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 District Attorney, New York County

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DISTRICT ATTORNEY VANCE ANNOUNCES \$375 MILLION SETTLEMENT WITH HSBC BANK

Bank Violated U.S. Sanctions by Moving Hundreds of Millions of Dollars through the U.S. for Iran, Myanmar, Sudan, Libya, and Other Sanctioned Clients

Investigation into Bank Uncovers Criminal Activity Dating Back to the 1990s

District Attorney's Office and Partners Have Secured More Than \$2.4 Billion in Six Bank Settlements Since 2009

Manhattan District Attorney Cyrus R. Vance, Jr., together with the U.S. Department of Justice (DOJ), today announced the resolution of a joint investigation into the criminal conduct of HSBC Holdings plc (HSBC), a British bank, relating to violations of U.S. sanctions, and the payment of \$375 million in penalties and forfeiture to resolve the matter. In the Deferred Prosecution Agreement (DPA) and Factual Statement, HSBC admitted that it violated New York State law by falsifying the records of New York financial institutions.

Beginning in the early 1990s, HSBC moved hundreds of millions of dollars through the U.S. financial system on behalf of Iranian, Burmese, Sudanese, Libyan, and other clients in violation of U.S. sanctions by concealing the illegal nature of these transactions and deceiving U.S. banks into processing illegal wire payments. In a separate DPA with DOJ, HSBC also admitted to violating federal anti-money laundering laws relating to the movement of hundreds of millions of dollars through the U.S. on behalf of Mexican and Colombian drug cartels.

"New York is a center of international finance, and those who use our banks as a vehicle for international crime will not be tolerated," said District Attorney Vance. "My Office has entered into Deferred Prosecution Agreements with two different banks in just the past two days, and with six banks over the past four years. Sanctions enforcement is of vital importance to our national security and the integrity of our financial system. The fight against money laundering and terror financing requires global cooperation, and our joint investigations in this and other related cases highlight the importance of coordination in the enforcement of U.S. sanctions. I thank our federal counterparts for their ongoing partnership."

Pursuant to the DPAs with the Manhattan District Attorney's Office and DOJ related to sanctions violations, HSBC has agreed to adhere to best practices for international banking transparency, implement procedures and training designed to ensure U.S. sanctions compliance, and pay the United States \$375 million in penalties and forfeiture.

The two-year investigation was conducted jointly with DOJ's Asset Forfeiture and Money Laundering Section, as well as the United States Attorney's Office for the Eastern District of New York. District Attorney Vance recognized the substantial contributions of the Federal Bureau of Investigation and Office of Foreign Assets Control of the United States Department of the Treasury (OFAC), which conducted its own investigation.

Assistant Attorney General of the Criminal Division Lanny A. Breuer said: "HSBC is being held accountable for stunning failures of oversight – and worse – that led the bank to permit narcotics traffickers and others to launder hundreds of millions of dollars through HSBC subsidiaries, and to facilitate hundreds of millions more in transactions with sanctioned countries. The record of dysfunction that prevailed at HSBC for many years was astonishing. Today, HSBC is paying a heavy price for its conduct, and, under the terms of today's agreement, if the bank fails to comply with the agreement in any way, we reserve the right to fully prosecute it."

U.S. Department of the Treasury Under Secretary for Terrorism and Financial Intelligence David S. Cohen said: "These settlements implicate willful and dangerous practices by one of the world's biggest banks. HSBC absolutely knew the risks of the business it pursued, yet it ignored specific, obvious warnings. Its failures allowed hundreds of millions of dollars in drug money to pass through its unattended gates."

The U.S. government restricts certain countries, including Iran, Sudan, Cuba, Burma, as well as entities and individuals from those countries, from accessing the U.S. banking system. OFAC is charged with administering these economic sanctions against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy, or economy of the United States. Sanctioned financial institutions, countries, and individuals generally are prohibited from accessing the U.S. financial system.

Banks in Manhattan, which process most of the world's U.S. dollar payments, use sophisticated computer systems commonly known as "OFAC filters" to prevent sanctioned entities, as well as terrorists, money launderers, and other criminals, from gaining access to the U.S. banking system. These OFAC filters act as the first line of defense to protect the U.S. financial system. HSBC helped its sanctioned clients, predominantly Iran, Myanmar, Sudan, Libya, and Cuba to evade U.S. banks' OFAC filters and illegally gain access to the U.S. financial system.

Beginning in the early 1990s and continuing through 2006, HSBC committed this criminal conduct by, among other things: (1) following instructions from the sanctioned entities not to mention their names in U.S. dollar payment messages sent to HSBC and other financial institutions located in the U.S.; (2) amending and reformatting U.S. dollar payment messages to remove information identifying the sanctioned entities; and (3) instructing sanctioned entities how to format payment messages in order to avoid bank sanctions filters that could have caused payments to be blocked or rejected at HSBC.

HSBC's conduct caused its U.S. affiliate in New York, as well as other unaffiliated U.S. financial institutions, to process transactions that otherwise should have been rejected, blocked, or stopped for investigation pursuant to OFAC regulations. This conduct occurred within HSBC locations around the world, with the knowledge, approval, and encouragement of senior corporate managers and legal and compliance departments.

District Attorney Vance emphasized that while today's DPA was designed to impose a substantial punishment on HSBC and to send a strong message of deterrence to other banks, important mitigating factors led to the agreement to defer prosecution. Those factors included HSBC's cooperating throughout the investigation and devoting significant resources to both its internal investigation and the investigations conducted by the District Attorney's Office and DOJ. HSBC also fully acknowledged and accepted responsibility for its conduct, and voluntarily undertook a series of remedial actions prior to entering the DPA. Moreover, HSBC exited the sanctioned entity clearing business voluntarily before being contacted by the District Attorney's Office.

Since 2009, the Manhattan District Attorney's Office has reached DPAs with six banks, including HSBC, for illegal conduct. These banks have forfeited in settlements approximately \$2.4 billion, with approximately half of the funds being paid to the City and State of New York: [Standard Chartered Bank](#), with a penalty of \$327 million, [ING Bank](#), with a penalty of \$619 million, [Barclays](#), with a penalty of \$298 million in 2010, [Credit Suisse](#), with a penalty of \$536 million, and [Lloyds TSB Bank](#), with a penalty of \$350 million.

The HSBC case was investigated and prosecuted by Assistant District Attorney Garrett Lynch, Senior Investigative Counsel, with the assistance of Assistant District Attorney Judith Weinstock, Deputy Chief of the Major Economic Crimes Bureau, and under the supervision of Assistant District Attorney Polly Greenberg, Chief of the Major Economic Crimes Bureau, and Executive Assistant District Attorney Adam S. Kaufmann, former Chief of the Investigation Division. Trial Preparation Assistants Lewis McCorkle and Elizabeth Daniels assisted in the investigation.

District Attorney Vance also thanked the following agencies and individuals for their assistance in the investigation: Assistant Attorney General Lanny Breuer, Chief of the Criminal Division of the United States Department of Justice, Trial Attorneys Joseph Markel and Craig Timm, and Jaikumar Ramaswamy, Chief of the Asset Forfeiture and Money Laundering Section; Loretta E. Lynch, U.S. Attorney for the Eastern District of New York, Assistant U.S. Attorneys Alexander Solomon and Daniel Silver, Deputy Chief of the Violent Crimes and Terrorism Section; James W. McJunkin, Assistant Director in Charge of the FBI Washington Field Office; and Adam J. Szubin, Director of OFAC, Dennis Wood, Assistant Director for Compliance, Outreach & Implementation, and case officer Laura Yovanoff at OFAC.