

Butterworths Money Laundering Law

Bulletin Editor
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This Bulletin covers material available from 1 July to 30 September 2014.

UK NEWS

HM Treasury

Advisory Notice

On 8 July 2014 HM Treasury issued the latest in a series of advisory notices regarding the risks posed by unsatisfactory money laundering controls in a number of jurisdictions.

The advice replaces all previous advisory notices issued by HM Treasury on this subject.

The full text of the notice can be found here: www.gov.uk/government/uploads/system/uploads/attachment_data/file/328390/Money_laundering_and_terrorist_financing_controls_in_overseas_jurisdictions_-_advisory_notice.pdf.

Financial Sanctions

A consolidated list of asset freeze targets designated by the United Nations, European Union and United Kingdom under legislation relating to current financial sanctions regimes was updated on 3 October 2014; it is available (together with any later updates) here: www.gov.uk/government/uploads/system/uploads/attachment_data/file/331793/20140717july_17_asset_freezing_wms_lords.pdf.

Financial Sanctions: Quarterly Report on the Operation of the Terrorist Asset Freezing etc Act 2010

The report covering the period from 1 April to 30 June 2014 was published on 17 July 2014 may be found here: www.gov.uk/government/uploads/system/uploads/attachment_data/file/331793/20140717july_17_asset_freezing_wms_lords.pdf.

FCA

Anti-Money Laundering Annual Report 2013/14

This report, which is the FCA's second Anti-Money Laundering Annual Report, sets out:

- changes in the FCA responsibilities since 2012/13;
- policy developments in the last year;
- findings and outcomes from recent specialist supervisory work; and
- the new anti-money laundering (AML) supervision strategy.

It also discusses some current trends and risks we have observed or that have been brought to our attention by our partners, and how we cooperate with those partners, both at home and overseas.

The full report may be found here: www.fca.org.uk/static/documents/corporate/anti-money-laundering-annual-report-13-14.pdf.

Financial Advisers

The FCA has published an Anti-Money Laundering Self Assessment Tool for Financial Advisers which may be found here: www.fca.org.uk/static/documents/fsa-aml-tool-factsheet.pdf.

HMRC

Fees review

HM Revenue and Customs have invited comment on the way it charges fees to the businesses it supervises under the Money Laundering Regulations. The consultation document may be found here: www.gov.uk/government/uploads/system/uploads/attachment_data/file/359419/fees_review_condoc.pdf.

Guidance: Money Service Businesses

Senior managers must identify and manage effectively the risks of money laundering and appoint a nominated officer to report suspicious activity, updated guidance has emphasised. The guidance is designed to provide clear standards to enable money service businesses supervised by HMRC to meet their obligations under the Money Laundering Regulations 2007, and has been approved by HM Treasury. The guidance replaces Notice MLR8 MSB published in July 2010 and is effective from 8 August 2014.

The guidance may be found here: www.hmrc.gov.uk/mlr/mlr_msb.pdf.

TC03832: Payedoc Payroll Services Ltd

Payedoc Payroll Services Limited (the Appellant) appealed the HMRC's decision to issue a penalty for a breach by the Appellant of the Money Laundering Regulations 2007. The amount charged to the Appellant is £930.41, made up of £430.41, being the fees which the Appellant would have

paid had it been registered at the right time and a fixed penalty of £500. The appeal was dismissed and penalty confirmed.

SFO

Sweett Group Investigation

The SFO confirmed that the Director has opened an investigation into Sweett Group in relation to its activities in the United Arab Emirates and elsewhere.

Edward Davenport ordered to pay £13.9M

Edward Davenport, convicted of conspiracy to defraud in October 2011, was ordered to pay a total of £13.9m in confiscation and compensation at a hearing at Southwark Crown Court.

In addition the Judge made orders for costs totalling £1.9m.

Mr Davenport was convicted, along with eight others, for his role in Gresham Ltd, a company promoted falsely as a long-established, wealthy and prestigious financial organisation capable of lending hundreds of millions of pounds as venture capital.

