RED ALERT – Supplement 1 Half - 2014

As "Red Alert" was finalised at the end of December 2013 and intended to be up to date as at this date, the following “Supplement 1 Half - 2014” contains brief summaries of the most important developments, covering the period from the start of the year to the end of June 2014. These updates will be incorporated into issue 2 in 2015

Part 1 Section 1 Predicate Crimes

Bribery & Corruption

The EU issued its first ever Anti-Corruption Report[i] which covered all 28 EU Member States, concluding that Corruption continues to be a challenge for Europe, with corruption costs for the European economy estimated at around €120 billion per year. The report shows that both the nature and level of corruption, and the effectiveness of measures taken to fight it, vary from one Member State to another. It also shows that corruption deserves greater attention in all Member States. The Report also publishes the results of a survey which found that three quarters (76%) of Europeans think that corruption is widespread and more than half (56%) think that the level of corruption in their country has increased over the past three years. One out of twelve Europeans (8%) say they have experienced or witnessed a case of corruption in the past year. The Report believes that there are great differences in many Member States due to the approaches taken, with for some, effective prevention contributing to a strong reputation of little corruption, whereas others have implemented policies in an uneven way and with limited results. Conflicts of interests were highlighted, differences as to the likelihood of prosecution and the severity of punishment another area identified. Risk areas include politics, with integrity in politics an issue still for many Member States and in particular the risks are generally higher at regional and local levels, where checks and balances and internal controls tend to be weaker, than at the central level. Urban development and construction, as well as health care, are sectors identified as vulnerable to corruption in a number of Member States, as well as shortcomings regarding the supervision of state-owned companies, increasing their vulnerability to corruption. Public procurement is also an area identified as vulnerable to corruption as approximately one fifth of the EU’s GDP is spent every year by public entities buying goods, works and services.

The following major corruption related cases made the headlines in 2014.

In June 2014, following repeated Allegations and whist FIFA's own investigation by FIFA investigator Michael Garcia is continuing, Britain's newspaper, the Sunday Times' published details following it's receipt of leaked "hundreds of millions of secret documents" in Qatari Mohamed Bin Hammam's systematic campaign to win support for Qatar 2022 in Africa to the tune of more than $5 million from slush funds.

As part of China President Xi Jinping anti corruption crackdown, the most senior figure yet has been arrested and expelled from the party, along with three other senior officials, including a former deputy police minister. Also being investigated in China is UK pharmaceutical giant GlaxoSmithkline.

In a trial in Germany, Formula 1 supremo, Bernie Ecclestone is accused of paying £26m bribe to Gerhard Gribkowsky, a former executive at German bank BayernLB, to steer Formula One to his preferred buyer when it was sold in 2006. The case continues. See also, the cases of Hewlett Packard, Alcoa and Keith A Seilhan. For more details see Part 2 Section 7 Criminals / Cases below. See also, corruption allegations in South Africa, involving

President Zuma and against former French President Nicolas Sarkozy as well as a case against Princess Christina of Spain and her husband which has lead tomajor changes in the Spanish Monarchy already. For details see Part 2 Section 5 Regions, Countries, Criminals & Terrorists below.

Drug Trafficking

According to a 2014 report by the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), over 80 million people living in Europe are estimated to have used an illegal drug at some point in their lives. The number of people who have tried an illegal drug represents about a quarter of the adult population in the EU. The most used illicit drug in Europe was marijuana, with 73.6 Million people stating that they tried it at least once in their lifetimes. In the most recent year measured (2012), the report stated that 18.1 million used marijuana. A total of 2,000 tonnes of marijuana and hashish is consumed in the EU each year. The second most used drug in Europe was cocaine, with 14.1 million people using it in their lifetime. 3.1 million people used it in 2012. Based on analysis of raw sewage, investigators in Europe estimated that 1,800 pounds (832 Kilograms) of cocaine were consumed daily in Europe Cities. The third most used drug in Europe was amphetamines, with 11.4 million users who used it in their lifetimes and 1.5 million users in 2012. There were 31,000 new opioid users in Europe, with about 1.3 million problem users. Heroin caused 6,100 overdose deaths in Europe in 2012, while cocaine overdose caused some 500 deaths[ii]..

According to the United Nations Office on Drugs and Crime (UNODC) World Drug Report 2014[iii] presented at the UNODC Conference in Vienna on 26 June, 2014, (the International Day against Drug Abuse and Illicit Trafficking), drug use prevalence remains stable around the world, with around 243 million individuals, or 5 per cent of the world's population aged 15-64, having used an illicit drug in 2012. Problem drug users meanwhile numbered about 27 million, roughly 0.6 per cent of the world's adult population, or 1 in every 200 people. The Report included details of the surge in opium production in Afghanistan, since the world's largest opium-poppy grower had increased its area under cultivation by 36 per cent from 154,000 hectares in 2012 to 209,000 hectares in 2013. With a crop yield of some 5,500 tons, Afghanistan accounted for up to 80 per cent of global opium production. In Myanmar, the area under opium poppy cultivation covered 57, 800 hectares, continuing the increase in cultivation begun after 2006. In 2013, the global production of heroin also rebounded to the high levels witnessed in 2008 and 2011. The US, Oceania and some European and Asian countries have seen users switching between heroin and pharmaceutical opioids, a trend largely dictated by low prices and accessibility; but whereas dependent opioid users in the US are switching from pharmaceutical opioids to heroin, users in some European countries are replacing heroin with synthetic opioids.

The global availability of cocaine fell as production declined from 2007 to 2012. Cocaine use remained high in North America, though decreasing since 2006. Whereas cocaine consumption and trafficking appear to be increasing in South America, Africa has already witnessed emerging cocaine use due to the rise in trafficking through that continent, while greater spending power has made some Asian countries vulnerable to cocaine use. Globally, cannabis use seems to be down but a perception of lower health risks has led to more consumption in North America. Although it is too early to understand the effects of new regulatory frameworks making the recreational use of cannabis legal in some states of the US and Uruguay under certain conditions, more people are seeking treatment for cannabis-related disorders in most regions in the world, including North America. Seizures of methamphetamine more than doubled globally between 2010 and 2012. Methamphetamine manufacture expanded once again in North America, with a large increase in the number of meth laboratories dismantled in the US and Mexico. Of the 144 tons of amphetamine-type stimulants (ATS) seized globally, half were intercepted in North America and a quarter in East and South-East Asia. The number of unregulated new psychoactive substances on the global market more than doubled to 348 from 2009 to 2013.

The International Narcotics Control Board (INCB), which polices International Drug Treaties released it's annual report in May 2014[iv]. Launching its annual report in London, Raymond Yans, the INCB president, said that the successful ballots in Colorado and Washington to legalise the use of cannabis for recreational purposes and the fact that Massachusetts had recently become the 18th state to allow the use of cannabis for medicinal purposes violate the international drug conventions. "They also undermine the humanitarian aims of the drug control system and are a threat to public health and wellbeing," said Yans. He claimed that so-called "medicinal use" initiatives were little more than "a back-door to legalisation for recreational use". Cannabis decriminalisation measures across the United States, including the medical use of marijuana in California, have been sharply criticised by the United Nations, which has warned Washington they violate the international drug conventions. The INCB's annual report also warns of the "unprecedented surge" in the growth of legal highs – new psychoactive drugs that have been largely synthesised by chemists in south-east Asia and are not subject to international controls. Yans said legal highs were now multiplying at an alarming rate, with more than one a week appearing on the market – almost 10 times the number that were being marketed a decade ago. Many so-called designer drugs attempt to imitate the effects of illicit drugs such as cannabis, ecstasy and cocaine.

Fraud including Tax Fraud & Cybercrime

The British Bankers Association (BBA) warned it's members about cyber-attacks and the dangers posed but also about their responsibilities and in particular information sharing and reporting obligations in such a case, this following the publication of the Bank of England's findings of the "war game exercise" conducted in November 2013 known as "Waking Shark II[v]." The Report2 has provided important lessons to both Industry and Government, with the need to use an available protected common platform for reporting and information sharing during potential stress scenarios and the need to not only inform Regulators and share important information with other market participants, in order to gauge, understand and respond to a market threat but also to inform Law Enforcement and file Suspicious Activity Reports.

A report[vi] by the Center for Strategic and International Studies and computer security company McAfee reported that up to US$445 Billion a year is being lost globally to cybercrime activities. A reported 50 million people in the United States had their personal identification stolen within the past year.

As foreshadowed by earlier announcements, Credit Suisse was fined heavily and agreed to plead guilty to conspiracy to aid and assist U.S. taxpayers in filing false tax returns and admitted to helping U.S. Taxpayers hide offshore accounts from the US IRS. For more details see Part 2 Section 8 Enforcement Cases.

Human Trafficking

Whilst concerns around Human Trafficking remains high and are increasing, a recent report entitled, "Confessions of a Human Trafficker Who Smuggled Desperate Migrants into Europe[vii]," was published in June 2014. The report chronicles the exploits of a human trafficker who was arrested by security forces in Italy who explained the cost structure of his operation transporting smuggled migrants departing from North Africa to Europe via boat. The boats that consist of the human smuggling market of North Africa to Italy are usually retired fishing boats that are in bad condition. The migrants first must pay between US$1,000 to US$2,500 to reserve a place on the boat. The migrant must then pay for all charges and expenses while on the boat. According to the trafficker, a life jacket costs US$200. Bottles of water and cans of tuna costs up to US$100. The "first class" section of the boat, which is located on the top deck and not being crowded into the ship's hull costs US$200 to US$300. Blankets and rain coats costs US$200. Pregnant women must pay US$150 for catheters because many consider the urine of pregnant women to be poisonous. Use of the boats satellite phone for a few minutes costs US$300. Any children who are making the journey without parents are charged US$1,500. Between January and June 2014, security forces in Italy estimate that over 43,000 people have reached the Italian shores, an increase of 835 percent from the same period in 2013. In a single weekend at the end of May, a total of 3,162 migrants from Syria and North Africa were seized on 11 fishing boats off the coast of Sicily.

The US issued it's 2014 "Trafficking in Persons (TIP) Report[viii]." According to the US, it is the U.S. Government's principal diplomatic tool to engage foreign governments on human trafficking. It is also the world's most comprehensive resource of governmental anti-human trafficking efforts and reflects the U.S. Government's commitment to global leadership on this key human rights and law enforcement issue. It represents an updated, global look at the nature and scope of trafficking in persons and the broad range of government actions to confront and eliminate it. The Report puts countries into 3 tiers, Tier 1 for Countries whose governments fully comply with the Trafficking Victims Protection Act's (TVPA) minimum standards; Tier 2 for Countries whose governments do not fully comply with the TVPA's minimum standards, but are making significant efforts to bring themselves into compliance with those standards; a Tier 2 Watchlist for Countries whose governments do not fully comply with the TVPA's minimum standards, but are making significant efforts to bring themselves into compliance with those standards, AND: a) the absolute number of victims of severe forms of trafficking is very significant or is significantly increasing; b) there is a failure to provide evidence of increasing efforts to combat severe forms of trafficking in persons from the previous year; or, c) the determination that a country is making significant efforts to bring themselves into compliance with minimum standards was based on commitments by the country to take additional future steps over the next year; and Tier 4 for Countries whose governments do not fully comply with the minimum standards and are not making significant efforts to do so. For details of Tier 3 Countries and a Special Case see Part 1 Section 2 Sub-Section 4 Country Risks below.

Insider Trading

Regulatory focus on Insider Dealing continues, particularly in the US. For details about a recent fine for a BP executive arising out of the Gulf of Mexico oil spill see Part 2 Section 7

Criminals / Cases and for a Goldman Sachs fine levied by the SEC in this area see Part 2 Section 8 Enforcement Cases below.

Market Manipulation

Many of the world's major Investment Banks continue to co-operate with investigations following the LIBOR benchmark cases, with investigators looking at additional benchmark, indices and other client price setting mechanisms, for example, Gold and Silver and Forex probes. Already announced and fined is Barclays Bank for it's involvement in manipulating the Gold Fixing Price. Barclays has also announced it is subject to an investigation into it's High Frequency Trading and Dark Pool operation. Liquidnet Inc and Goldman Sachs have been fined for Dark Pool violations. For more details see Part 2 Section 8 Enforcement Cases below.

Organised Crime

In a major advance for the Mexican government and a setback for organised crime in Mexico, the Sinaloa Cartel suffered first the capture of its leader "El Chappo" Guzman by government forces and the subsequent death by suspected heart attack by one of his two deputies. Guzman has been named as America's most wanted man after the death of Osama bin laden. For more details see part 2 section 5 Regions, Countries, Criminals & Terrorists – Mexico – Drug Cartels below.

Singapore has announced that it will stop issuing S$10,000 (£4,600) currency notes, one of the world's most valuable banknotes, as it tries to tighten its anti-money laundering controls. The Monetary Authority of Singapore said that given the "risks associated with large value cash transactions and high value notes", it will stop producing the Banknote, although those already in circulation will remain legal tender indefinitely. It is understood that organised criminal gangs as well as those gangs particularly involved in drug trafficking make use of high value currency notes which substantially aids criminals when transporting cash across distance.

Smuggling

Oil Smuggling remains a lucrative business and is on the increase, especially in countries involved in conflict and or internal disputes, for example in Libya and in Iraq, as well Nigeria, Mexico and Iran, The situation in Libya has got so bad as to warrant the passing of a unanimous UN Security Counsel Resolution authorising Sanctions. For more details see Part 1 Section 3 Laws & Regulations - Sanctions & Embargo's below.

Terrorism Finance

The Islamic State of Iraq and Syria (ISIS) is now considered the richest terror group in the world, after stealing US$429 million from the central bank in Mosul, the second largest city in Iraq, which ISIS has occupied since June 2014. Whilst these resources are huge, the group is thought to have many ways to fund a vast array of activities. For more details see Part 2 Section 5 Regions, Countries, Criminals & Terrorists - Middle East - Iraq - ISIS below.

Theft, Robbery Goods Trafficking

In the second largest Bank Robbery in history, the first being the looting of the Iraqi Central Bank in Baghdad at the end of the 2nd Gulf War, the Central Bank in Iraq's 2nd city of Mosul suffered the same fate as the Islamic State of Iraq and Syria (ISIS) stole US$429 mio following it's recent occupation of the city. For more details see Part 2 Section 5 Regions, Countries, Criminals & Terrorists - Middle East - Iraq - ISIS below.

