

STANDARD CHARTERED BANK ADMITS PROMONTORY'S ESTIMATES OF ITS IRAN BUSINESS WERE WRONG

Standard Chartered just settled with NY's Superintendent of Financial Services. The settlement—for \$340 ~~250~~ million and a monitor of SFS' choosing—is less than some reports said the settlement might have been.

But here's the detail I'm most interested in:

The New York State Department of Financial Services ("DFS") and Standard Chartered Bank ("Bank") have reached an agreement to settle the matters raised in the DFS Order dated August 6, 2012. **The parties have agreed that the conduct at issue involved transactions of at least \$250 billion.** [my emphasis]

Just a .14% fine, so not that big. But an admission that the scope of the fraud and the Iran business really did amount to \$250 billion.

I find that interesting for two reasons. First, because it's going to cause all kinds of headaches for the folks at Treasury who would like to let SCB off easy but ordinarily base settlements on the amount of the underlying activity.

More importantly, for me, because it demonstrates what a sham the Get Out of Jail Free industry is. A former OCC head and his minions at Promontory Financial Group claimed to have added it all up and determined that SCB only hid \$14 million of transactions from Iran. SCB now says that Promontory was wrong.

By orders of magnitude.

Granted, SCB—and most of the people who pay Promontory to soft-pedal their crimes and risk—tried not to admit it had gotten that estimate from Promontory. Going forward, I expect we'll see Promontory's clients hide their involvement even more.

Still, this is a useful demonstration of how corrupt the Get Out of Jail Free industry is.

Update: Once again, I got my numbers wrong. The settlement is for \$340 million.