Judge Testar, who oversaw the hearing, ordered Mr Davenport to pay the following:

- Confiscation order: £12,000,000
- Compensation order (to be paid in addition to confiscation): £1,943,620.56
- Prosecution costs: £753,949.50
- Recovery of Defence Costs Order: £1,157,704.67

Mr Davenport was given six months to pay the confiscation and compensation orders and a ten-year sentence of imprisonment in default of payment (the maximum allowed under the legislation).

A Serious Crime Prevention Order was also handed down against Mr Davenport at an earlier hearing.

Commenting on the case, Judge Testar said:

‘The important thing is that in this case nothing has been cut and dried. Edward Davenport has only agreed matters in these criminal proceedings at a late stage. For some four years I have had a deep sense that moving matters along in the case has been a truly Sisyphean task, both before during and after the trial ...

Through his dishonesty Mr Davenport has caused harm to many people and it would be an insensitive judge who was not conscious of those whom he has defrauded ...

In the end I have decided that the risk of Mr Davenport retaining some of the fruits of his crime is one that my public duty dictates I should not take.'

Mr Davenport was sentenced to seven years and eight months in prison in October 2011, following a prosecution brought by the Serious Fraud Office, though his sentence was reduced by the court to take into consideration time in which he was subject to a curfew order and time that he was held in custody before being sentenced. He was also disqualified from acting as a company director for ten years.

Forex investigation

The Director of the Serious Fraud Office has opened a criminal investigation into allegations of fraudulent conduct in the foreign exchange market.

Achilleas Kallakis and Alexander Williams ordered to pay total of £3.7m

Fraudsters Achilleas Kallakis and Alexander Williams, convicted and sentenced for defrauding banks of millions of pounds and euros to obtain finance, were ordered to pay confiscation orders to the total value of £3.7m at Southwark Crown Court. Achilleas Kallakis was ordered to pay £3.25m, within six months, or serve a default sentence of seven years' imprisonment.

Ponzi fraud suspect charged

David Gerald Dixon, a suspect in a joint investigation by the Serious Fraud Office and Hampshire Constabulary following the collapse of Arboretum Sports (UK) Limited, has appeared before Westminster Magistrates' court on 13 multi-million pound fraud-related charges.

Mr Dixon has been remanded in custody and will appear before Southwark Crown Court on 9 October 2014.

NCA

Prison for prolific cyber fraudster

A man who admitted stealing personal data and creating identity documents for use in fraud has been sentenced to nearly five years' imprisonment.

Andrei Sergejev, who turns 42 tomorrow, used the moniker 'tetereff' to trade in compromised financial data online. When investigators linked the username to Sergejev, the Estonian national was arrested at his house in Walthamstow, London, in March 2012.

Analysis of Sergejev's computer equipment revealed compromised financial data, including utility bills and bank statements in numerous names. Investigators believe he was compiling false ID packages as a service for criminals to use in financial fraud, and to facilitate international travel using false documents.

Also found at Sergejev's address were large numbers of hard copy financial and identity documents in different names, as well as £2,000 in cash and a small quantity of cannabis.

Sergejev pleaded guilty last month to 12 charges of making an article used in fraud, and two counts relating to the cannabis. On Tuesday 15 July, he was handed a total of four years and nine months in prison for those offences.

A two-year sentence for possession of articles used in fraud will run concurrently.

Career criminal to pay almost £1m to NCA

A money launderer who washed the illegal profits of a convicted drugs trafficker has been ordered by a judge to hand back £993,760.

Her Honour Judge Cahill, in Leeds Crown Court, ruled that assets belonging to 45-year old Mohammed Azam Yaqoob from Dewsbury, were the profits of his illegal activities and granted the National Crime Agency a Confiscation Order for £993,760.45.

Judge Cahill told Mohammed Azam Yaqoob that if he fails to meet the Order, he will face a further four and a half years in prison and still have to pay the full Order plus interest.