Months after Malaysia Airlines Flight MH370 first went missing over the South China Sea, and after an extensive search of the area and a thorough investigation, the fate of the plane and the passengers remains a mystery. Whilst the most likely explanation remains that the aircraft suffered a major catastrophic event, speculation remains over whether a terrible accident or an intentional act carried out by the pilot, passengers or third parties caused the Plane to vanish. Until such time as the Plane is located and / or the Planes black box is recovered the events that lead to the disappearance of the plane may never be known. Whilst not considered as the most likely reason for the planes fate, air safety experts have considered whether the airliner could have been the target of a terrorist attack. An early breakthrough in the investigation fuelled this speculation when it was disclosed that at least two people on board were using stolen passports. The passports had been stolen from Italian tourists in Thailand and used by two Iranian passengers to board the plane. Although the men may not have been responsible for the plane crash, the situation raises the question of how often passports are stolen or forged and what threats this presents to the criminals' purported country of origin. Interpol says that only three countries in the world screen air passengers against Interpol's database of stolen passports. Forged passports are a big problem too. Earlier this month, customs officials in Dubai seized 52 fake passports on the way into the U.A.E.

WMD Proliferation Finance

Following the agreement reached between the International Community and Syria to dismantle and destroy Syria's chemical weapons arsenal and infrastructure, as of 23 June, 2014, all of Syria's reported chemical weapons have been removed from the country and all of Syria's chemical weapons production facilities have been rendered inoperable. According to initial findings, the Syrian arsenal includes 1,000 metric tons of Category I chemical weapons, 290 tons of Category II chemicals, and 1,230 Category III unfilled delivery systems such as rockets.

Part 1 Section 2 Sub-section 2 Customer Risks

Casino's (including Internet Gambling)

With the FIFA World Cup starting in June, 2014 in Brazil, cases of illegal gambling syndicates in Asia and match fixing highlight the importance of and dangers to football from illegal gambling. For example, 22 people were arrested in Macau, Hong Kong, China and Malaysia who were operating out of hotel rooms where they took internet and phone bets from people around the world. One gambler allegedly placed a $5 Million bet and the syndicate was thought to have taken in US$645 Million during the opening matches.

With the increase in illegal gambling and it's focus on World Football, allegations of match fixing at the Brazil World Cup should not be a surprise. Still the investigation into Cameroon's 4-0 loss to Croatia is a shock, with claims that seven of the Cameroon players were involved in match-fixing. The allegations against Cameroon came from convicted fraudster Wilson Raj Perumal, who had accurately forecast the result and the fact a player would be sent off in a discussion with German magazine Der Spiegel. Cameroon midfielder Alex Song was sent off before half-time for a needless elbow in the back of Croatia's Mario Mandzukic near the halfway line, leaving his side to battle with 10 men for the majority of the game. The game was also marred by an incident near the end when Benoit Assou-Ekotto attempted to head-butt team-mate Benjamin Moukandjo. The Cameroon players have denied throwing the game.

Charities & Not for Profit Organisations

FATF have published a paper entitled the, "Risk of terrorist abuse in non-profit organisations[ix]." For more details see Part 1 Section 3 Laws & Regulations - FATF below.

Precious Metals and Stones Dealers

The FATF and the Egmont Group of Financial Intelligence Units collaborated on a typologies research project to identify the money laundering and terrorist financing (ML/TF) vulnerabilities and risks of the "diamond pipeline", which covers all sectors in the diamond trade: production, rough diamond sale, cutting and polishing, jewellery manufacturing and jewellery retailers. The typologies report is called, "Money Laundering & Terrorism Financing through trade in diamonds[x]." For more details see Part 1 Section 3 Laws & Regulations - FATF below.

Part 1 Section 2 Sub-section 3 Products & Services (Incl Channels) Risks - Commercial Banking / Trade Finance

Trade finance is lower risk than other types of financing and assets, according to the Trade Register Report 2014[xi] released by The International Chamber of Commerce (ICC). The risk in question though related mainly to credit risk. Data from the major global commercial banks, reflecting more than 4.5 million transactions with a total exposure of more than US$2.4tn, records that short-term trade finance customer default rates range from a low of 0.033% to a high of 0.241%. This is considerably lower than the default rate for all corporate products, reported as 1.38% by Moody's.

The Report also commented on AML and KYC risks seen as increasing generally. The report stated that, "Enforcement of AML / KYC / KYCC regulations have been tightened in recent years. In addition to significantly enhanced scrutiny, material fines have been imposed on some of the industry's largest players for alleged failings in this area. This has led to a greater focus at many Banks on their customer on boarding and KYC processes, resulting in higher operational costs for the Trade and Export Finance business. Furthermore, resulting increased legal risks have led a number of Banks, especially global players, to review their correspondent banking networks closely, with some of these Banks terminating correspondent banking relationships with perceived outsized risk relating to AML / KYC / KYCC aspects. If this development turns into a broader trend it could potentially have a significant impact on the ability of smaller players to provide international services (such as Trade and Export Finance) for their clients. As a consequence, prudent and efficient operational risk management around AML and KYC issues is becoming increasingly important for Banks globally."

Whilst Trade Finance certainly has felt the brunt of increasing regulatory expectations, there remains debate about whether and to what extent Trade Finance is considered "high risk" for money laundering purposes.

For example the Wolfsberg Group (Trade Finance Principles (2011)), "does not however believe that currently there is sufficient evidence to support an assessment of this area as high risk for AML/Sanctions purposes." Whilst to some Trade Finance is seen as complex, to those involved, the products are well established and well understood. Another argument relates to country risks where Trade Finance Products proliferate in regions with some counter parties resident in Countries presenting increased money laundering risks. This argument is a fair one but should not per se elevate Trade Finance to high risk as a product, more to clients in certain countries posing increased risks. Furthermore when a client even from an increased risk country is involved in a Trade Finance transaction, there is more information available about the client and the transaction, including a reasonable overview of the transaction as a whole. For example the issuing bank will have made their customer due diligence, they will have the LC application – outlining the transaction (including counterpart, goods and other details of the transaction). Once the documents are presented the bank will have the full documentation of the transaction; i.e. have the possibility to check against red flags, sanction lists etc. This would not be the case with open account or direct payments, which are commonplace. Taking the same example on a clean payment, what the bank will see is the party sending the money, the party to receive it as well as the amount. In other words – the bank will not see the underlying transaction, and have very little chance of detecting money laundering, absent a sanction name or other red flag. As such the risk is not increased because there is documentation, but likely the opposite. As a result of increased transparency it is also likely that professional money launderers will want to avoid trade finance products where clean payments are possible. Furthermore it may also be a valid observation to question how suitable trade finance products are for – for example – anti money laundering. The money launderers would need to set up a company – that looks “real” in both ends of the transaction. And more than that they would need to submit and beat the banks customer due diligence process, as well as accept providing linked evidence in case of any future investigation. They would also need to “construct” trade finance transactions that looked real. Whilst no doubt trade finance is like all banking products vulnerable to abuse by money launderers it is not at all clear that trade finance products are the obvious choice and as such care should be taken to describe these products as generically, "high risk."

Commercial Banks have also been in the news following major fines against Banks including against JP Morgan in connection with it's provision of commercial banking services to Bernie Madoff's Funds, against Brown Brothers Harriman and it's custody and transaction business in relation to Penny Stocks and against Standard Bank for PEP's hidden behind corporate customers. For more details see Part 2 Section 8 - Enforcement Cases below.

Part 1 Section 2 Sub-section 3 Products & Services (Inc Channels) Risks - Private Banking

As foreshadowed by earlier announcements, Credit Suisse was fined heavily and agreed to plead guilty to conspiracy to aid and assist U.S. taxpayers in filing false tax returns and admitted to helping U.S. Taxpayers hide offshore accounts from the US IRS. For more details see Part 2 Section 8 Enforcement Cases below.

Part 1 Section 2 Sub-section 3 Products & Services (Incl Channels) Risks - Correspondent Banking

In a recent announcement BNP Paribas has been fined a record amount of US$8.9 bio for US sanctions violations in connection with business conducted with Sudan, Iran and Cuba. BNP Paribas used numerous methods to facilitate transactions and to conceal the identities of those involved, in order to process payments utilizing it's correspondent banking network including in the United States. The use of so called nested accounts hiding transactions through third party banks and knowingly clearing these transactions was also a way of doing business which was identified. For more details see Part 2 Section 8 Enforcement Cases below.

Part 1 Section 2 Sub-section 3 Products & Services (Incl Channels) Risks - Investment Banking

Many of the world's major Investment Banks continue to co-operate with investigations following the LIBOR benchmark cases, with investigators looking at additional benchmark, indices and other client price setting mechanisms, for example, Gold and Silver and Forex probes. Already announced and fined is Barclays Bank for it's involvement in manipulating the Gold Fixing Price. Goldman Sachs was fined in connection with both having weak inside information controls and in connection with its Dark pools operation. Barclays has also announced it is subject to an investigation into it's High Frequency Trading and Dark Pool operation. For more details see Part 2 Section 8 Enforcement Cases & Outlook Cases below.

Part 1 Section 2 Sub-Section 4 Country Risks

The FATF Plenary held in Paris in February 2014[xii] published updates to it's list of Countries with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies. FATF continued to cite Iran and North Korea as still requiring counter-measures, the others with strategic deficiencies being: Algeria, Ecuador, Ethiopia, Indonesia, Myanmar, Pakistan, Syria, Turkey, Yemen, followed by Countries with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF, being: Albania, Angola, Argentina, Cuba, Iraq, Kenya, Kuwait, Kyrgyzstan, Lao PDR, Mongolia, Namibia, Nepal, Nicaragua, Papua New Guinea, Sudan, Tajikistan, Tanzania, Uganda, Zimbabwe. In this group Countries not making sufficient progress were identified as Afghanistan and Cambodia. FATF also received an update on AML/CFT improvements in Antigua and Barbuda, Bangladesh and Vietnam, which allowed these last 3 countries to be removed from the above list.

The FATF Plenary held in Paris in June 2014[xiii] published an update to it's list of Countries with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies. FATF continued to cite Iran and North Korea as still requiring counter-measures, but the others with strategic deficiencies in February being: Algeria, Ecuador, Ethiopia, Indonesia, Myanmar, Pakistan, Syria, Turkey, Yemen, were treated as follows: Algeria, Ecuador, Indonesia and Myanmar remain on the list of jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies. The others, Ethiopia, Pakistan, Syria, Turkey and Yemen are now identified as Countries with "Improving Global AML/CFT Compliance: On-going Process" due to their progress in substantially addressing their action plan agreed upon with the FATF. This list now includes all the following Countries: Afghanistan, Albania, Angola, Argentina, Cambodia, Cuba, Ethiopia, Iraq, Kuwait, Lao PDR, Namibia, Nicaragua Pakistan, Panama, Papua New Guinea, Sudan, Syria, Tajikistan, Turkey, Uganda, Yemen, Zimbabwe. Jurisdictions no longer subject to monitoring include: Kenya, Kyrgyzstan, Mongolia, Nepal and Tanzania.

According to the "Trafficking in Persons (TIP) Report[xiv]," issued by the United States in 2014 the Countries highlighted of most concern and listed as Tier 3 Countries are as follows: Algeria, Central African Republic, Congo, Democratic Rep. Of, Cuba, Equatorial Guinea, Eritrea, The Gambia, Guinea-Bissau, Iran, Korea, North, Kuwait, Libya, Malaysia*, Mauritania, Papua New Guinea, Russia, Saudi Arabia, Syria, Thailand*, Uzbekistan, Venezuela*, Yemen, Zimbabwe. Countries with a * have been downgraded from Tier 2 Countries that have particular current problems re human trafficking and are deemed to require special attention is limited at present to Somalia.

Part 1 Section 4 Laws & Regulations

AML Treaties, Conventions & Major Laws

Basel Committee on Banking Supervision; "Sound Management of Risks related to money laundering and the financing of terrorism"

The Consultative Paper from the Basel Committee on Banking Supervision, titled, "Sound Management of Risks related to money laundering and the financing of terrorism[xv]" was issued in final form - see Part 1 Section 4 Laws & Regulations above for details.

EU - Fourth European Union Anti-Money Laundering Directive - Proposal - Update

In March 2014, the European Parliament approved draft legislation for a Fourth European Union Anti-Money Laundering Directive. The proposals represent the EU's response to changes made to the Financial Action Task Force (FATF) Recommendations in 2012 and a review by the European Commission of the existing Third Money Laundering Directive, 2005. The key features of the proposed new directive are summarized in Red Alert. Despite the parliamentary approval, there remains some uncertainty over the implementation timetable of the new directive. Final legislation needs parliamentary approval, which it is thought will not be before September 2014 at the earliest. The proposals also need to be approved by the European Council before being implemented separately across the 28 Member States. This is unlikely to happen before 2015

2014 - Swiss Anti-Bribery Laws Announced

Between 2000 and 2006, Switzerland introduced new laws prohibiting corruption, making it a criminal offence to bribe foreign public officials, and making both individuals and in some cases corporates also responsible and capable of prosecution. A defence to any allegations of corporate corruption is to demonstrate robust anti bribery policies, procedures and controls. Whilst so called private corruption is also covered elsewhere it requires a complaint to commence criminal proceedings which is unlikely. New proposed Swiss laws will strengthen further Swiss Laws to include private corruption on a similar basis to public corruption although the penalties will be less and will not amount to a predicate offense of money laundering, unlike public corruption. To some lawmakers, the recurring allegations made against FIFA in particular based in Zurich have persuaded the Swiss parliament to act to bring none public enterprises under the criminal law. Also so called foreign facilitation payments may though still be allowed, with small amounts and custom and practiced defences available. The newly proposed law is expected to come into force in 2015.

UAE - New AML laws passed

The United Arab Emirates (UAE) tightened its anti-money laundering (AML) laws in May 2014. The UAE's new law seeks to clarify money laundering, defining it as when a person converts, transfers or deposits money with an intent to conceal its illicit origin and when they disguise the source of funds being transferred or deposited. It also provided definitions for what will be considered terrorist financing and mandates that all inbound travellers to the country declare the amount of money and precious metals or gems they hold, under new disclosure regulations to be issued by the UAE Central Bank. The legislation also details the duties of the bank's Anti-Money Laundering and Suspicious Cases Unit and Financial Information Unit. All banks, money changers and other financial institutions operating in the UAE will now have an obligation to report any unusual transactions to the unit. It will also authorize financial penalties of up to Dhs500,000 (£86,000) for institutions found guilty of breaching the law, while individuals could face a similar fine, as well as prison terms of up to ten years.

Financial Action Task Force

FATF work in 2014

The FATF[xvi] Plenary held in Paris in February 2014 under the Russian Presidency published updates to it's list of Countries with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies (see above). FATF also approved and published follow-up reports to the mutual evaluations of Aruba Kingdom of the Netherlands), Austria, Canada, Luxembourg, Mexico and the Netherlands. FATF also reviewed the voluntary tax compliance programmes in several jurisdictions, adopted and published universal procedures for assessments conducted by assessment bodies, continued to develop guidance on effective implementation of beneficial ownership requirements, explored common issues between AML/CFT and data protection experts and is conducting further research on the AML/CFT implications of virtual currencies. The Plenary also published an update to it's list of Countries with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies. The FATF Plenary held in Paris in June 2014 published an update to it's list of Countries with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies. For both details of Country ratings following both plenaries' see above in Part 1 Section 2 Sub-Section 4 Country Risks.

