

RECENT EUROPEAN AML ENFORCEMENT ACTIONS

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MAJOR AML ENFORCEMENT UPDATES ON EUROPEAN BANKS

I. MAJOR AML ENFORCEMENT UPDATES ON EUROPEAN BANKS

- A. In early September ING Bank received a €775 million fine from the Dutch authorities and its CFO resigned in the aftermath.
- B. On the 9th of September it was reported that the European Commission is working on proposals that would give the European Banking Authority, enforcement powers and resources to investigate the activities of banks involved in illicit financing.
- C. Danske Bank announced that it had received an information request from the DOJ following the publication of its independent report on the non-resident portfolio at Danske Bank's Estonian branch. The bank CEO resigned on the 19th of September 2018, the same day the investigation report was published.
- D. On the 1st of October 2018, it was reported that Standard Chartered Bank is to face potential fined of around \$1.5 billion from the US authorities for violating Iran sanctions.



DANSKE BANK, WHAT HAPPENED?

II. DANSKE BANK, WHAT HAPPENED?

A. What Happened?

1. Danske Bank acquired Finnish based Sampo Bank in Estonia in late 2006 and inherited a number of non-resident customers from Sampo Bank.
2. Over the nine years from 2007 to 2015, an approximately €200 billion, (with most transactions in dollars and euros) passed through 15,000 non-resident customer accounts at the Estonian branch.
3. Most of these non-resident customers resided in Russian, the UK or BVI at the time of the transactions and were managed by the International Banking Department at the Estonian branch.
4. In late 2013, Danske Bank received a whistle-blower letter concerning the non-resident customers at the Estonian branch.
5. Danske Bank terminated all non-resident customer relationships in late 2015.
6. In 2018, the CEO of the bank resigned after Danske Bank admitted that most of the €200 billion that passed through its Estonian branch was potentially suspicious.
7. Danske Bank is currently under criminal investigation by the DOJ for activities in its Estonian branch.

II. DANSKE BANK, WHAT HAPPENED?

B. Danske Bank's AML Control Failings:

1. Lack of thorough KYC documentation at client on-boarding stage.
2. Lack of independence in its transaction monitoring process.
3. Lack of effective periodic review on its non-resident customers.
4. Mismanaged warnings from authorities, whistle-blower letters and the Russian Central Bank.
5. Lack of responses to suspicious transactions and customers.
6. Lack of AML training at branch level and insufficient resource in its internal audit team.

II. DANSKE BANK, WHAT HAPPENED?

C. Root Cause to its Compliance Failings:

1. Limited visibility by Danske Bank Group level into the business activities at the Estonian branch.
2. Misconception of AML controls adopted by the Estonian branch.
3. Lack of proper integration between legacy Sampo banking system and Danske Group banking system.
4. Underestimated the risk exposure and only focused on remediating gaps in its procedures rather than mitigating risk arising from the non-resident customers.
5. Insufficient measures taken following warnings by external parties on its non-resident customers.
6. Lack of adequate AML training at both branch and Group level.
7. Lack of sufficient resource in the Group Internal Audit function.



ING BANK, WHAT HAPPENED?

III. ING BANK, WHAT HAPPENED?

A. What Happened?

1. ING Bank failed to prevent bank accounts held by ING clients in the Netherlands from being used to launder hundreds of millions of euros between 2010 and 2016.
2. Among the number of suspicious transactions was the payment of tens of millions of euros in bribes by Amsterdam-based telecommunications multinational Vimpelcom, to get a foothold in Uzbekistan. Vimpelcom was prosecuted in 2016 for bribing a foreign officer.
3. ING Bank was fined a total of €775 million by the Dutch prosecutors which includes €675 million in fine and €100 million in disgorgement. This reflects the lack of resource allocated to AML function during the six-year period. The fine is the largest ever on banks by Dutch prosecutors.
4. The banks' failings unfolded following investigations by Dutch authorities into companies that used accounts held at ING for illegal activities including a \$55 million briber paid to the daughter of the President of Uzbekistan.
5. The CFO of ING Bank resigned over the scandal.

III. ING BANK, WHAT HAPPENED?

B. ING Bank AML Control Failings:

1. Lack of proper customer due diligence performed and documented at onboarding stage.
2. Insufficient periodic reviews on customers.
3. Failure to exit client relationships in a timely manner.
4. Lack of proper risk assessment on clients resulting in customers rated at lower risk levels and bypassing controls that would have applied to higher risk customers.
5. Lack of an effective transaction monitoring system.
6. Insufficient measures taken after warnings from external parties.
7. Lack of qualitative and quantitative personnel capacity.

III. ING BANK, WHAT HAPPENED?

C. Root Cause to its Compliance Failings:

1. Insufficient attention and priority.
2. Business over compliance.
3. No sustainable solutions.
4. Dysfunction of internal controls and fragmentation.
5. Absence of escalation culture.
6. Insufficient resource allocated to AML function.
7. Inadequate periodic training provided to staff where their daily responsibilities relate to AML.
8. Lack of ownership on AML within all three lines of defense, the business, compliance and internal audit.



CURRENT TRENDS

IV. CURRENT TRENDS



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