The National Crime Agency investigation showed Yaqoob was a member of a six strong organised crime group which defrauded an insurance company of almost £330,000. The fraud was uncovered after a convicted drugs trafficker Nazam Hussain Ashiq transferred £329,000 into his own company Zain Corporation (UK) from an insurance company HSB Engineering Ltd. The fax he sent to a bank instructing them to transfer the money was fraudulent.

Yaqoob was charged with theft and money laundering after he received £115,000 of the fraudulently obtained funds into his bank account, and proceeded to withdraw £70,000 in cash over the next few days, before his account was frozen.

In a series of arrests the NCA arrested and charged Yaqoob and three others in the organised crime network in 2007 in connection with fraud and money laundering.

A financial investigation under the Proceeds of Crime Act 2002 ran simultaneous to the criminal investigation. Analysis of Yaqoob's finances over the last six years shows his lifestyle was funded by illegal profits, including fraud and money laundering.

So far, a judge has granted five Confiscation Orders against the criminal enterprise totalling £1,127,958.

Persistence pays off as NCA recovers more than \$7m of illegal profits

Following a Recovery Order first granted by the High Court in May 2013, the National Crime Agency has recovered more than \$7m from an alleged international fraudster and money launderer.

UK NEWS

In the civil recovery application the NCA submitted that Mr Hakki Yaman Namli, who resides in Turkey, was involved in fraud on an international scale and had derived millions of US dollars, held in two UK bank accounts, from complex investment fraud and money laundering. Mr Namli owned and managed the First Merchant Bank OSH Ltd in North Cyprus. The investigation showed that the bank routinely produced bank funding advices and letters of credit which it 'sold' to investors for an advance fee.

The NCA submitted that the banking communications were fraudulent and that the documents were actually being used to defraud investors of their funds. During the trial, the court heard that these frauds occurred over a six-year period between 1996 and 2002.

On 10 May 2013, the Honourable Mr Justice Males handed down his judgement and found that, on balance of probability, Mr Namli was involved in fraud on an international scale and money laundering. He granted a Recovery Order over \$6.5m contained in the UK bank accounts. However the Judge further ruled that other money in the account was not recoverable as it represented the profits on investments made with money loaned to Mr Namli by the bank.

The NCA appealed the decision not to grant a Recovery Order over these profits and on 4 April 2014 the Court of Appeal ruled in the NCA's favour, granting all money held in the accounts – approximately \$7.2m and 150,000 Euro – was recoverable.

Mr Namli also sought to appeal the original Recovery Order, but his appeal was stayed because he failed to comply with an order to give security for the NCA's costs, approximately £680,000. After failing to comply with a further order to provide the security, his appeal was struck out by an Order of the Court of Appeal on 23 June 2014, and the money, totalling more than \$7m, was transferred to the NCA.

Change in NCA consent policy

From 1 October 2014, the NCA will reject consent requests that do not include reasons for suspicion or a statement regarding criminal property.

This is in order to reduce the delays which have an impact on all areas of the SARs regime – the average turnaround time for all consent requests has increased significantly.

The NCA believes this reflects an increase in the numbers and complexity of requests combined with a decline in basic quality of SARs submitted.

Other Financial Crime News

Ex-MEP Nicole Sinclair charged with money laundering and misconduct in public office

An ex-Member of the European Parliament has been charged with money laundering and misconduct in public office following allegations she claimed false travel expenses.

The Crown Prosecution Service authorised West Midlands Police to charge Ms Nicole Sinclair, former MEP for the West Midlands, with the offences of money laundering and misconduct in public office. The action relates to allegations that between 1 October 2009 and 31 July 2010 when Ms Sinclair was a serving Member of the European Parliament she made false and dishonest submissions for travelling expenses and transferred the proceeds of fraud through a bank account in her name.

She was originally arrested in February 2012 and has since been on police bail. Three other members of the public were also arrested but will face no further action.

Guidance: Mortgage fraud

Solicitors involved in property transactions can find themselves criminally liable if a client commits mortgage fraud, because of the extension of the definition of fraud in the Fraud Act 2006 and the anti-money laundering regime in the UK. A practice note from the Law Society highlights the warning signs of mortgage fraud and outlines how solicitors can protect themselves and their firm from being used to commit mortgage fraud. The Practice Note may be found here: www.lawsociety.org.uk/advice/practice-notes/mortgage-fraud/.