FATF also published a paper entitled the, "Risk of terrorist abuse in non-profit organisations[xvii]." The typologies report examines in detail, how and where NPOs are at risk of terrorist abuse. The report uses case studies as well as input collected from law enforcement, other government actors and NPOs themselves to increase awareness of the methods and risk of abuse for terrorism of the NPO sector, both domestically and internationally. The report highlighted that NPOs are at risk of being abused for terrorism at different levels: from the misappropriation of street-level fundraising to the infiltration of terrorist organisations at the programme delivery level to promote their ideology. There are other factors that make the NPO sector very attractive to terrorist organisations, some of which are: Globalisation, which changed the way NPOs operate, drawing them into areas where terrorist networks operate. This has created interconnected financial and transportation networks that are of interest to terrorist organisations. The large transitory workforce of NPOs, with an important portion of that workforce made up of volunteers. Staff, and in particular volunteers, are often not given a thorough background check. NPOs also face difficulties attracting and retaining personnel that have technical expertise in risk assessment, compliance and legal matters. The high level of public trust in the good work done by the NPO sector. NPO activities are generally not scrutinised as consistently as other sectors. Terrorist networks abuse this public trust by piggyback on the legitimate activities of an – unwitting – NPO, or by mimicking legitimate NPOs. The report provides an insight into the risk of terrorist abuse of each of the operational areas of NPOs: Collection of Resources, Transfer of Resources, Transfer of Resources, Expenditure of Resources, Delivery of Programmes. This typologies research will form the basis for a more comprehensive revision of the best practices paper Combating the Abuse of Non-Profit Organisations (Recommendation 8).

The FATF and the Egmont Group of Financial Intelligence Units collaborated on a typologies research project to identify the "Money Laundering and Terrorist Financing (ML/TF) through trade in Diamonds[xviii]." The paper identified vulnerabilities and risks of the "diamond pipeline", which covers all sectors in the diamond trade: production, rough diamond sale, cutting and polishing, jewellery manufacturing and jewellery retailers. Based on research conducted, analysis of case studies collected by the project team and after consultation with the private sector, the report concludes that the diamonds trade is subject to considerable vulnerabilities and risks. The closed and opaque nature of the diamonds markets and the high value of diamonds combined with a lack of expertise in this area on the part of the authorities have left this industry susceptible to abuse by criminals. Some of the risks and vulnerabilities of the diamonds trade, identified in this report are: Global nature of trade - The trade in diamonds is transnational and complex, thus convenient for ML/TF transactions that are, in most cases, of international and multi-jurisdictional nature; Use of diamonds as currency - Diamonds are difficult to trace and can provide anonymity in transactions; Trade Based Money Laundering (TBML) - The specific characteristics of diamonds as a commodity and the significant proportion of transactions related to international trade make the diamonds trade vulnerable to the different laundering techniques of TBML in general and over/under valuation in particular; High amounts - The trade in diamonds can reach tens of millions to billions of US dollars. This has bearing on the potential to launder large amounts of money through the diamond trade and also on the level of risks of the diamonds trade; and Level of awareness - Law enforcement and AML / CFT authorities, including financial intelligence units (FIUs), have limited awareness of potential ML/TF schemes through the trade in diamonds.

The Wolfsberg Group

In response to increasing regulatory focus on the risks associated with Correspondent Banking, The Wolfsberg Group[xix] announced revised Anti-Money Laundering Principles for Correspondent Banking, Frequently Asked Questions on Correspondent Banking and Wolfsberg Group Anti-Money Laundering Questionnaire. The Wolfsberg Group also announced the publication of its Guidance Paper on Mobile and Internet Payment Services (MIPS). Addressing the growing demand in the marketplace, and in financial institutions, for migration from paper based payments to MIPS, the paper considers the money laundering risks and mitigants of MIPS and supplements the Wolfsberg Group Statements on Credit/Charge Card Issuing and Merchant Acquiring Activities and Prepaid and Stored Value Cards. The paper seeks to counter the widely-held perception that all MIPS arrangements represent automatic high risk of money laundering by underlining that there is a broad spectrum of risk and mitigants for these arrangements.

Sanctions & Embargoes

Developments with Iran have slightly improved with an initial agreement to explore talks under the Joint Plan of Action ("JPA")), between Iran and the P5+1 countries (China, France, Germany, the Russian Federation, the UK and the US) which led to the temporary lifting of certain Iran-related sanctions. These sanctions suspensions became effective on January 20, 2014, and are mostly related to activity involving non-US persons and activity involving transactions relating to Iran's exports of petrochemical products, precious metals and transactions involving the automotive sector. Dealings involving US products/US persons involving medicines, medical supplies, food and agricultural related products, may also be permissible under general licenses issued by the US Treasury Department. Th is temporary lifting of sanctions by the US, however, does not include investments in Iran. Except in limited circumstances, US persons continue to be subject to sanctions against Iran and any Iranian designated party under sanctions issued by the US Treasury Department and enforced by the Office of Foreign Assets Control (OFAC), and the US Department of State which imposes restrictions with regards to exports of US goods directly or indirectly to Iran. The US also lifted certain "secondary" sanctions against non-US persons engaged in activity with Iran. The JPA is due to expire July 20, 2014 and the US has made clear that if a permanent deal with Iran is not reached, all sanctions, including sanctions against non- US persons, will be re-instated. Any dealings with Iran that are permissible as a result of the lifting of sanctions must be concluded on or before July 20, 2014. There will be no grandfathering of business dealings that are not completed by that date. There is no certainty that a long term agreement with Iran will be reached that could extend this temporary sanctions relief. In response to the JPA, third Countries have also acted including for example, Switzerland that lifted a ban on precious metal trading with Iranian public entities and eased restrictions on trading in petrochemical products, transport of Iranian oil and petroleum products and insurance transactions relating to shipping until August 2014. Switzerland also increased the ceiling for transfers of funds to Iranian nationals.

The EU and the US imposed sanctions on more than two dozen Russian and Ukrainian officials following the crises in the Ukraine and Russian attempts to annex Crimea and threatened more severe moves if Moscow continues. Washington targeted seven top Russian policy makers including some of President Vladimir Putin's closest advisers with asset freezes and travel bans and the EU took measures against 21 people, including 13 Russians. The seven Russians hit by US sanctions include Vladislav Surkov and Sergei Glaziev, two aides to Mr Putin; Dmitry Rogozin, a deputy prime minister, and Valentina Matviyenko, head of the Federation Council, or upper house of parliament. Washington also placed sanctions on Sergei Aksyonov, the new pro-Russian prime minister of Crimea, and the new Speaker of the Crimean parliament. The White House said its "current focus" was on targeting particular individuals and their personal assets "but not companies that they may manage on behalf of the Russian state". However, the US order also allows Washington to impose curbs on "any individual or entity that operates in the Russian arms industry". The 21 officials targeted by EU sanctions also includes people from Russia's parliament and armed forces but not Mr Putin's immediate circle.

After much media speculation BNP Paribas, France's largest Bank was fined a record US$8.9 bio and pleaded guilty to a criminal charge in connection with US Sanctions violations. For more details see Part 2 Section 8 Enforcement Cases below. The United Nations Security Council has adopted a resolution authorizing sanctions against illegal crude exports from Libya's militant-controlled oil facilities. The resolution, which was unanimously passed allows the Security Council's member states to inspect the ships suspected of carrying illegal crude oil from Libya in international waters. According to the resolution, States are required to prohibit suspected ships from entering their ports. They should also prevent their nationals from engaging in financial transactions which involve smuggled Libyan crude.

Part 2 Section 5 Regions, Countries, Criminals & Terrorists

Major development particularly around hotspots and conflict zones and including changes in political power have dominated in 2014 so far with the following being the most important. For details of terrorist attacks see Part 2 Section 6 below.

Africa / North Africa
Libya

Following weeks of uncertainty over who is Libya's Prime Minister, the Country's Supreme Court has settled the matter, ruling on June 9th that the recent May election, held during a chaotic session of the elected national congress, was unconstitutional. The court's decision has favored incumbent, Abdullah Thinni, a former defence minister who had refused to cede power to Ahmed Maiteg, a businessman who was appointed in the disputed vote. Accepting the court's decision, Mr Maiteg, who is backed by prominent business figures and Islamists including the Muslim Brotherhood, said he hoped the verdict would bolster the principle of peaceful transfer of power. In a rare display of consensus, he received praise from across the political spectrum, from non-Islamists to former jihadists.

Mr Thinni, who in April said he wanted to step down following an attack on his family, must now govern the country ahead of elections for a new parliament, coming soon. Elsewhere in the country. He must also decide how to handle Khalifa Haftar, the renegade general who has just begun an offensive against Islamist militias in eastern Libya, which has gained a lot of support. Haftar suddenly launched what he called Operation Dignity to rid Libya of Islamist militias suspected of being behind many assassinations, particularly in Benghazi, Derna and Sirte which have been either partially or fully taken over by radical Islamist local groups affiliated to al-Qaeda in the Islamic Maghreb (AQIM). On May 27, AQIM's local affiliate, Ansar al-Sharia, publicly warned Hifter that he is a target for assassination. Three years after Gaddafi claimed Islamic terror groups were leading the fight against his regime, many questioned this and instead accused him of spreading lies to protect himself. Three years on, it appears at least in the east of the country that was correct and they are still there.

Africa / West Africa
Nigeria

Former Nigerian Central Bank Governor blew the whistle himself on corruption which was losing the Country US$20 bio from Oil Sales not going to the Bank from the state owned Nigerian National Petroleum Corporation. Lamido Sanusi was removed from his position shortly after he made these allegations. Nigeria is
Africa's largest oil exporter, so with oil prices steady or rising, the Governor expected to see steady or rising revenues from the government's sale of oil. Instead according to Sanusi, reserves were falling. The charge of missing oil money is not new in Nigeria. In recent years,

government commissions, parliamentary inquiries and civil society groups have all pointed to serious shortfalls in the disbursement of oil revenues. Their findings have been ignored. Sanusi explained to a parliamentary committee how money due to the country was being siphoned off. He had identified a well-established practice where a subsidy (which was no longer in force) was still being provided allowing third party preferred buyers of oil to buy from the government at a reduced price and them immediately sold on at the market price in some cases 300 to 500 percent above what they had paid for it. According to the Nigerian government, these allegations are untrue and the Governor's removal was for "financial recklessness, abuse of mandate, incompetence and criminal acts of negligence."

The Terrorist group Boko Haram has increased its attacks in Northern Nigeria and committed a mass kidnap of schoolchildren which has made international news and has been roundly condemned. For details see Part 2 Section 6 Terrorist Attacks below

Africa / The Horn of Africa
Somalia

The Terrorist group Al - Shabaab has continued to export terror to neighbouring Kenya. For details see Part 2 Section 6 Terrorist Attacks below.

Africa / Eastern Africa
South Sudan

South Sudan is the world's youngest state and the product of Africa's longest running civil war, which spanned over fifty years. After many decades of fighting led by Sudan's Southern rebel groups, led by the Sudan Liberation Peoples Movement, against the government in Khartoum, South Sudan seceded from Sudan on 9th July 2011. Following independence, Salva Kiir who is a member of the Dinka tribe became president and Riek Machar a Nuer tribe leader as vice president. In July 2013, Kiir abruptly sacked Machar from his position as vice president, as well as numerous other members of his cabinet. On 15 December 2013, clashes within the presidential guard broke out between Dinka and Nuer soldiers. The fighting rapidly escalated, spreading throughout the capital Juba, to Bor in Jonglei and several oil-producing regions. Salva Kiir described the incident as being a 'coup attempt' by Machar. Throughout the country the fighting took on an ethnic dimension, between the Nuer and Dinka. Since this conflict began, it is believed that as many as 10,000 people have been killed, And 400,000 displaced. Shortly after the conflict began, the government Controversially invited Ugandan troops into the country to help quell the uprising. Peace negotiations led by the Inter-Governmental Authority on Development (IGAD) began in Addis Ababa in January, though they have been stalled numerous times, and though a ceasefire was agreed upon on January 31st 2014, pockets of armed conflict continue,

Africa / Southern Africa
South Africa

The public protector of South Africa, published a report claiming the president, Jacob Zuma, as partly responsible for the 246m rand ($24m) lavished on his private home in Nkandla, in KwaZulu-Natal, paid for out of government funds. The report recommended that Mr Zuma apologise, pay for some of the refurbishments to his home and report to parliament within weeks. When the deadline day arrived he sent a three-page letter to Parliament's Speaker, declaring that the report's findings were at odds with a cabinet investigation, which cleared him of wrongdoing. And he said he would await a third report before giving a further response. It is hard to avoid an impression that the politically connected are somehow immune to prosecution. The main prosecuting authority is appealing against a court judgment that compels it to indict a former head of the police's criminal intelligence for fraud, corruption and murder. Meanwhile an investigation led by a senior judge into misdeeds surrounding a big arms deal in 1999 seems to be going nowhere. Mr Zuma's financial adviser was convicted in 2005 for soliciting a bribe on his behalf from a French arms company. Related charges against Mr Zuma were dropped on the eve of his election as president in 2009.

Middle East
Israel /Palestine

In April 2014, the two main rival Palestinian factions, Fatah which controls most of the West Bank and Hamas which control Gaza signed an accord designed to end seven years of sometimes violent division, paving the way for elections later in the year and the formation of a unity government. The root of recent conflict between the two largest Palestinian movements follows the 2006 elections which Hamas won but the west, Israel and Fatah largely refused to recognise. Hamas asserted its control of Gaza in 2007 leaving Fatah in charge of only parts of the West Bank. Since then both sides have become entrenched in their territories, setting up respective governments and their own security forces, and arresting their rivals. Hamas, which has been designated as a terrorist organization by the US and the EU has become ever more isolated internationally, particularly since the like-minded Muslim Brotherhood was ousted in Egypt in 2013 and the new military-led authorities in Cairo have cracked down on the smuggling tunnels into Gaza. Israel denounced the agreement and criticized Fatah's deal with Hamas. It is not clear how a unity government would come about however and in particular how Hamas figures would be represented in any new government, which could lead to a cut in EU and US funding as a result.

On 12 June, Eyal Yifrah, 19, Gilad Shaar, 16, and Naftali Frenkel, 16, who also had US citizenship, went missing while hitchhiking home from their religious schools in settlements on the West Bank. There bodies were found 2 weeks later after an extensive Israeli manhunt. The Israeli government has blamed Hamas and vowed that Hamas will pay for these terrorist acts. Fatah have announced they will review their agreed link up with Hamas if evidence emerges of Hamas involvement in the kidnap and murder if the 3 young hitchhikers.

