

HOW TREASURY JUSTIFIED A \$13 MILLION SMALLER SCB SETTLEMENT THAN NYS

Back in August, Standard Chartered Bank settled with New York's Superintendent of Financial Services for laundering Iran and other sanctioned countries' money; that settlement was for \$340 million.

Today, Treasury announced its settlement for the same fraud. Today's settlement—which includes “U.S. Attorney's Office for the District of Columbia, the Department of Justice's National Security Division, the Department of Justice's Asset Forfeiture and Money Laundering Section and the New York County District Attorney's Office; as well as orders involving the Board of Governors with the cooperation of the UK's Financial Services Authority,”—is for \$327 million, of which Treasury's take is \$132 million.

When SCB settled with SFS, it admitted that its fraud had covered \$250 billion in transactions (thus refuting the dubious work done by Promotory Financial).

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]

But today's Treasury settlement shrinks that claim this way:

While SCB's omission of information affected approximately 60,000 transactions related to Iran totaling

\$250 billion, the vast majority of these transactions do not appear to have been violations of the Iranian Transaction Regulations, 31 C.F.R. Part 560 due to authorizations and exemptions which were in place at the time.

Treasury would have us believe that SCB engaged in fraud to hide Iran's involvement of money transfers even with legitimate transfers.

Maybe that's right. Without a lot more transparency, we'll just have to take Treasury's word for the claim that the vast majority of money Iran was transferring up to 2008 didn't fall under sanctions in place at the time, as dubious as that is.

Now, none of this addresses the scope of the violations involving other sanctioned countries, such as the \$96 million transferred to Sudan described in the Treasury settlement but not the SFS one. Nor does it address the \$243,500 it transferred for a designated drug kingpin, Connect Telecom, in 2011, after SCB had already started discussing these issues with "certain law enforcement agencies" and NYS.

It also relies on this claim:

OFAC had not issued a penalty notice of Finding of Violation against SCB in the five years preceding the apparent violations.

To make SCB look compliant, even though the Fed had been in discussions with SCB about these violations starting in 2004.

And of course, it includes this language:

Without this Agreement constituting an admission or denial by SCB of any allegation made or implied by OFAC in connection with this matter...

In spite of SCB's earlier admissions to SFS.

Again, SCB has already admitted to some of this fraud. But Treasury has gone out of its way to not only not require an admission, but to retroactively label hundreds of billions of dollars in fraudulent transactions kosher.

It's really time to start asking why that is.