SRA steps up anti-money laundering work

The Solicitors Regulation Authority (SRA) is stepping up its efforts to ensure solicitors firms do not become embroiled in money laundering activity and are compliant with the various regulations and legislation associated with anti-money laundering compliance.

The legal sector is one of a number of areas of work that attracts organised criminals seeking to launder the proceeds of crime. Solicitors have a duty under the Code of Conduct to ensure their business complies with anti-money laundering legislation and the Proceeds of Crime Act.

The SRA will therefore be undertaking a specific piece of focus work starting on Monday 8 September until May 2015, working with firms to ensure robust systems are in place to guard against solicitors becoming involved in money laundering. This will include closer engagement with those firms identified as most at risk, and providing support and guidance across the whole of the profession from large firms to sole practitioners.

Paul Philip, SRA Chief Executive, said: ‘Law firms often handle large sums of money, and this means they attract those who seek to launder the proceeds of crime. We want to work with the profession to ensure that all firms, no matter how large or small, have the systems in place to guard against money laundering and that they are compliant with the current regulations and legislation.

We will also be testing the systems used within firms to report money laundering, and how widely these systems are known within each firm.

We also want to ensure solicitors are meeting their legal obligations to report suspicious transactions to the appropriate authorities. The SRA will be taking a robust stance on anti-money laundering compliance and will deal promptly with any firm that transgresses the rules.

Our work will focus initially on those firms deemed at highest risk, but all firms need to be aware of the issue. There will be serious consequences for those who fail to take their obligations seriously.’

The SRA will report their findings after the focus work is completed early next year.

Dating scam pair guilty of money laundering

Guardian, 9 September 2014: Two men were found guilty for money laundering at Winchester Crown Court, after running an online scam targeting vulnerable women through a dating website.

The two men set up a false profile of an ‘attractive middle-aged man’ on the dating website match.com. They duped a number of women into sending him money by telling them the man was due to inherit £100m but that it was tied up by red tape in India. Two other men pleaded guilty to money laundering and conspiracy to defraud.

Fraudster solicitor struck off

Kamran Malik, a solicitor serving a five-year prison sentence for property fraud offences, has been struck off by the Solicitors Disciplinary Tribunal. The Tribunal found his convictions meant he had failed to uphold the rule of law and the proper administration of justice, failed to act with integrity, and failed to behave in a way that maintained the trust the public place in him and in the provision of legal services.

Malik was sentenced at Birmingham Crown Court at the start of 2014 for four counts of money laundering, four counts of mortgage fraud and one count of perverting the course of justice.

The Tribunal also ordered Malik to pay £2,752 in costs.

Law Society NCA consent request guidelines

These guidelines provide solicitors with advice on how to complete a National Crime Agency (NCA) consent request. These guidelines were drafted as a result of discussions held between the Law Society’s Money Laundering Task Force and the NCA regarding common reporting errors and the complexity of NCA guidance in this area. See more at: www.lawsociety.org.uk/advice/articles/nca-consent-request-guidelines/?utm_source=emailhosts&utm_medium=email&utm_campaign=AML+23%2F09%2F2014#sthash.FAMNnX3d.dpuf.

Bribery

GlaxoSmithKline fined \$490m by China for bribery

China has fined UK pharmaceuticals firm GlaxoSmithKline \$490m (£297m) after a court found it guilty of bribery.

The record penalty follows allegations the drug giant paid out bribes to doctors and hospitals in order to have their products promoted.

The court gave GSK's former head of Chinese operations, Mark Reilly, a suspended three-year prison sentence and he is set to be deported.

Other GSK executives have also been given suspended jail sentences.

The guilty verdict was delivered after a one-day trial at a court in Changsha, according to the Xinhua news agency.

Chinese authorities first announced they were investigating GSK in July last year, in what has become the biggest corruption scandal to hit a foreign firm in years. The company was accused of having made an estimated \$150m in illegal profits.