Syria

Syrian President Bashar al-Assad was re-elected in a landslide in June 2014 to a another seven-year term in the middle of a bloody three-year-old uprising against his rule that has devastated the country, with more than 160,000 people killed and the Syrian government appearing to gain the ascendency. The Syrian civil war has left the international community deeply divided, with the US and the EU and its allies backing the revolt against Assad, who enjoys the support of Russia and Iran. According to official Syrian figures Assad won 88.7% of the vote. Assad's victory was always a foregone conclusion, despite the presence of other candidates on the ballot for the first time in decades. Voting was held only in government-controlled areas, excluding huge tracks of northern and eastern Syria that are in rebel hands. The opposition and its western allies, including the United States, have denounced the election as a farce. Nevertheless, the win boosts Assad's support base, and provides further evidence that he has no intention of relinquishing power. For the first time in decades, there were multiple candidates on the ballot. In previous presidential elections, Assad and before him his father, Hafez Assad, were elected in single candidate referendums in which voters cast yes-no ballots.

Iraq

Whilst a ferocious Sunni Islamist insurgency has taken over a great swathe of his country, Nuri al-Maliki, Iraq's prime minister, won by far the largest number of seats in the Iraqi general election held on April 30th. He got 92 out of parliament's 328 seats, three more than last time round, in 2010, though to date no government has been formed. None of his rivals won much more than 30 seats. Muqtadar al-Sadr, a Shia firebrand cleric whose following in the eastern slums of Baghdad was once overwhelming, came second, but with his tally of seats much depleted. Ammar al-Hakim and his Islamic Supreme Council of Iraq, the other main Shia bloc, made a bit of a comeback, also with around 30 seats. A former prime minister, Ibrahim al-Jaafari, got six. It was expected that the main Shia groups would team up, and in so doing would have an overall majority in parliament, perpetuating the dominance of the Shia and isolating still further the Sunni. Sunni Arabs, who ran the country under Saddam Hussein, split three ways, getting some 60 seats altogether. Iyad Allawi, a secular Shia who won the most seats last time (a shade ahead of Mr Maliki) mainly with the backing of moderate Sunnis, slumped to 21, while Osama al-Nujaifi, parliament's Speaker, now generally considered Iraq's leading Sunni within the political system, got 28. Saleh al-Mutlaq won 11. Many Sunnis, especially in the Anbar province to the west of Baghdad, were unable or unwilling to take part in the election. The town of Falluja, an hour's drive to the west of the capital, was in the hands of Sunni insurgents since January. Parts of Ramadi, the provincial capital, and Abu Ghraib, on the western edge of Baghdad, are also under rebel control. Since then the situation has dramatically worsened. The Sunni insurgents now under the banner of The Islamic State of Iraq and Syria (ISIS) have since taken Iraq's 2nd city of Mosul in the North and are headed south towards Baghdad, capturing other Cities including Sadam Hussein's former hometown of Tikrīt. Whilst in Mosul the ISIS looted approx US$ 429 mio from the Central Bank. As a result of the chaos caused by ISIS it is expected that the Kurds in the north will establish their own State in their autonomous Iraqi region and call it Kurdistan.

The Islamic State of Iraq and Syria (ISIS) / The Islamic State – Syria & Iraq

Following it's stunning advances taking Mosul and other towns and cities in Iraq in addition to others it controls in neighbouring Syria, ISIS has declared an Islamic "caliphate" in an area straddling Iraq and Syria. "This is not the first border we will break, we will break other borders," a jihadist from the Islamic State in Iraq and the Levant (Isis) warned in the video called End of Sykes-Picot, a reference to the agreement between France and Britain that divided up the Ottoman empire territories after the first world war. ISIS is a breakaway group from al-Qaida, and is notable for its hardline anti-Shia sectarianism, declaring Shia Muslims and other rivals as heretics that deserve death. Abu Mohammed al-Adnani, an Isis spokesman, defined the Islamic state's territory as running from northern Syria to the Iraqi province of Diyala north-east of Baghdad, a vast stretch of land straddling the border that is already largely under ISIS control. He also said that with the establishment of the caliphate, the group was changing its name to the Islamic State, dropping the mention of Iraq and the Levant. Abu Bakr al-Baghdadi, is the leader of the new caliphate and called on Muslims everywhere, not just those in areas under the organisation's control, to swear loyalty to him.

Baghdadi has been disowned by al-Qaida's leader, Ayman al-Zawahiri, after al-Baghdadi ignored al-Zawahiri's demands that the Islamic State leave Syria.

A report from the Council on Foreign Relations says that many believe supporters in Jordan, Syria and Saudi Arabia provide "the bulk of past funding." for ISIS. However, a key strategic source of funds for ISIS is local populations in the areas it controls. Even before taking over Mosul, "the group extorted taxes from businesses small and large, netting upwards of of US$8 million a month, according to some estimates," the CFR report says. Group members regularly enforced a variety of extortion activities on commercial activities, with penalties including murder, abduction and the destruction of homes if people fell behind. Still the windfall from the looting of the Central Bank in Mosul provides long term funding for the group.

The Islamic State's declaration came as the Iraqi government tries to claw back some of the territory gained by the jihadists and disaffected Sunnis.

Iran

Following the election of less hardline Iranian President Hassan Rouhani in 2013, talks ensued and an interim agreement, the so called Joint Plan of Action ("JPA")), between Iran and the P5+1 countries (China, France, Germany, the Russian Federation, the UK and the US) came into force in January 2014. For details on the temporary lifting of certain Sanctions and Embargoes see Part 1 Section 3 Laws & Regulations - Sanctions & Embargo's above.

Egypt

In Egypt, almost a year after the June 2013 protests that prompted former Egyptian Defence Minister Abdel Fattah el-Sisi to depose Egypt's then president and Muslim Brotherhood Leader Mohamed Morsi, el-Sisi was elected as President with 96.91% of the vote and garnering ten million more votes than former President Mohamed Morsi received in the previous 2012 election.

Muslim Brotherhood - Egypt

Following the military coup in Egypt and the imprisonment of Muslim Brotherhood leader, Mohamed Morsi, Egypts new government has rebranded the group a terrorist Organisation returning it to the status it held for much of the time under former President Mubarak's rule and has rounded up many if it's supporters.
Elsewhere the view on the Muslim Brotherhood and whether they should be considered a terrorist Organisation is mixed. Whilst Israel continues to see the group as a terrorist organization, as does Saudi Arabia and Russia, other countries have yet to designate the group as such. The UK government recently announced however a "review" of the Muslim Brotherhood, which is to be carried out by Sir John Jenkins, the UK ambassador to Saudi Arabia. The view of the United States of course will be crucial and so far the view expressed is that there is no evidence to link the Brotherhood with terrorism.

Asia / Southern Asia
Afghanistan

After two terms as President, Hamid Karzai was not eligible to run due to term limits, leaving Abdullah Abdullah and Ashraf Ghani, both of whom topped the poll in the first round election. The results of the run off was recently announced and despite allegations of electoral fraud, the election was won by Ashraf Ghani who has as his running mate former warlord Abdul Rashid Dostum. The formal timetable was that preliminary results would be announced formally on 2 July, with time to resolve any disputes in time for a 2 August inauguration.

Pakistan

The Terrorist group the Pakistani Taliban attacked Pakistan's major international airport. For details see Part 2 Section 6 Terrorist Attacks below

India

As the "world's biggest," election was once again held in India, a change in government was the result. Whilst the predictions ahead of the vote were of a close contest, the result was a stunning success for the opposition Bharatiya Janata Party (B.J.P.), the Hindu Nationalist Party and for it's leader and new Prime Minister, Narendra Modi, with the BJP winning an outright majority in the Lok Sabha, Parliament's lower house, for the first time since 1984. Of the five hundred and forty-three seats, the B.J.P. won a stunning two hundred and eighty-two; with its coalition allies, it controls a dominating three hundred and thirty-four seats. The Congress, India's oldest party, has led the governing coalition for the past decade and ended up routed with only 44 seats. Modi's appeal seemed to be based on claims that he had to delivered unprecedented economic progress in Gujarat, whereas this sort of development has seemed to have seized up elsewhere in India in the past few years, amid economic downturn and a growing litany of corruption scandals, and the government's policymaking paralysis.

Asia / South East Asia
Thailand

In what has become an all too regular occurrence, the Thai military once again took control, ousting Yingluck Shinawatra and her government. "This is not a coup," said the military leaders who took control they said to ensure law and order in a country split by deep political divisions, with on the one hand the so called red shirts supporting the democratically elected government and made up from much of the rural poor and the so called yellow shirts that make up the anti-government movement which includes predominantly urban, middle class members of the royalist establishment. Thai's are all too familiar with coup d'etats. There have been at least 18 actual and attempted military takeovers since Thailand became a constitutional monarchy in 1932, with the last taking place in 2006 when the military removed the government of Prime Minister Thaksin Shinawatra, the elder brother of Yingluck. Whilst army chief Gen. Prayuth Chan-Ocha, has said he intends to hold power no longer than is necessary it is not yet clear how or when the restoration of democracy will occur

Asia / Eastern Asia
China

For details about terror attacks and the continued corruption clampdown in China see Part 2 Section 6 Terrorist attacks and Part 2 Section 7 Criminals / Cases below respectively.

Americas - North America
United States

As of the start of 2014, 2 US States, Colorado and Washington, began legalizing Marijuana, Uruguay later followed suit becoming the first country in the world to have a system regulating legal production, sale and consumption of the drug. The International Narcotics Control Board (INCB), which polices International Drug Treaties is not impressed and moreover they violate international drug conventions. Still under US federal law, marijuana remains illegal, though it seems that the US Department of Justice are watching closely the experiments and not actively enforcing federal laws provided the operations do not impede eight "enforcement priorities", including stopping marijuana from being trafficked by gangs, sold to minors or smuggled into other states. Still financial institutions remain on notice that any transactions for or with any entities involved in thus business would be a federal crime.

Mexico
Mexican Drug Trafficking Organisations

The worlds most wanted man, Joaquín "El Chapo" (Shorty) Guzmán (according to the US and Mexico at least) had escaped from his government pursuers for more than 13 years after he escaped from a Mexican Prison in 2001. El Chapo remains the head of the most successful and powerful of Mexico's drug cartels, the Sinaloa Cartel, though the cartel was also run until recently day to day bu his two partners, Juan José "El Azul" Esparragosa and Ismael "El Mayo" Zambada. Still following the arrest of El Chapo, it was also announced that José Esparragoza, has reportedly died of a heart attack at 65, though doubts about the accuracy of this information remain. According to Juan Carlos Hidalgo of the Cato Institute, a think-tank in Washington, DC, the Sinaloa Cartel was said by the Mexican government to spend US$1.2 billion a year bribing Mexican policemen. This is a major success for Mexican President Enrique Peña Nieto, and follows the arresting 2013 of several drug kingpins who remain jailed in Mexico. So far Mr Peña's anti-crime strategy, based on strong co-ordination between law-enforcement agencies, has exceeded expectations.

Americas / South America
Uruguay

Taking it's lead from US States Colorado and Washington, legalizing Marijuana, Uruguay has become the first country in the world to have a system regulating legal production, sale and consumption of the drug. According to a presidential spokesman, the state will control the marijuana market from beginning to end, starting with setting prices. The proposed price starts at 20 Uruguayan pesos per gram (about 87 cents in U.S. dollars). People can grow as many as six plants at home and produce a maximum of 480 grams per year, according to the published rules. Cannabis clubs of anywhere between 15 and 45 members will be legal. Another rule allows people to buy as much as 40 grams of marijuana per month at state-licensed pharmacies. The law does not allow foreigners the right to smoke or even buy the drug and the drug cannot be exported. The marijuana legislation places the South American country at the vanguard of liberal drug policies, surpassing even the Netherlands, where recreational drugs are illegal but a policy of tolerance is in place.

Europe - Eastern Europe
Ukraine & Russia

Major developments in this period focussed on the continuing instability and political unrest in the Ukraine, where with protestors increasingly active, particularly in Western Ukraine and in Kiev, its Capital, the government of President Yanukovic fell, with the President fleeing first to the East and now residing in Moscow. With a new interim government installed under acting President Oleksander Turchinov, the former Parliamentary speaker, an immediate crises ensued with the Eastern Region of Crimea, which is home to a majority of former Russians, coming under direct Russian control followed by a vote in Crimea first by the Crimean Parliament and then by a hastily organised Referendum to leave Ukraine and to join Russia. The West (US/EU) has tried to respond to the crises with waves of Sanctions first against former Ukrainian officials and then against targeted Russian persons and entities. For more details on Sanctions & Embargoes see above. Since then, full Ukrainian presidential elections have been held and newly elected President Petro Poroshenko a chocolate magnate and former minister has taken office. The President has signed co-operation agreements with the EU and signalled a willingness to work with Russia to diffuse the problems in the East of the country.

Whilst going into 2014, most eyes were on the Winter Olympics held in the Russian City of Sochi, with fears of terrorist acts from the Caucasus Emirate of most concern, the security arrangements may have deterred attacks and the games thankfully passed off without incident. With the games just at an end and Russia seeking to promote itself in a new light towards the world and after spending amounts up to US$30 bio, for this purpose, the aggressive acts in the Crimea have not only tarnished that image but set back Russia's ability to act as a reliable partner on the International stage.

Europe - Western Europe

EU counterterrorism and security agencies are warning of the threat of European jihadists being trained in Syria committing terror attacks in Europe upon their return. According to US Director of National Intelligence James Clapper, there's evidence of training camps in Syria to "train people to go back to their countries and conduct terrorist acts [there]." According to Clapper, the party behind that is the al-Qaeda-affiliated Jabhat al-Nusra or the Al Nusra Front. There are no accurate numbers on foreign jihadists in Syria, but US intelligence estimated there were at least 7,500 foreign fighters of 50 nationalities. Estimates vary about the number of European jihadists, with the latest number exceeding 2,000 fighters. These fighters include those fighting with the Al Nusra Front and with the breakaway ISIS which has made stunning advances also in Iraq For more details see above, in this section in Syria and Iraq.

An area of particular concern, is the potential for European jihadists with European passports boarding planes flying to Europe or the United States carrying new hard to detect bombs. Experts believe that Al Qaeda chief bombmaker Ibrahim Al Asiri, who has specialized in building hard-to-detect non-metallic explosives, often using pentaerythritol tetranitrate (PETN) and chemical detonators, has both the skill to make and has trained students to build next generation Suicide bombs. He is reported to have been involved in making a bomb for the failed 2009 Christmas day plot to blow up a US-bound airliner and an attempt to send parcel bombs containing PETN hidden in printer ink cartridges from Yemen to Chicago in

2010. He is also believed to have designed a bomb used by his brother Abdullah, who died in a failed suicide attack on Saudi Arabia's deputy interior minister in 2009. Some intelligence reports have even suggested that Asiri, working with a Syrian doctor, has been attempting to perfect surgically implanted explosive devices that would be virtually undetectable. Al Asiri is a 32-year-old Saudi is believed to be hiding out with Al Qaeda in the Arabian Peninsula (AQAP) in Yemen's southern provinces. Asiri, a one-time chemistry student also known as Abu Saleh, is on several most-wanted lists and has survived repeated attempts to kill him with US drones.

