related

SET - Settlement or Suit

Lawsuit was filed claiming they transferred millions of dollars to Hamas and the Palestine Islamic Jihad,

ignoring demands by Israeli counterterrorism officials to halt the practice

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LOS ANGELES (AP) - More than 100 victims of terrorism in Israel filed a lawsuit Thursday against one of China's largest banks

demanding the institution stop transferring money to terrorist groups.

The lawsuit filed in Los Angeles Superior Court claims Bank of China Ltd. transferred millions of dollars to Hamas and the Palestine

Islamic Jihad, ignoring demands by Israeli counterterrorism officials to halt the practice.

The bank "knowingly assisted Hamas and the Islamic Jihad to carry out terrorist attacks" and did so through the bank's U.S. branches

even though such transfers are against American law, said Nitsana Darshan-Leitner, an attorney for the plaintiffs.

The suit alleges the money helped fund attacks between 2004 and 2007.

The plaintiffs, who include the family of a 4 year-old boy killed during a 2004 attack, are being represented by attorneys in Los Angeles,

New York and Israel.

Officials from the Bank of China in Los Angeles and New York did not immediately return messages seeking comment.

The lawsuit claims that beginning in July 2003, the Bank of China executed dozens of wire transfers for the terrorist groups totaling several

million dollars. Many of the transfers were initiated in the Middle East, sent to branches in the U.S. then to an account at a bank branch in

Guanzhou, China, the suit said.

The money was then wired to terrorist leadership in Israel, the West Bank and Gaza Strip "for the purpose of planning, preparing for and

executing terrorist attacks," the suit said.

In April 2005, Israeli officials met with officials from the Chinese Ministry of Public Security and China's Central Bank seeking action to

prevent the Bank of China from making more transfers, but the practice continued, the suit claims.

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groups bent on attacking Israel, ignoring demands by Israeli counterterrorism officials to halt the practice.

The lawsuit, against Bank of China Ltd., was brought on behalf of more than 100 victims of terrorism in Israel and alleges that the money

was transferred for the militant groups Hamas and Palestinian Islamic Jihad in Iran and Syria, and processed through Bank of China's

branches in the U.S. and China. Bank of China, which is one of China's Big Four banks and is listed in both Hong Kong and Shanghai, has

the widest overseas network of the nation's banks.

The suit alleges that the money helped fund attacks between 2004 and 2007, and calls on the bank to stop transferring money for terrorist

groups. It claims that in April 2005, Israeli counterterrorism officials informed officials of China's public security ministry and its central

bank, the People's Bank of China, of their concerns over the wire transfers.

"Most of the banks of the world are not doing business with terrorist organizations," said Federico Castelan Sayre, an attorney

representing the plaintiffs. "They chose to do so willingly."

The People's Bank of China Friday said in a faxed reply that it didn't hold talks in 2005 with Israeli counterterrorism officers about the

matter and that such an account "doesn't conform with the facts."

Wang Zhaowen, a Beijing spokesman for Bank of China, said the bank isn't aware of the suit. Mr. Wang added that as a listed company,

Bank of China "always complies with the United Nations' anti-money-laundering regulations. Also, our New York branch and related

representative offices always follow U.S. banking regulations." There was no response to questions sent to spokespeople for China's

Ministry of Public Security or its banking regulator.

A spokesman at the Israeli Embassy in Washington said the embassy had no comment on the suit.

As China has grown more interconnected with the global financial system, Beijing's regulation of international bank transfers and deposits

has drawn increasing scrutiny from financial authorities in other countries, in particular the U.S. How China's regulators deal with the risks

of money laundering, terror financing and other illicit transfers through their nation's banks, for instance, has helped lengthen the decision

process of the Federal Reserve on applications by Chinese banks to open branches in New York, according to people familiar with the

matter. Bank of China, China's most international bank, has had a New York branch since the early 1980s.

Terror financing was mentioned in this month's announcement by the Fed that it had approved an application for a New York branch by

China's largest financial institution, Industrial & Commercial Bank of China. The statement noted a number of steps taken by Chinese

regulators to monitor cross-border currency flows handled by their banks. The application was studied for more than a year.