GSK said it had 'published a statement of apology to the Chinese government and its people'.

'Reaching a conclusion in the investigation of our Chinese business is important, but this has been a deeply disappointing matter for GSK,' said chief executive Sir Andrew Witty in a statement.

'We have and will continue to learn from this. GSK has been in China for close to a hundred years and we remain fully committed to the country and its people,' he said.

'We will also continue to invest directly in the country to support the government's health care reform agenda and long-term plans for economic growth.'

Corruption sentencing

Bruce Hall was sentenced to 16 months in prison for conspiracy to corrupt, in relation to contracts for the supply of goods and services to a Bahraini company, Aluminium Bahrain BSC (Alba). Mr Hall served as CEO of Alba, from September 2001 to June 2005.

Criminal charges against Alstom in the UK

As part of an ongoing investigation, criminal proceedings by the Serious Fraud Office have commenced against an Alstom company in the UK by written charge.

Alstom Network UK Ltd, formerly called Alstom International Ltd, a UK subsidiary of Alstom, has been charged with three offences of corruption contrary to s 1 of the Prevention of Corruption Act 1906, as well as three offences of Conspiracy to Corrupt contrary to s 1 of the Criminal Law Act 1977.

The alleged offences are said to have taken place between 1 June 2000 and 30 November 2006 and concern large transport projects in India, Poland and Tunisia.

The first hearing in this case will take place at Westminster Magistrates' Court on 9 September 2014.

Four sentenced for role in Innospec corruption

Four men were sentenced for their roles in bribing state officials in Indonesia and Iraq, following a Serious Fraud Office investigation into Associated Ocel Corporation (subsequently renamed Innospec).

Dennis Kerrison, 69, of Chertsey, Surrey, was sentenced to four years in prison.

Paul Jennings, 57, of Neston, Cheshire, was sentenced to two years in prison.

Miltiades Papachristos, 51, of Thessaloniki, Greece, was sentenced to 18 months in prison.

David Turner, 59, of Newmarket, Suffolk, was sentenced to a 16-month suspended sentence with 300 hours unpaid work

Mr Kerrison and Dr Papachristos were convicted of conspiracy to commit corruption in June 2014 in relation to Indonesia only. Mr Jennings pleaded guilty in June 2012 to two charges of conspiracy to commit corruption and in July 2012 to a further charge of conspiracy to commit corruption in relation to Indonesia and Iraq. Dr Turner pleaded guilty to three charges of conspiracy to commit corruption in January 2012 in relation to Indonesia and Iraq.

Upon sentencing the defendants, HHJ Goymer said:

'Corruption in this company was endemic, institutionalised and ingrained ... but despite being a separate legal entity it is not an automated machine; decisions are made by human minds.

None of these defendants would consider themselves in the same category as common criminals who commit crimes of dishonesty or violence ... but the real harm lies in the effect on public life, the effect on community and in particular with this corruption, its effect on the environment. If a company registered or based in the UK engages in bribery of foreign officials it tarnishes the reputation of this country in the international arena.'

Concerning the sentencing of Dr Turner, the Judge also said:

'It is necessary to give encouragement to those involved in serious crime to cooperate with authorities. You [Dr Turner] very narrowly indeed escaped going to prison.'

David Green CB QC, Director of the SFO said:

'This successful conclusion to a long-running investigation demonstrates the SFO's ability and determination to bring corporate criminals to justice.'

Innospec itself pleaded guilty in March 2010 to bribing state officials in Indonesia and was fined \$12.7m in England with additional penalties being imposed in the USA.

Dr Turner was also ordered to pay £10,000 towards prosecution costs and Mr Jennings was ordered to pay £5,000 towards these costs. Dr Turner and Mr Jennings have already been subject to disgorgement of benefit by the US Securities and Exchange Commission. The matter of costs for Mr Kerrison and Dr Papachristos has been adjourned pending the hearing of confiscation proceedings against them.