France

Former French President Nicolas Sarkozy has been charged with a series of alleged crimes including active corruption, influence peddling, and violating the professional secrecy of an active judicial inquiry. Sarkozy's lawyer and a judge were also implicated in the corruption case and similarly charged. All the charges relate to Sarkozy allegedly interfering with those investigating him in a range of corruption enquiries. Sarkozy is suspected of offering a job in Monaco to a sitting judge in return for inside information about the progress of the so called Bettancourt affair inquiry. Sarkozy has been accused of accepting millions in illegal cash from Liliane Bettancourt, the L'Oreal heiress, towards his election campaign in 2007. Investigators also believe he was illegally tipped off that his phone was being tapped as part of investigations into him allegedly receiving millions from late Libyan dictator Muammar Gaddafi. Sarkozy, who was immune from prosecution while in office, has always denied any wrong doing.

Spain

Allegations of corruption at the heart of the Spanish Royal family have in part led now Former King Juan Carlos to abdicate in favor of his son who as Felipe VI ascended the throne in June 2014. The corruption claims could see Princess Cristina, (sister to Felipe and daughter of Juan Carlos) and her husband, Iñaki Urdangarin stand trial. The case against Urdangarin alleges he is guilty of influence pedling and corruption, that he used his connections to win inflated public contracts for his Nóos Institute, a purportedly not-for-profit organization that arranged sports, cultural and tourism events, Urdangarin is accused of the alleged embezzlement of some €8 million (US$10 million) from those contracts. The Spanish newspaper El Mundo reported that the pair's accountant had confessed to prosecutors that the Noos Foundation had never acted as a charity and Urgandarin and his Princess Christina funnelled funds into offshore accounts in order to pay less taxes. Whilst Urdangarin and the Princess, have both denied wrongdoing, they have been charged with tax fraud and money laundering. Throughout the scandal, the palace has maintained that it knew nothing about the questionable dealings, and in court, Urdangarin testified that neither his wife the Infanta Cristina, who sat on the board of Nóos, nor his father-in-law the King had any knowledge of the institute's workings. But e-mails surrendered to the court by Urdangarin's former partner, Diego Torres, who is also under indictment, suggest that the King was kept well informed of his son-in-law's activities.

In response to this unfolding scandal, Prime Minister Mariano Rajoy outlined a new anti-corruption plan in his State of the Nation debate in Parliament. The plan was not long on details but would include a new transparency law and would require political party treasurers to testify annually about their accounts in parliament. This following party funding scandals, which has rocked his own party, the Peoples Party (PP) following allegations that the party treasurer, Barcenas used Secret Swiss bank accounts to funnel secret payments to high ranking party officials. Barcenas' records even show that Roy himself received €25,200 ($33,000) annually from 1997 to 2008 under-the-table payments, purportedly funded by corporations and private individuals, although the PP have denied the veracity of the books, and claimed the party was the target of a conspiracy.

Part 2 Section 6 Terrorist Attacks

The terrorist threat continued into 2014 with the main areas of conflict and incidents of attacks coming in Iraq, Afghanistan, Pakistan, Yemen, Somalia and elsewhere in the Horn of Africa, Syria, Lebanon and Nigeria. Incidents also occurred in China, Belgium, South Sudan, Egypt, USA, Libya and Thailand. The following are the ones that are of particular note:

2014: Terrorist Attack at Train Station in Kunming, China by Xinjiang extremists (29)

At least 29 people died and 140 were injured in an orchestrated knife attack, at a Chinese Railway Station in Kunming which Chinese state media have called "China's September 11th". Chinese authorities say it was an act of terrorism carried out by "Xinjiang extremists", or ethnic Uighurs, a Muslim minority group from the north-west, perhaps carried out by members of the East Turkestan Islamic Movement.

2014: Pakistan Taliban attack Karachi Airport (34)

Apparently in response to The Pakistan Government's policy of air strikes on the strongholds of the Pakistan Taliban in the North Waziristan region of Pakistan, the group decided to respond by attacking high profile Pakistan targets in the main economic and political centers. The target was the busiest of Pakistan's International airport's in Karachi where an attack carried out by 10 militants sparked a five-hour gun battle that killed at least 34 people.

Boko Haram continue attacks including kidnapping 234 schoolgirls and killing many others in numerous incidents (1,000)

Whilst according to Nigerian President Goodluck Jonathan speaking in May 2014, Boko Haram attacks have left at least 12,000 people dead and 8,000 people crippled, the attacks from the Islamic terror group are on the increase. Since the beginning of the year and by June 2014, the group has carried out numerous attacks killing approx 1,000. The most audacious and infamous act carried out to date though which has garnered international media attention occurred in April, 2014. The group attacked government properties including a girl's only secondary school in Chibok, Northern Nigeria. The group killed at least 16, kidnapping 234 female students, who remain still captive or as suspected treated as slaves and sold on outside the country. In May 2014 at a Paris summit, Boko Haram was declared a part of al-Qaeda as leaders resolved to mount a region-wide offensive against the group and to provide technical expertise and training to counter the group. Despite the international consensus, further attacks, first in May 2014, killed 118 people in twin bomb explosions on the same day and in June 2014 militants dressed as soldiers slaughtered at least 200 civilians in three communities in north-eastern Nigeria's Borno state. This followed days after the assassination of Muslim leader Alhaji Idrissa Timta the Emir of Gwoza in Borno state.

Al-Shabaab attack on Kenyan coastal town of Mpeketoni (48)

In June, 2014 al-Shabaab gunmen killed at least 48 people in an attack on the Kenyan coastal town of Mpeketoni. The gunmen drove into the town, about 220 kilometers northeast of the port city of Mombasa, at about 8 p.m. in two minibuses, shooting indiscriminately and setting ablaze at least seven buildings, according to government and emergency workers. Kenya has faced a spate of attacks by suspected Islamist militants since it deployed troops in neighbouring Somalia in October 2011 to fight al-Shabaab insurgents who are trying to overthrow the government. This attack followed the September 2013 attack on the Westgate Mall in the Kenyan capital, Nairobi, in which at least 67 civilians and members of security forces died. Since the Westgate attack, at least 64 people have been killed and another 263 injured in "terrorist attacks," according to Maplecroft, the Bath, U.K.-based risk consultancy. The attacks have curbed the number of visitors to Kenya, East Africa's biggest economy, including coastal resorts popular with foreign tourists. Arrivals to the country fell to 1.4 million last year from 1.7 million in 2012. The tourism industry is the nation's second-biggest source of foreign currency, generating $1.1 billion in 2013. Western governments in particular have advised their citizens against travel to Mombasa and surrounding areas because of threats to security.

Belgium Islamist Shooter in the Jewish Museum in Brussels (4)

A former Islamic fighter returning from the Syrian Civil War, Mehdi Nemmouche opened fire in the Jewish Museum in Brussels, killing four people. He was later arrested at a bus station in Marseilles and admitted to committing the shooting. This was the first incident of a European jihadist committing an act of terrorism after returning from Syria, and is one of the major threats voiced by security specialists for Europe as a result of the continuing conflict in Syria and Iraq, which acts as a magnet also for some Islamist Europeans to join the conflict.

White Supremacists kill in Las Vegas (3)

Two apparent lone wolf white supremacists killed two police officers as they eating lunch, they then went to a nearby Walmart store and killed a shopper before both killing themselves.

Part 2 Section 7 Criminals / Cases

Corruption - Corporates

Hewlett Packard

Hewlett-Packard was fined US$108 mio[xx] in connection with suspected bribery by the Company's subsidiary in Russia which is alleged to have paid more than US$2 million through agents and various shell companies to a Russian government official to retain a multi-million dollar contract with the federal prosecutor's office. Also in Poland, Hewlett-Packard's subsidiary provided gifts and cash bribes worth more than US$600,000 to a Polish government official to obtain contracts with the national police agency and as part of its bid to win a software sale to Mexico's state-owned petroleum company, Hewlett-Packard's subsidiary in Mexico paid more than US$1 million in inflated commissions to a consultant with close ties to company officials, and money was funnelled to one of those officials. "Hewlett-Packard lacked the internal controls to stop a pattern of illegal payments to win business in Mexico and Eastern Europe. The company's books and records reflected the payments as legitimate commissions and expenses," said Kara Brockmeyer, chief of the SEC Enforcement Division's FCPA Unit. "Companies have a fundamental obligation to ensure that their internal controls are both reasonably designed and appropriately implemented across their entire business operations, and they should take a hard look at the agents conducting business on their behalf." According to the SEC's order, the scheme involving Hewlett-Packard's Russian subsidiary occurred from approximately 2000 to 2007. The bribes were paid through agents and consultants in order to win a government contract for computer hardware and software. Employees within the subsidiary and elsewhere raised questions about the significant mark-up being paid to the agent on the deal and the subcontractors that the agent expected to use. Despite the red flags, the deal went forward without any meaningful due diligence on the agent or the subcontractors. The SEC's order finds that bribes involving Hewlett-Packard's subsidiary in Poland occurred from approximately 2006 to 2010. Acting primarily through its public sector sales manager, the subsidiary agreed to pay a Polish government official in order to win contracts for information technology products and services. The official received a percentage of net revenue earned from the contracts, and the bribes were delivered in cash from off-the-books accounts.

According to the SEC's order, Hewlett-Packard's subsidiary in Mexico paid a consultant to help the company win a public IT contract worth approximately US$6 million. At least US$125,000 was funnelled to a government official at the state-owned petroleum company with whom the consultant had connections. Although the consultant was not an approved deal partner and had not been subjected to the due diligence required under company policy, HP Mexico sales managers used a pass-through entity to pay inflated commissions to the consultant. This was internally referred to as the "influencer fee." The company agreed to pay US$29 million in disgorgement (approximately US$26.47 million to the SEC and US$2.53 million to satisfy an IRS forfeiture as part of the criminal matter). Hewlett-Packard also agreed to pay prejudgment interest of $5 million to the SEC and fines totalling US$74.2 million in the criminal case for a total of more than US$108 million in disgorgement and penalties.

Country: US, Russia, Poland and Mexico
Key date: 2014 (Corruption)

Alcoa

Alcoa, the global Aluminium producer agreed to pay a total of US$384 mio[xxi] in fines for violating the Foreign Corrupt Practices Act (FCPA) when its subsidiaries repeatedly paid bribes to government officials in Bahrain to maintain a key source of business. Alcoa will pay $175 million in disgorgement of ill-gotten gains, of which US$14 million will be satisfied by the company's payment of forfeiture in the parallel criminal matter. Alcoa also will pay a criminal fine of US$209 million.

An SEC investigation found that more than US$110 million in corrupt payments were made to Bahraini officials with influence over contract negotiations between Alcoa and a major government-operated aluminium plant. Alcoa's subsidiaries used a London-based consultant with connections to Bahrain's royal family as an intermediary to negotiate with government officials and funnel the illicit payments to retain Alcoa's business as a supplier to the plant. Alcoa lacked sufficient internal controls to prevent and detect the bribes, which were improperly recorded in Alcoa's books and records as legitimate commissions or sales to a distributor. Alcoa agreed to settle the SEC's charges and a parallel criminal case announced today by the U.S. Department of Justice by paying a total of US$384 million. Kara N. Brockmeyer, chief of the SEC Enforcement Division's FCPA Unit added, "The extractive industries have historically been exposed to a high risk of corruption, and those risks are as real today as when the FCPA was first enacted." From 1989 to 2009, one of the largest customers of Alcoa's global bauxite and alumina refining business was Aluminium Bahrain B.S.C. (Alba), which is considered one of the largest aluminium smelters in the world. Alba is controlled by Bahrain's government, and Alcoa's mining operations in Australia were the source of the alumina that Alcoa supplied to Alba.

According to the SEC's order, Alcoa's Australian subsidiary retained a consultant to assist in negotiations for long-term alumina supply agreements with Alba and Bahraini government officials. A manager at the subsidiary described the consultant as "well versed in the normal ways of Middle East business" and one who "will keep the various stakeholders in the Alba smelter happy…" Despite the red flags inherent in this arrangement, Alcoa's subsidiary inserted the intermediary into the Alba sales supply chain, and the consultant generated the funds needed to pay bribes to Bahraini officials. Money used for the bribes came from the commissions that Alcoa's subsidiary paid to the consultant as well as price mark-ups the consultant made between the purchase price of the product from Alcoa and the sale price to Alba.

The SEC's order finds that Alcoa did not conduct due diligence or otherwise seek to determine whether there was a legitimate business purpose for the use of a middleman. Recipients of the corrupt payments included senior Bahraini government officials, members of Alba's board of directors, and Alba senior management. For example, after Alcoa's subsidiary retained the consultant to lobby a Bahraini government official, the consultant's shell companies made two payments totalling US$7 million in August 2003 for the benefit of the official. Two weeks later, Alcoa and Alba signed an agreement in principle to have Alcoa participate in Alba's plant expansion. In October 2004, the consultant's shell company paid US$1 million to an account for the benefit of that same government official, and Alba went on to reach another supply agreement in principle with Alcoa. Around the time that agreement was executed, the consultant's companies made three payments totalling US$41 million to benefit another Bahraini government official as well.

Country: USA/Australia/UK/ Bahrain
Key Date: 2014 (fines levied for bribes paid).

Keith A Seilhan

Former senior BP executive Keith A. Seilhan[xxii] agreed to return US$105,409 of allegedly ill-gotten gains, plus US$13,300 of prejudgment interest, and pay a civil penalty of US$105,409, in connection with SEC claims that the former 20-year employee of BP and a senior responder during the 2010 Deepwater Horizon oil spill sold his BP stock based on confidential information he had received about the magnitude of the disaster, before this information became public. The price of BP securities fell significantly after the April 20, 2010 explosion on the Deepwater Horizon rig, and the subsequent oil spill in the Gulf of Mexico, resulted in an extensive clean-up effort. According to the SEC's complaint, BP tasked Seilhan with coordinating BP's oil collection and clean-up operations in the Gulf of Mexico and along the coast. Seilhan, an experienced crisis manager, directed BP's oil skimming operations and its efforts to contain the expansion of the oil spill. The complaint alleged that by April 29, 2010, in filings to the SEC, BP estimated that the flow rate of the spill was up to 5,000 barrels of oil per day (bopd). The company's public estimate was significantly less than the actual flow rate, which was estimated later to be between 52,700 and 62,200 bopd. The information that Seilhan obtained indicated that the magnitude of the oil spill and thus, BP's potential liability and financial exposure, was likely to be greater than had been publicly disclosed.