In some cases, China's government has moved to ensure compliance by its financial institutions with international norms, particularly with

regard to money laundering. "These efforts, the implementation of which is led by the People's Bank of China, are increasingly stringent,"

said Lester Ross, a Beijing-based partner at Wilmer Cutler Pickering Hale & Dorr LLP.

Almost two years ago, for instance, Chinese financial authorities moved to stop their country's financial system from being a conduit for

North Korean money transfers at a time when the U.S. and others were trying to pressure the state to abandon its nuclear ambitions.

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Israel’s Bank Hapoalim is going to have to do some explaining about 16 wire transfers that originated at Hapoalim

branches in Israel and ended with $266,000 in the Bank of China accounts of the alleged leader of a group called the

Palestinian Islamic Jihad. On Thursday, U.S. District Judge Shira Scheindlin of Manhattan ruled that Bank of China,

as the defendant in a politically charged suit brought by the family of the victim of a 2006 bombing in Tel Aviv, is

entitled to depose a witness from Bank Hapoalim, despite the Israeli bank’s arguments that the testimony would

violate Israel’s bank secrecy laws.

Scheindlin’s ruling effectively reverses a previous decision by U.S. Magistrate Judge Gabriel Gorenstein, who held

last October that, as a matter of procedure, he could not require Hapoalim, as a third party in the case, to produce a

witness from beyond the 100-mile reach of his jurisdiction. In Thursday’s opinion, Scheindlin noted that after

Gorenstein’s decision, the procedural rules changed and Bank of China’s lawyers at Patton Boggs narrowed their

demand for information from the Israeli bank. So rather than focus on the 100-mile subpoena limit, she weighed the

merits of Bank of China’s subpoena request against Bank Hapoalim’s opposition. She concluded that the Chinese

bank deserves to hear crucial information Hapoalim can supply about the Israeli government’s efforts to block

financing to the alleged Palestinian Islamic Jihad leader, Said al-Shurafa.

That testimony, Scheindlin said, would help solve a central mystery of this case. The family of Daniel Wultz, who

died in the bombing in Tel Aviv, contends that Israeli counterterrorism officials warned the Chinese government at a

meeting in Beijing in 2005 that Shurafa was using his accounts at Bank of China to facilitate the militant group’s

activities. According to the Wultzes’ lawyers at Boies, Schiller & Flexner, that warning should have put the Chinese

Bank on notice about Shurafa. But the Wultzes have struggled to produce evidence of what Israeli officials said at

the 2005 session in Beijing. The family has asserted that the government of Prime Minister Benjamin Netanyahu

originally encouraged the suit against Bank of China, but as Israel’s ties to China have deepened, Israel has actively

blocked testimony from former official Uzi Shaya, who supposedly attended the 2005 meeting with the Chinese

government.

Bank of China, meanwhile, claims that it was never alerted to Israeli suspicious about Shurafa. It argued in briefing

to Magistrate Judge Gorenstein and Judge Scheindlin that it needs to know whether Hapoalim received any such

warnings about Shurafa from the Israeli government, and, if so, why the Israeli bank nevertheless originated 16 wire

transfers, totaling $266,100, to him between 2004 and 2007. As Scheindlin explained in Thursday’s ruling, “If BOC

can establish through Hapoalim’s testimony that the Israeli government did not warn its own bank about Shurafa, a

jury could reasonably infer that Israel did not provide such a warning to Chinese regulators.” Information about what

Hapoalim was told clearly isn’t coming from the Israeli government, Scheindlin said, so Hapoalim is Bank of China’s

only possible source.

Hapoalim’s lawyers at Herrick Feinstein had argued not only that the subpoena was unenforceable because all

knowledgeable witnesses from the bank are in Israel, not in the bank’s New York offices, but also that at least three

different Israeli laws prohibit the testimony sought by Bank of China. Herrick cited a 2009 decision by U.S.

Magistrate Judge Victor Pohorelsky of Brooklyn, who restricted a third-party subpoena for Hapoalim documents in

a terror financing case against Arab Bank, holding that international comity required him to defer to Israeli

confidentiality laws.

Scheindlin rejected both Hapoalim defenses. She concluded first that Hapoalim’s designated witness in Israel could

either take some time to educate someone in the New York office or could testify by videoconference, a solution

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