INTERNATIONAL NEWS

FATF

Report: Financial flows linked to the production and trafficking of Afghan opiates

This report aims to raise awareness about the financial flows related to the Afghan opiate trade. Afghanistan is the world leader in the production and trafficking of opiates: generating revenues estimated to be as high as USD 70b. Despite international efforts, the cultivation of opium poppies in Afghanistan continues, and even increased significantly in southern parts of Afghanistan to reach a record high by 2013.

Little information exists about the 'business model' of the Afghan opiates trade, but what is known is that globally, only a fraction of drug related funds or assets are confiscated while almost all drug profits are integrated into the world's legitimate financial system.

This report analyses how the financial transactions related to the Afghan opiates trade are conducted. The report finds that generally, the opiates and the associated financial flows do not follow the same routes. The majority of revenues generated by the trade in Afghan opiates is moved through, and possibly stored in, so called 'financial centres', usually involving money or value transfer services. This report also identifies other methods used by the opiate traffickers to transfer funds and facilitate distribution of the opiates.

Another finding is that the Afghan Taliban are heavily involved in the opiates trade, either through trafficking or profiting. The growing trade in opiates will soon be one of their leading sources of income, providing them with the financial means to become a major threat to the national security of Afghanistan and the wider region.

This report, and in particular the case studies provided, will assist in the detection of opiate-related financial transactions. It also provides financial centres with information about the factors that make them attractive and vulnerable to financial transactions involving proceeds of drug trade or other

INTERNATIONAL NEWS

crimes. The full report may be found here: www.fatf-gafi.org/media/fatf/documents/reports/Financial-flows-linked-to-production-and-trafficking-of-afghan-opiates.pdf.

Bosnia and Herzegovina: continued lack of progress in anti-money laundering/counter-terrorist financing legislation

The Council of Europe's anti-money laundering body MONEYVAL adopted, at its 45th plenary meeting, a public statement on the continued lack of progress in Bosnia and Herzegovina on legislation to address MONEYVAL's concerns.

Other International News

PwC fined \$25m for role in terrorist-state money-laundering

It was reported by the New York Post that auditing giant Pricewaterhouse-Coopers is receiving a \$25m fine for helping a Japanese bank launder money for terrorist states like Iran, Sudan and Myanmar.

New York's top financial services regulator investigated PwC after it aided the Bank of Tokyo-Mitsubishi hide the true nature of the illegal transactions on a 2008 financial statement, according to a settlement between the auditor and state officials.

A PwC director, who is now a partner at the firm, was at the centre of the scandal, The Post has learned.

PwC was alleged to have helped the leading Japanese bank hide its ties to the terrorist states by whitewashing the language in its audit report to make it less likely it would draw the attention of Ben Lawsky, superintendent of the New York Department of Financial Services, and other regulators.

In May 2008, the Japanese bank told PwC that it had a written policy to strip wire messages of any information that related to countries blacklisted by the US Treasury's Office of Foreign Asset Control, according to the settlement.

The Bank of Tokyo-Mitsubishi settled last year with Lawsky's office for \$250m.

PwC is also suspended for two years from consulting.

Standard Chartered Bank \$300m Fine

Benjamin M. Lawsky, New York Superintendent of Financial Services, announced an order regarding Standard Chartered Bank's failures to remediate anti-money laundering compliance problems as required in the Bank's 2012 settlement with the New York State Department of Financial Services.

Under the order, SCB will suspend dollar clearing through its New York Branch for high-risk retail business clients at its SCB Hong Kong subsidiary; exit high-risk client relationships within certain business lines at its branches in the United Arab Emirates; not accept new dollar-clearing clients or

accounts across its operations without prior approval from DFS; pay a \$300m penalty; as well as take other remedial steps.

Superintendent Lawskey said: 'If a bank fails to live up to its commitments, there should be consequences. That is particularly true in an area as serious as anti-money-laundering compliance, which is vital to helping prevent terrorism and vile human rights abuses.'

SCB's compliance remediation failures were uncovered by DFS' independent monitor, which the Department installed at Standard Chartered as part of the 2012 agreement. The DFS monitor's review of Standard Chartered's transaction monitoring systems found that the Bank failed to detect a large number of potentially high-risk transactions for further review. A significant amount of the potentially high-risk transactions the system has failed to detect originated from its Hong Kong subsidiary ('SCB Hong Kong') and SCB's branches in the United Arab Emirates ('SCB UAE'), among others.