According to the complaint, while in possession of this material, nonpublic information, and in breach of duties owed to BP and its shareholders, Seilhan directed the sale of his family's entire $1 million portfolio of BP securities over the course of two days in late April 2010. The trades allowed Seilhan to avoid losses and reap unjust profits as the price of BP securities dropped by approximately 48 percent after the sales on April 29 and April 30, 2010, reaching their lowest point in late June 2010.

Country: US
Key date: 2014 (insider dealing)

Mohamed Bin Hammam - FIFA
In June 2014, following repeated Allegations and whist FIFA's own investigation by FIFA investigator Michael Garcia is continuing, Britain's newspaper, the Sunday Times' published details following it's receipt of leaked "hundreds of millions of secret documents" in Qatari Mohamed Bin Hammam's systematic campaign to win support for Qatar 2022 in Africa to the tune of more than $5 million from slush funds. Whilst Bin Hamman was not directly tied to the Qatari bid committee, and indeed the Committee have always distanced themselves from Hamman, the reports claimed that Bin Hamman slush funds were used to buy up support within African Soccer with monies being paid directly to the four Africans on the FIFA executive committee. The evidence includes emails, faxes, phone records, flight logs, bank transfer slips and other documents and accounts all involving bin Hammam, the Qatari who was the president of the Asian Football Confederation and member of the FIFA executive committee at the time of the vote for the 2018 and 2022 World Cup in December 2010. Bin Hammam was the next year kicked out of FIFA in a bribery scandal involving then-Concacaf president Jack Warner as he sought to win support in the Caribbean for his bid to unseat FIFA president Sepp Blatter. A later investigation into bin Hammam's affairs at the Asian Football Confederation revealed all sorts of improprieties. Much of that investigation is confirmed in the Sunday Times investigation as it determined bin Hammam used AFC accounts to access cash and his private construction company, Kemco, to funnel money to African officials seeking handouts.

Bin Hammam's goal was to gain a groundswell of support in Africa for the Qatar 2022 campaign so that the four executive committee members would have no choice but to support Qatar 2022. Before the vote, Amos Adamu of Nigeria was suspended after being caught in a Sunday Times sting operation. The other three Africans were Cameroonian Issa Hayatou, Egyptian Hany Abu Rida and Ivorian Jacques Anouma. The Sunday Times said the Qatari bid committee was aware of the efforts to court African delegations on trips to Doha though it was not clear how much it knew about payments beyond travel expenses.

Qatar won the vote of the FIFA executive committee by 14-8, beating other candidates Australia, the United States, Japan, and South Korea.

Country: Switzerland/Qatar
Key date: 2014 (allegations of corruption)

General Xu Caihou

As part of China President Xi Jinping anti corruption crackdown, the most senior figure yet has been arrested and expelled from the party, along with three other senior officials, including a former deputy police minister. Gen. Xu Caihou, a former deputy chairman of the party's Central Military Commission, which controls China's military, is accused of taking money and property in exchange for promotions and other favours, said a party statement reported by the official Xinhua News Agency. It said his case had been handed over to military prosecutors.

Country: China
Key Date: 2014 (allegations of corruption)

Bernie Ecclestone

In a trial in Germany, Formula 1 supremo, Bernie Ecclestone is accused of paying a £26m bribe to Gerhard Gribkowsky, a former executive at German bank BayernLB, to steer Formula One to his preferred buyer when it was sold in 2006. They believe the bribe was funded with a commission which Ecclestone received from BayernLB for helping to put the deal through. The commission came to five per cent of the £494mio sale price, giving Ecclestone £24.7m. The prosecutors believe that BayernLB made the £24.7m payment to compensate for a £26m bribe. In June 2012 the prosecutors ruled that the £26m was a bribe and sentenced Gribkowsky to eight and a half years in prison for receiving it. According to the indictment against Ecclestone, in July 2012 his lawyers wrote to BayernLB to offer to pay the £24.7m back. This was rebuffed and in May last year Ecclestone was charged. Ecclestone denies paying a bribe and says that Gribkowsky threatened to make unfounded allegations about his tax affairs if the £26m was not paid. Ecclestone adds that the £24.7m payment was entirely legitimate, as it was given in return for him providing a guarantee that Formula One would not collapse. The case continues

Country: Switzerland
Key Date: 2014 (allegations of corruption)

Glaxo Smithkline

Glaxo Smithkline are co-operating with a Chinese probe into allegations of corruption, made by the Chinese authorities and now also by the UK SFO and by US authorities. Since the case came to light, in an email in January 2013 from an anonymous and self-styled whistleblower to the company, 45 suspects have been charged, four senior GSK executives have been detained by Chinese police and the former head of GSK China, Mark Reilly, is also effectively detained. An investigatory man and wife team hired by GSK are also in Chinese custody for allegedly making illegal payments to gain information.

The whistle blowing allegations claim that the pharmaceutical giant systematically bribed doctors in China, alleging that GSK's sales teams targeted influential doctors with expensive gifts and cash to win business. It is also alleged that some doctors were sent on all expenses-paid holidays masquerading as conferences. The payments were funnelled as fictional expenses through a travel agent. The whistleblower also claimed that evidence of "pervasive corruption," was being covered up by management.

GSK has tried to play down the seriousness of the claims, saying that it had investigated the allegations using external legal and audit advice and that, "Some fraudulent behaviour relating to expense claims was identified, and this resulted in employee dismissals and further changes to our monitoring procedures in China. However this investigation did not find evidence to substantiate the specific allegations made in the emails."

This can be contrasted however with the position of Chinese prosecutors who announced in May 2014 that they believe GSK to have run a system of corrupt cash payments, free trips and gifts to hospital doctors and managers to boost drug sales. They allege senior managers were well aware of the graft totalling more than £250 mio. The authorities stated that there existed a "bribery chain," and that money was allocated to hospital "events/activities" and used to buy television, video equipment and electric cars as bribes for vaccine sales. The authorities allege that in part some bribes were outsourced to seven local pharmaceutical firms to minimize it's own legal risk, naming two schemes, "Dragon Project," and "Great Wall Plan" through which monies were paid in bribes.

Country: China
Key Date: 2014 (whistleblower makes claims of pervasive bribery in GSK China business)

Part 2 Section 8 Enforcement Cases

JP Morgan Chase

2014: US$2.05bio[xxiii] (US$1.7 bio forfeiture for investors/US$350mio OCC (US$461 mio FINCEN)
Agencies: US DoJ & OCC & FINCEN

Five years after Bernie Madoff admitted to operating the largest ever Ponzi scheme, Madoff 's custodian bank, JPMorgan Chase (JPM) agreed to two criminal violations of the Bank Secrecy Act tied to its relationship as Madoff 's primary banker for over two decades as authorities believe the company ignored signs of the fraud. JPM agreed to pay US$1.7 billion to victims of the Madoff fraud and agreed to reform its anti-money laundering policies, paying a fine levied by the OCC of US$350mio. The deal with U.S. authorities includes a two-year deferred prosecution agreement and represents the largest-ever bank forfeiture in the U.S, and largest ever combined forfeiture and fi ne for money laundering related matters. JPM agreed to overhaul and reform it's anti-money laundering policies, after the OCC found "critical and widespread deficiencies" of the bank's anti money laundering compliance programs. The OCC said the penalty is based on JPMorgan's failure to report suspicions about Madoff 's investment firm to U.S. law enforcement and regulators despite alerting U.K. authorities. Concurrent with the OCC's enforcement action, the Financial Crimes Enforcement Network assessed a US$461 million civil money penalty that is deemed satisfied by the forfeiture to the U.S. government.

Standard Bank

2014: £7,640,400[xxiv]
Agency: The UK Financial Conduct Authority

The UK financial Conduct Authority (FCA) fined Standard Bank PLC (Standard Bank PLC is the UK subsidiary of Standard Bank Group, South Africa's largest banking group) £7,640,400 for failings relating to its anti-money laundering (AML) policies and procedures over corporate customers connected to politically exposed persons (PEPs). This action flows from the 2011 published review by the FSA in connection with an undertaken thematic review, which focused on how banks manage money laundering risk in higher risk situations.

Tracey McDermott, director of enforcement and financial crime, said: "One of the FCA's objectives is to protect and enhance the integrity of the UK financial system. Banks are in the front line in the fight against money laundering. If they accept business from high risk customers they must have effective systems, controls and practices in place to manage that risk. Standard Bank clearly failed in this respect."

Canada Inc formerly Swift Trade Inc

2014: £8,000,000[xxv]
Agency The UK Financial Conduct Authority

The Financial Conduct Authority (FCA) issued a Final Notice against Canada Inc formerly carrying on business as Swift Trade Inc ("Swift Trade") and levied a financial penalty of £8,000,000 for engaging in market abuse.

Credit Suisse

2014: US$196 mio[xxvi] fine
Agency: The Securities and Exchange Commission

Credit Suisse Group AG was fined for violating federal securities laws by providing cross-border brokerage and investment advisory services to US clients without first registering with the SEC. Credit Suisse agreed to pay US$196mio and admit wrongdoing to settle the SEC's charges. According to the SEC's order instituting settled administrative proceedings, Credit Suisse provided cross-border securities services to thousands of US clients and collected fees totalling approximately US$82mio without adhering to the registration provisions of the federal securities laws. Credit Suisse relationship managers travelled to the US to solicit clients, provide investment advice, and induce securities transactions. These relationship managers were not registered to provide brokerage or advisory services, nor were they affiliated with a registered entity. The relationship managers also communicated with clients in the US through overseas e-mails and phone calls. "The broker-dealer and investment adviser registration provisions are core protections for investors," said Andrew J. Ceresney, director of the SEC's Division of Enforcement. "As Credit Suisse admitted as part of the settlement, its employees for many years failed to comply with these requirements, and the firm took far too long to achieve compliance."

According to the SEC's order, Credit Suisse began conducting cross-border advisory and brokerage services for US clients as early as 2002, amassing as many as 8,500 US client accounts that contained an average total of US$5.6bio in securities assets. The relationship managers made approximately 107 trips to the US during a seven-year period and provided broker-dealer and advisory services to hundreds of clients they visited. Credit Suisse was aware of the registration requirements of the federal securities laws and undertook initiatives designed to prevent such violations. These initiatives largely failed, however, because they were not effectively implemented or monitored. According to the SEC's order, it was not until after a much-publicised civil and criminal investigation into similar conduct by Swiss based UBS that Credit Suisse began to take steps in October 2008 to exit the business of providing cross border advisory and brokerage services to US clients. Although the number of US client accounts decreased beginning in 2009 and the majority were closed or transferred by 2010, it took Credit Suisse until mid-2013 to completely exit the cross-border business as the firm continued to collect broker-dealer and investment adviser fees on some accounts. The SEC's order finds that Credit Suisse wilfully violated Section 15(a) of the Securities Exchange Act of 1934 and Section 203(a) of the Investment Advisers Act of 1940.

Credit Suisse admitted the facts in the SEC's order, acknowledged that its conduct violated the federal securities laws, accepted a censure and a cease-and-desist order and agreed to retain an independent consultant. Credit Suisse agreed to pay US$82,170,990 in disgorgement, US$64,340,024 in pre-judgment interest, and a US$50mio penalty.

For details of the Banks settlement with the US Department of Justice and the US IRS, particularly to answer allegations contained in a Report issued by the US Senate on Permanent Investigations, entitled: Off shore Tax Evasion: Thee Effort to Collect Unpaid Taxes on Billions in Hidden Off shore Accounts[xxvii] and discussed in Hearings held in February 2014.8 see below.

Brown Brothers Harriman & Co

2014: US$8mio9[xxviii]
Agency: FINRA

FINRA Fined Brown Brothers Harriman a Record US$8 Million for Substantial Anti-Money Laundering Compliance Failures and fi ned and suspended a former AML Compliance Officer in particular over BBH's failure to have an adequate anti-money laundering program in place to monitor and detect suspicious penny stock transactions. BBH also failed to sufficiently investigate potentially suspicious penny stock activity brought to the firm's attention and did not fulfil its Suspicious Activity Report (SAR) fi ling requirements. In addition, BBH did not have an adequate supervisory system to prevent the distribution of unregistered securities. BBH's former Global AML Compliance Officer Harold Crawford was also fined US$25,000 and suspended for one month.

Penny stock transactions pose heightened risks because low-priced securities may be manipulated by fraudsters. FINRA found that from 1 January 2009, to 30 June 2013, BBH executed transactions or delivered securities involving at least six billion shares of penny stocks, many on behalf of undisclosed customers of foreign banks in known bank secrecy havens. BBH executed these transactions despite the fact that it was unable to obtain information essential to verify that the stocks were free trading. In many instances, BBH lacked such basic information as the identity of the stock's beneficial owner, the circumstances under which the stock was obtained, and the seller's relationship to the issuer. Penny stock transactions generated at least US$850mio in proceeds for BBH's customers. Brad Bennett, FINRA Executive Vice President, Enforcement, said "The sanction in this case reflects the gravity of Brown Brothers Harriman's compliance failures. The firm opened its doors to undisclosed sellers of penny stocks from secrecy havens without regard for who was behind those transactions, or whether the stock was properly registered or exempt from registration. This case is a reminder to firms of what can happen if they choose to engage in the penny stock liquidation business when they lack the ability to manage the risks involved."

FINRA also found that although BBH was aware that customers were depositing and selling large blocks of penny stocks, it failed to ensure that its supervisory Reviews were adequate to determine whether the securities were part of an illegal unregistered distribution. FINRA Regulatory Notice 09-05 discusses "red flags" that should signal a firm to closely scrutinize transactions to determine whether the stock is properly registered or exempt from registration, or whether it is being offered illegally. BBH customers deposited and sold penny stock shares in transactions that should have raised numerous red flags. In concluding these settlements, BBH and Crawford neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Liquidnet Inc
2014: US$2mio[xxix]
Agency: US SEC (Administrative Proceedings)

Liquidnet agreed to a fine of US$2mio for using client's confidential information for their own benefit and in breach of US regulations. Liquidnet's core business is operating a block-trading dark pool for large institutional investors. Liquidnet has represented to its dark pool subscribers that it would keep their trading information confidential and allow them to trade with maximum anonymity and minimum information leakage. In an effort to find additional sources of liquidity for its dark pool, Liquidnet launched an Equity Capital Markets (ECM) desk in 2009 to offer block execution services to corporate issuers and control persons of corporate issuers as well as private equity and venture capital firms looking to execute large equity capital markets transactions with minimal market impact. Despite offering anonymity Liquidnet provided its ECM employees with access to the confidential trading information of dark pool subscribers from 2009 to late 2011, and they used it to market ECM's services. For example, ECM employees would provide issuers with descriptions of ATS subscribers who had recently indicated interest in buying or selling shares of issuers' stock. These descriptions included the geographic locations, approximate assets under management, and investment styles of those dark pool subscribers. ECM employees used dark pool subscribers' trading data to advise issuers about which institutional investors they should meet during investor conferences or non-deal roadshows. They also used dark pool subscriber data to advise ECM customers when they should execute transactions in the ATS given the liquidity the ECM employees could see in the dark pool.

Regulations require an alternative trading system, (ATS) such as the one operated by Liquidnet to establish and enforce safeguards and procedures to protect the confidential trading information of its subscribers. Among them is limiting access to subscribers' data to employees who operate the ATS or have a direct compliance role. "Dark pool operators violate the law when they fail to protect the confidential trading information that their subscribers entrust to them, as Liquidnet did here when it used this confidential information to try to expand its business," said Andrew J. Ceresney, director of the SEC Enforcement Division. "We will continue to aggressively police broker-dealers who operate an ATS and fail to rigorously ensure the protection of confidential trading information."

Barclays
2014: £26,033,500[xxx] (US$43.8 mio)
Agency: UK Financial Conduct Authority

The UK Financial Conduct Authority (FCA) fined Barclays Bank Plc £26,033,500 for failing to adequately manage conflicts of interest between itself and its customers as well as systems and controls failings, in relation to the fixing of prices relating to Gold[xxxi]. In particular, Barclays failed to: create or implement adequate policies or procedures to properly manage the way in which Barclays' traders participated in the Gold Fixing; provide adequate specific training to precious metals desk staff in relation to their participation in the Gold Fixing; and create systems and reports that allowed for adequate monitoring of traders' activity in connection with the Gold Fixing. Barclays also failed to adequately manage certain conflicts of interest between itself and its customers. In particular, Barclays failed to adequately manage the inherent conflict of interest that existed from Barclays participating in the Gold Fixing and contributing to the price fixed during the Gold Fixing, while at the same time also selling to customer's options products that referenced, and were dependent on, the price of gold fixed in the Gold Fixing. These failings led to an increased risk of inappropriate conduct by Barclays' traders participating in the Gold Fixing. On 28 June 2012, former Barclays trader Daniel James Plunkett exploited the weaknesses in Barclays' systems and controls to seek to influence that day's 3:00 p.m. Gold Fixing and thereby profited at a customer's expense. As a result of Plunkett's actions, Barclays was not obligated to make a US$3.9m payment to its customer, although it later compensated the customer in full. Plunkett's actions boosted his own trading book by US$1.75m (excluding hedging). The FCA fined Plunkett £95,600 and banned him from performing any function in relation to any regulated activity. Tracey McDermott, the FCA's director of enforcement and financial crime, said: "A firm's lack of controls and a trader's disregard for a customer's interests have allowed the financial services industry's reputation to be sullied again. Plunkett has paid a heavy price for putting his own interests above the integrity of the market and Barclays' customer. Traders who might be tempted to exploit their clients for a quick buck should be in no doubt - such behaviour will cost you your reputation and your livelihood. "Barclays' failure to identify and manage the risks in its business was extremely disappointing. Plunkett's actions came the day after the publication of our LIBOR and EURIBOR action against Barclays. The investigation and outcomes in that case meant that the firm, and Plunkett, were clearly on notice of the potential for conflicts of interests around benchmarks. "We expect all firms to look hard at their reference rate and benchmark operations to ensure this type of behaviour isn't being replicated. Firms should be in no doubt that the spotlight will remain on wholesale conduct and we will hold them to account if they fail to meet our standards."

Credit Suisse

2014: US$2.6 bio[xxxii] (US$2.8 bio including prior US$196mio SEC related fine) - US$1.8 billion to DoJ/Treasury; US$100 million to the FED and US$715 million to the New York State Department of Financial Services (DFS)
Agencies: US DoJ, DoT, FED, DFS

Following a long investigation and after a Senate panel in February 2014 concluded Credit Suisse recruited for over 22,000 US customers with assets of $10bn-$12bn, the vast majority of which were hidden from US authorities, Credit Suisse agreed to plead guilty to conspiracy to aid and assist U.S. taxpayers in filing false tax returns and admitted to helping U.S. Taxpayers hide offshore accounts from the US IRS. This followed the recent settlement with the SEC (see above) which penalized CS US$196 million for breaches of US securities and investment regulations, in connection with the servicing of these US Taxpayers. The fine in total including the SEC levy amounted to US$2.8 bio, being the highest ever payment in a Criminal Tax Case.

Aside from the US$196mio already paid to the SEC, (see above for details), CS agreed to pay a further total of US$2.6 billion. Of this US$1.8 billion is paid to the Department of Justice for the U.S. Treasury, US$100 million to the Federal Reserve, and UD$715 million to the New York State Department of Financial Services. As part of the plea agreement, Credit Suisse acknowledged that, for decades prior to and through 2009, it operated an illegal cross-border banking business that knowingly and wilfully aided and assisted thousands of U.S. clients in opening and maintaining undeclared accounts and concealing their offshore assets and income from the IRS.

"Credit Suisse's guilty plea is just the latest effort by the department to slam the door shut on undeclared bank accounts, phony trusts and other foreign schemes used by U.S. taxpayers to evade taxes," said Deputy Attorney General Cole. "We will continue to hold to account the bankers, the brokers and other professionals in Switzerland and around the world as well as the institutions that trained and directed them to use bank secrecy laws to protect U.S. tax cheats."

According to the statement of facts filed with the plea agreement, Credit Suisse employed a variety of means to assist U.S. clients in concealing their undeclared accounts, including by: assisting clients in using sham entities to hide undeclared accounts; soliciting IRS forms that falsely stated, under penalties of perjury, that the sham entities were the beneficial owners of the assets in the accounts; failing to maintain in the United States records related to the accounts; destroying account records sent to the United States for client review; using Credit Suisse managers and employees as unregistered investment advisors on undeclared accounts; facilitating withdrawals of funds from the undeclared accounts by either providing hand-delivered cash in the United States or using Credit Suisse's correspondent bank accounts in the United States; structuring transfers of funds to evade currency transaction reporting requirements; and providing offshore credit and debit cards to repatriate funds in the undeclared accounts.

As part of the plea agreement, Credit Suisse further agreed to make a complete disclosure of its cross-border activities, cooperate in treaty requests for account information, provide detailed information as to other banks that transferred funds into secret accounts or that accepted funds when secret accounts were closed, and to close accounts of account holders who fail to come into compliance with U.S. reporting obligations. Credit Suisse has also agreed to implement programs to ensure its compliance with U.S. laws, including its reporting obligations under the Foreign Account Tax Compliance Act and relevant tax treaties, in all its current and future dealings with U.S. customers.

Brady Dougan, Credit Suisse's chief executive officer, said: "We deeply regret the past misconduct that led to this settlement. The US cross-border matter represented the most significant and longstanding regulatory and litigation issue for Credit Suisse. Having this matter fully resolved is an important step forward for us. He said there had been "no material impact" on the bank's business resulting from the heightened public attention and the bank would "now focus on the future and give our full attention to executing our strategy".

BNP Paribas

2014: US$8.9 bio fine[xxxiii] (US$8.9736 billion, including forfeiture of $8.8336 bio and a fine of $140 million)
Agencies: The New York County District Attorney's Office / the Department of Justice / 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

BNP Paribas, France's largest Bank agreed to a record fine of US$8.9 bio in connection with US sanctions breaches between 2002 and 2009. In all, U.S. authorities scrutinized US$100 billion in suspicious Sudanese transactions before concluding that US$30 billion was wilfully hidden to avoid detection by sanctions enforcers. Investigators say that BNP also facilitated similar transaction for countries like Iran and Syria. According to media reports, BNP went to extensive lengths to disguise transactions from the U.S. Treasury Department's screening system. The bank allegedly used a network of banks in East Africa, the Middle East and Europe to make it appear as if dollar-based transfers were unconnected to Sudan. As well as the fine, BNP accepted a guilty plea and dismissed more than a dozen employees. Georges Chodron de Courcel, BNP's veteran chief operating officer and chairman of its Swiss subsidiary, where many of the transactions passed through, recently announced his retirement after the US regulators demanded that he leave the bank as part of any settlement. US authorities also suspended temporarily the ability of BNP to clear US dollar transactions for a year. Authorities in the U.S. first heard about possible wrongdoing in 2007, when an informant contacted the Manhattan District Attorney's office, according to media reports. Then apparently about a year later the bank came forward with its own findings and views itself as having self- reported violations, although US regulators believe the Bank was less forthcoming than other banks investigated for sanctions violations.

At a press conference, the US attorney for the southern district of New York, Preet Bharara, called the bank's actions a "tour de fraud". Prosecutors said senior executives at the bank knew of the activities. "This conduct, this conspiracy was known and condoned at the highest levels of BNP," assistant district attorney Ted Starishevsky told the court. The New York state banking regulator said it was banning BNP's office in New York from conducting US dollar clearing operations for a year from 1 January 2015.

The allegations centred on $190bn in transactions that BNP's trade-finance arm in Switzerland processed for countries under US sanctions between 2004 and 2012. In 2007, BNP's president told employees that the bank would stop doing business with Sudan, Iran and Cuba, according to a report in the Wall Street Journal. Yet regulators allege that BNP continued to deal with the blacklisted countries, and employees hid the transactions using satellite banks as fronts. The bank "placed its financial network at the service of rogue nations to improve its bottom line," said assistant attorney general Leslie Caldwell on Monday.

According to court documents, BNP Paribas S.A. (BNPP), a global financial institution headquartered in Paris, agreed to enter a guilty plea to conspiring to violate the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA) by processing billions of dollars of transactions through the U.S. financial system on behalf of Sudanese, Iranian, and Cuban entities subject to U.S. economic sanctions. The agreement by the French bank to plead guilty is the first time a global bank has agreed to plead guilty to large-scale, systematic violations of U.S. economic sanctions.

According to documents released publicly today, over the course of eight years, BNPP knowingly and wilfully moved more than $8.8 billion through the U.S. financial system on behalf of sanctioned entities, including more than $4.3 billion in transactions involving entities that were specifically designated by the U.S. Government as being cut off from the U.S. financial system. BNPP engaged in this criminal conduct through various sophisticated schemes designed to conceal from U.S. regulators the true nature of the illicit transactions. BNPP routed illegal payments through third party financial institutions to conceal not only the involvement of the sanctioned entities but also BNPP's role in facilitating the transactions. BNPP instructed other financial institutions not to mention the names of sanctioned entities in payments sent through the United States and removed references to sanctioned entities from payment messages to enable the funds to pass through the U.S. financial system undetected.

In addition to the joint forfeiture judgment, the New York County District Attorney's Office is also announcing today that BNPP has pleaded guilty in New York State Supreme Court to falsifying business records and conspiring to falsify business records. In addition, the Board of Governors of the Federal Reserve System is announcing that BNPP has agreed to a cease and desist order, to take certain remedial steps to ensure its compliance with U.S. law in its ongoing operations, and to pay a civil monetary penalty of $508 million. The New York State Department of Financial Services (DFS) is announcing BNPP has agreed to, among other things, terminate or separate from the bank 13 employees, including the Group Chief Operating Officer and other senior executives; suspend U.S. dollar clearing operations through its New York Branch and other affiliates for one year for business lines on which the misconduct centred; extend for two years the term of a monitorship put in place in 2013, and pay a monetary penalty to DFS of $2.2434 billion. In satisfying its criminal forfeiture penalty, BNPP will receive credit for payments it is making in connection with its resolution of these related state and regulatory matters. The Treasury Department's Office of Foreign Assets Control has also levied a fine of $963 million, which will be satisfied by payments made to the Department of Justice.

According to documents released publicly today, including a detailed statement of facts admitted to by BNPP, BNPP has acknowledged that, from at least 2004 through 2012, it knowingly and wilfully moved over $8.8 billion through the U.S. financial system on behalf of Sudanese, Iranian and Cuban sanctioned entities, in violation of U.S. economic sanctions. The majority of illegal payments were made on behalf of sanctioned entities in Sudan, which was subject to U.S. embargo based on the Sudanese government's role in facilitating terrorism and committing human rights abuses. BNPP processed approximately $6.4 billion through the United States on behalf of Sudanese sanctioned entities from July 2006 through June 2007, including approximately $4 billion on behalf of a financial institution owned by the government of Sudan, even as internal emails showed BNPP employees expressing concern about the bank's assisting the Sudanese government in light of its role in supporting international terrorism and committing human rights abuses during the same time period. Indeed, in March 2007, a senior compliance officer at BNPP wrote to other high-level BNPP compliance and legal employees reminding them that certain Sudanese banks with which BNPP dealt "play a pivotal part in the support of the Sudanese government which . . . has hosted Osama Bin Laden and refuses the United Nations intervention in Darfur." One way in which BNPP processed illegal transactions on behalf of Sudanese sanctioned entities was through a sophisticated system of "satellite banks" set up to disguise both BNPP's and the sanctioned entities' roles in the payments to and from financial institutions in the United States. As early as August 2005, a senior compliance officer at BNPP warned several legal, business and compliance personnel at BNPP's subsidiary in Geneva that the satellite bank system was being used to evade U.S. sanctions: "As I understand it, we have a number of Arab Banks (nine identified) on our books that only carry out clearing transactions for Sudanese banks in dollars. . . . This practice effectively means that we are circumventing the US embargo on transactions in USD by Sudan."

Similarly, BNPP provided Cuban sanctioned entities with access to the U.S. financial system by hiding the Cuban sanctioned entities' involvement in payment messages. From October 2004 through early 2010, BNPP knowingly and wilfully processed approximately $1.747 billion on behalf of Cuban sanctioned entities. In the statement of facts, BNPP admitted that it continued to do U.S. dollar business with Cuba long after it was clear that such business was illegal in order to preserve BNPP's business relationships with Cuban entities. BNPP further admitted that its conduct with regard to the Cuban embargo was both "cavalier" and "criminal," as evidenced by the bank's 2006 decision, after certain Cuban payments were blocked when they reached the United States, to strip the wire messages for those payments of references to Cuban entities and resubmit them as a lump sum in order to conceal from U.S. regulators the bank's longstanding, and illicit, Cuban business.

Further according to court documents, BNPP engaged in more than $650 million of transactions involving entities tied to Iran, and this conduct continued into 2012 – nearly two years after the bank had commenced an internal investigation into its sanctions compliance and had pledged to cooperate with the Government. The illicit Iranian transactions were done on behalf of BNPP clients, including a petroleum company based in Dubai that was effectively a front for an Iranian petroleum company, and an Iranian oil company.

The plea agreement, subject to approval by the court, provides that BNPP will pay total financial penalties of $8.9736 billion, including forfeiture of $8.8336 billion and a fine of $140 million.