In connection with the implementation of its transaction monitoring system, SCB NY had created a rulebook ('SCB Rulebook') with procedures to aid it in detecting high-risk transactions. The SCB Monitor gathered information and attempted to test the SCB Rulebook. After that review, the Monitor determined that the SCB Rulebook contained numerous errors and other problems, resulting in SCB's failure to identify high-risk transactions for further review. SCB failed to detect these problems because of a lack of adequate testing both before and after implementation of the transaction monitoring system, and failed to adequately audit the transaction monitoring system.

Under the order, Standard Chartered will take a number of steps, including the following:

- SCB NY will suspend its dollar clearing operations for high-risk retail business clients of SCB Hong Kong. Additionally, SCB has commenced a process of exiting high-risk small and medium business clients ('SME') at SCB UAE. If exiting of the SME clients at SCB UAE is not completed within 90 days, SCB will suspend US Dollar clearing through SCB NY for those clients.
- SCB NY will not, without the prior approval of DFS – in consultation with the monitor – open a US Dollar demand deposit account for any customer who does not already have such an account with SCB NY.
- SCB will pay a \$300m penalty.
- SCB will provide a comprehensive remediation action plan with appropriate deadlines and benchmarks.
- SCB will appoint a competent and responsible SCB executive who will report directly to the SCB CEO to oversee the remediation.
- SCB will extend the engagement of the Monitor for two additional years.

INTERNATIONAL NEWS

- SCB will implement a series of enhanced due diligence and know-your-customer requirements – such as demanding greater information regarding the originators and beneficiaries of transactions – for its dollar clearing operations.

The full text of the order mat be found here: www.dfs.ny.gov/about/ea/ea140819.pdf.

Standard Chartered may face legal challenges to UAE account closures

It was reported that Standard Chartered may face legal action in the United Arab Emirates after the New York Department of Financial Services reached an agreement with the bank on Tuesday for it to exit ‘high-risk client relationships’ within certain business lines in its UAE branches.

The account closures were one of the measures outlined in the announcement of a \$300m fine imposed on Standard Chartered for its continuing failure to comply with anti-money laundering measures.

In a response from the UAE central bank, it stated that between 1,400 and 8,000 Standard Chartered accounts would be affected and that it had formed a team ‘to review the records of accounts of these companies and their owners, to identify the violation’ as recorded in New York ‘on every one of them’.

According to various media reports the central bank also said Standard Chartered will be liable to legal action by the account owners ‘because of the material and moral damage which is falling on them’ and that the UAE’s Consumer Protection Unit was willing to consider complaints from affected account holders.

The central bank added that although Standard Chartered had not met US regulatory rules, its UAE branches had committed ‘no significant violations’ of international money laundering rules, such as the standards of the Financial Action Task Force.

Guidance: EBA opinion on virtual currencies

In 2013, the European Banking Authority (EBA) started evaluating virtual currencies, such as Bitcoin, and issued a public warning on 13 December 2013 to make consumers aware virtual currencies are not regulated and risks are unmitigated.

Following an assessment, the EBA has concluded the risks outweigh the benefits, identifying 70 main risks (including money laundering) for users, market participants and existing payments in conventional (or fiat) currencies. The EBA believes a regulatory approach would require a substantial body of regulation, with mitigating action required in the meantime to address the risks.

The EBA advises national supervisory authorities to discourage credit institutions, payment institutions and e-money institutions from buying, holding, or selling virtual currencies.

Saudi Arabia: Suspicious Property Transactions to be investigated

Arab News, 5 September 2014: Saudi Arabia's Permanent Anti-money Laundering Committee has announced it is examining suspicious property transactions across the Kingdom.

The move follows an announcement by the Kingdom's Justice Ministry that its real estate indexes pointed to a number of suspicious large property transactions which have seen property prices artificially inflated.

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