Goldman Sachs
2014: US$800,000[xxxiv]
Agency: FINRA

Goldman Sachs Execution & Clearing L.P. agreed to pay an $800,000 fine and settle the case with the Financial Industry Regulatory Authority. FINRA said that Goldman's dark pool SIGMA-X executed nearly 400,000 trades between July 29 and August 9 in 2011 that were at inferior prices, in violation of investor protection rules designed to ensure customers are getting the best deal. In addition, FINRA said that between November 2008 and August 2011, the bank did not have adequate policies in place to protect stock quotes. In addition to paying the fine, FINRA said Goldman has since returned $1.67 million to harmed customers. "FINRA has no tolerance for firms that fail to have robust policies and procedures to protect against trading through protected quotations," said Thomas Gira, the executive vice president of FINRA's Market Regulation unit.

Goldman Sachs
2014: US$22mio Fine & Cease & Desist Order[xxxv]
Agency: SEC / FINRA

The SEC fined Goldman Sachs for lacking adequate policies and procedures to address the risk that during weekly "huddles," the firm's analysts could share material, non-public information about upcoming research changes. Huddles were a practice where Goldman's

stock research analysts met to provide their best trading ideas to firm traders and later passed them on to a select group of top clients. In addition to the fine, Goldman also agreed to be censured, to be subject to a cease-and-desist order, and to review and revise its written policies and procedures to correct the deficiencies identified by the SEC. The Financial Industry Regulatory Authority also announced a settlement with Goldman for supervisory and other failures related to the huddles. "Higher-risk trading and business strategies require higher-order controls," said Robert S. Khuzami,
Director of the Commission's Division of Enforcement. "Despite being on notice from the SEC about the importance of such controls, Goldman failed to implement policies and procedures that adequately controlled the risk that research analysts could preview upcoming ratings changes with select traders and clients." The SEC in an administrative proceeding found that from 2006 to 2011, Goldman held weekly huddles sometimes attended by sales personnel in which analysts discussed their top short-term trading ideas and traders discussed their views on the markets. In 2007, Goldman began a program known as the Asymmetric Service Initiative (ASI) in which analysts shared information and trading ideas from the huddles with select clients. According to the SEC's order, the programs created a serious risk that Goldman's analysts could share material, nonpublic information about upcoming changes to their published research with ASI clients and the firm's traders. The SEC found these risks were increased by the fact that many of the clients and traders engaged in frequent, high-volume trading. Despite those risks, Goldman failed to establish adequate policies or adequately enforce and maintain its existing policies to prevent the misuse of material, nonpublic information about upcoming changes to its research. Goldman's surveillance of trading ahead of research changes — both in connection with huddles and otherwise — was deficient. "Firms must understand that they cannot develop new programs and services without evaluating their policies and procedures," said Antonia Chion, Associate Director in the SEC's Division of Enforcement.

Part 2 Section 8 Enforcement Cases - Outlook Cases

Barclays

Following concern raised, not least by author Michael Lewis in his book, "Flash Boys" the business of high frequency algorithmic trading and so called dark pools has again come into focus and been the subject not only of US congressional scrutiny but now also the focus of the New York Attorney General who has said he is set to file a 'securities fraud' lawsuit against Barclays[xxxvi]. The prosecutor claims that Barclays misrepresented the safety of its US-based 'dark pool' system, an alternative way of trading that uses computerised high frequency buying or selling transactions to give traders advantages over other market participants. The allegations are that Barclays ran the dark pool to favour aggressive high frequency traders and actively sought to attract them by giving them systemic advantages over other traders in the pool. The US investigation has been aided by a number of former Barclays employees, who witnessed much of the conduct under investigation. Barclays is alleged to have heavily promoted a service called Liquidity Profiling, which the bank claimed was a 'surveillance' system that tracked every trade in Barclays' dark pool in order to identify predatory traders, rate them based on the objective characteristics of their trading behaviour, and hold them accountable for engaging in predatory practices. In reality, the lawsuit claims, Barclays never stopped any trader from participating in its dark pool, regardless of how predatory it was. The Attorney General also alleges that Barclays 'overrode' certain Liquidity Profiling ratings – including for some of its own internal trading desks that engaged in high-frequency trading – ‘by assigning safe ratings to traders that were otherwise determined to be toxic’.

Forex Probe

This action is part of a wider forex probe by financial investigators into whether the world’s largest currency trading banks colluded to manipulate the daily foreign exchange rates[xxxvii].Market regulators in Asia, Switzerland, the UK and the US began to investigate the US$5.3 trillion-a-day foreign exchange market after Bloomberg News reported in June 2013 that currency dealers said they had been front-running client orders and rigging the foreign exchange benchmark WM/Reuters rates by colluding with counterparts and pushing through trades before and during the 60-second windows when the benchmark rates are set. The behaviour occurred daily in the spot foreign-exchange market and went on for at least a decade according to currency traders using electronic chatrooms in which senior currency traders discussed with their competitors at other banks the types and volume of the trades they planned to place. The electronic chatrooms had names such as “The Cartel,” “The Bandits’ Club,” “One Team, One Dream” and “The Mafia”. At least 15 banks including Barclays, HSBC and Goldman Sachs disclosed investigations by regulators. Barclays, Citigroup, UBS and JPMorgan Chase all suspended or placed on leave senior currency traders. Deutsche Bank was also cooperating with requests for information from regulators. Barclays, Citigroup, Deutsche Bank, HSBC, JPMorgan Chase, Lloyds, RBS, Standard Chartered, and UBS as of February 2014 had suspended, placed on leave, or fired 21 traders. Citigroup had also fired its head of European spot forex trading.

Money Laundering / Sanctions Probes

According to media reports, the US Justice Department as well as some other US agencies are investigating Financial Institutions in connection with Sanctions, Money Laundering and or terrorism Finance concerns. This follows the recent announcement of record breaking US$ 8.9 bio fine against BNP Paribas who also entered a guilty plea in connection with US sanctions violations. Two other major French banks- Credit Agricole and Societe Generale, Germany’s Deutsche Bank AG, and Citigroup Inc’s Banamex unit in Mexico are among those being investigated for possible money laundering or sanctions violations, according to reports[xxxviii]. Furthermore concerns have been raised following the US designation of Boko Haram and a splinter group, Ansaru as terrorist Organisations operating in Nigeria, whether Nigerian Banks have exposure to these groups and it is understood that the US Treasury is also looking into whether there are any funding links[xxxix].

Supplement 1 Half 2014 – Notes

[i] EU Anti-Corruption report including country chapters, Eurobarometer surveys, factsheets and questions and answers: Available at <http://ec.europa.eu/anti-corruption-report> [Accessed 20 March 2014]

[ii] GlobalPost: Available at: AFP, “Prescription, synthetic drug abuse worry EU watchdog,” GlobalPost, May 27, 2014.

[iii] UNODC World Drug Report 2014: (online) Available at: <http://www.unodc.org/documents/wdr2014/World_Drug_Report_2014_web.pdf> [Accessed on 15 June 2014]

[iv] http://www.unis.unvienna.org/unis/protected/AR_2013_E.pdf

[v] Bank of England Waking Shark II; Desktop Cyber Exercise; Report to participants; Tuesday 12 November 2013. (online) Available at <http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=3&sqi=2&ved=0CD0 QFjAC&url=http%3A%2F%2Fwww.bankofengland.co.uk%2Ffi nancialstability%2Ffsc%2FDocuments%2Fwakin gshark2report.pdf&ei=bQwrU_7EEaboywPV1YIg&usg=AFQjCNHhgJO2oVh-D1Xi2tBJi3RzjD3Yvg> [Accessed 20 March 14]

[vi] Bloomberg (online) June 9, 2014 Available at: < “Cybercrime Remains Growth Industry With $445 Billion Lost,” > by Chris Strohm, Bloomberg [Accessed on 15th June 2014]

[vii] Daily Beast: “Confessions of a Human Trafficker Who Smuggled Desperate Migrants into Europe,”

---

viii United States Government "Trafficking in Persons (TIP) Report 2014: (online) (2014) <http://www.state.gov/j/tip/rls/tiprpt/index.htm> [Accessed on 15th June 2014]

ix Financial Action Task Force (online) Available at < http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf > [Accessed on 15 June 2014]

x Financial Action Task Force (online) Available at <http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf> [Accessed on 15 June 2014]

xi International Chamber of commerce – Trade register Report 2014 (online) <]http://www.iccwbo.org/Data/Documents/Banking/General-PDFs/ICC-Trade-Register-Report-2014-SUMMARY/ >[Accessed on 15 June 2014]

xii Financial Action Task Force (online) Available at < http://www.fatf-gafi.org> [Accessed on June 30 2014]

xiii Financial Action Task Force (online) Available at < http://www.fatf-gafi.org> [Accessed on June 30 2014]

xiv US Trafficking in Persons Report 2014 – see Note viii above.

xv The Basel Committee on Banking Supervisions: Sound management of risks related to money laundering and financing of terrorism. Available at: <http://www.bis.org/publ/bcbs275.htm> [Accessed 20 March 14 2014]

xvi Financial Action Task Force (online) Available at < http://www.fatf-gafi.org> [Accessed on June 30 2014]

xvii Financial Action Task Force (online) Available at < http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf > [Accessed on 15 June 2014]

xviii Financial Action Task Force (online) Available at <http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf> [Accessed on 15 June 2014}

xix The Wolfsberg Group: Available at:< http://wolfsberg-principles.com >[Accessed on 30 June 2014]

xx Hewlett Packard - SEC Press Release: Available at: < http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370541453075#.U5_1W6N5mK0 > [Accessed on 12 June 2014]

xxi Alcoa – SEC Press Release: Available at:< http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370540596936#.U5_05KN5mK0 > [Accessed on 12 June 2014]

xxii Keith Seilen - SEC Press Release: (2014) Available at: < http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370541517274#.U5_7JKN5mK0 > [Accessed 12 June 2014]

xxiii JP Morgan: OCC and FinCEN Orders: Available at <http://www.occ.gov/news-issuances/news-releases/2014/nr-occ-2014-1. html: http://www.fincen.gov/newsroom/nr/html/20140107.html> [Accessed 20 March 2014]

xxiv Standard Bank: FCA Order: Available at <http://www.fca.org.uk/news/standard-bank-plc-fi ned-for-failures-in-its-antimoney-laundering-controls> [Accessed 20 March 2014]

xxv Canada Inc: FCA Final Notice: Available at <http://www.fca.org.uk/your-fca/documents/final-notices/2014/7722656-canada- inc> [Accessed 20 March 2014]

xxvi Credit Suisse: SEC: Available at <http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370540816517> [Accessed on 20 June 2014]

xxvii Credit Suisse: Senate Hearings Report: Available at <http://www.hsgac.senate.gov/download/?id=DD609B36-94AB-44B5- AABA-97B2AB08E058> [Accessed 20 March 2014]

xxviii Brown Brothers Harriman: FINRA Fines Brown Brothers Harriman; Available at; <https://www.fi nra.org/Newsroom/NewsReleases/2014/ P443442> (20 March 2014)

xxix Liquidnet: - SEC Press Release: (2014): Available at: http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542011574#.U5_4LKN5mK0

xxx Barclays: FCA Press Release (2014) (online) Available at http://www.fca.org.uk/news/barclays-fined-26m-for-failings-surrounding-the-london-gold-fixing [Accessed on 24 May 2014] - The culprit Plunkett was a Director on the Precious Metals Desk at Barclays and was responsible for pricing products linked to the price of precious metals and managing Barclays' risk exposure to those products. Plunkett was responsible for pricing and managing Barclays' risk on a digital exotic options contract (the Digital) that referenced the price of gold during the 3:00 p.m. Gold Fixing on 28 June 2012. If the price fixed above US$1,558.96 (the Barrier) during the 3:00 p.m. Gold Fixing on 28 June 2012, then Barclays would be required to make a payment to its customer. But if the price fixed below the Barrier, Barclays would not have to make that payment. During the 3:00 p.m. Gold Fixing on 28 June 2012, Plunkett placed certain orders with the intent of increasing the likelihood that the price of gold would fix below the Barrier, which it eventually did. As a result, Barclays was not obligated to make the US$3.9m payment to its customer, and Plunkett's book profited by US$1.75m (excluding hedging), which was in addition to an initial profit that his book had received upon the sale of the Digital. Very shortly after the conclusion of the 3:00 p.m. Gold Fixing on 28 June 2012, the customer became aware that the price had fixed just below the Barrier and sought an explanation from Barclays as to what happened in the Gold Fixing. When Barclays relayed the customer's concerns to Plunkett on 28 and 29 June 2012, he failed to disclose that he had placed orders and traded during the Gold Fixing. Further, Plunkett misled both Barclays and the FCA by providing an account of events that was untruthful.

xxxi The London gold fix, the benchmark used by miners, jewellers and central banks to value the metal, may have been manipulated for a decade by the banks setting it, and is the subject of continued investigations by Regulators. With an estimated 175m ounces of gold, worth US$215bn at today's prices, changing hands daily on the over-the-counter market, London is the global centre of gold trading. Unusual trading patterns around 3 p.m. in London, when the so-called afternoon fix is set on a private conference call between five of the biggest gold dealers, may be a sign of collusive behaviour. The rate-setting ritual dates back to 1919. Dealers in the early years met in a wood-panelled room in Rothschild's office in the City of London and raised little Union Jacks to indicate interest. Now the fi x is calculated twice a day on telephone conferences at 10:30 a.m. and 3 p.m. London time. The calls usually last 10 minutes, though they can run more than an hour. The five Banks overseeing the century-old rate are until recently Barclays, Deutsche, Bank of Nova Scotia, HSBC and Société Générale, though Deutsche Bank have recently announced their intention to withdraw from the Gold fixing. Deutsche have also announced withdrawing from the Silver fixing which is carried out with two other Banks, HSBC and Scotiabank and is fixed in a similar way to the Gold price.

[xxxii] Credit Suisse: US DoJ: (2014) Available at: http://www.justice.gov/opa/pr/2014/May/14-ag-531.html [Accessed on 28 May 2014]

[xxxiii] BNP Paribas: US DoJ: (2014) <.http://www.justice.gov/opa/bnp-paribas.html > [Accessed 2 July 2014]

[xxxiv] FINRA Press Release: Available at: <http://www.finra.org/Newsroom/NewsReleases/2014/P542070 > [Accessed on 30 June 2014]

[xxxv] Goldman Sachs: SEC (online) Available at:< https://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171488258 > [Accessed on 30 June 2014]

[xxxvi] The Guardian newspaper: Barclays Investigated in US Over "dark pool" activities: available at:< http://www.theguardian.com/business/2014/jun/26/Barclays-investigated-dark-pool-new-york-trading> [Accessed on 28 June 2014]

[xxxvii] Wikipedia: Available at: http://www.en.m.wikipedia.org/wiki/Forex_scandal [Accessed on 26 June 2014]

[xxxviii] Reuters: Available at: <http://www.reuters.com/article/2014/07/01/us-bnp-paribas-investigation-targets-ins-idUSKBN0F634520140701> [Accessed on 5 July 2014]

[xxxix] Daily Times: Available at: < http://www.dailytimes.com.ng/article/us-puts-nigerian-banks-under-searchlight >[Accessed on 5 July 2014]