

Deloitte Banking Alert

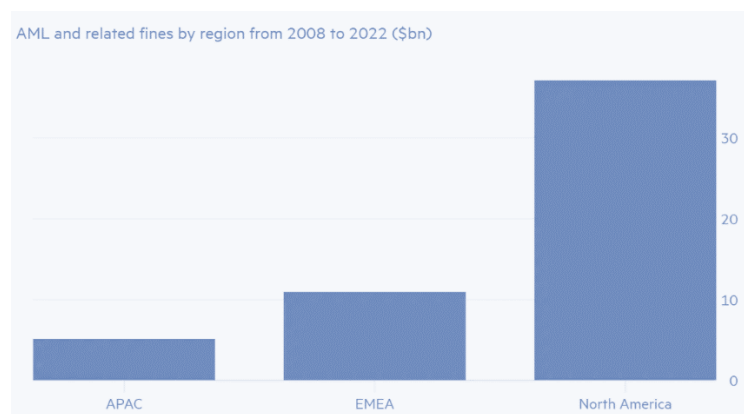
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GLOBAL FINES FOR AML/CFT RELATED ISSUES INCREASE IN 2022

Credit and financial institutions were fined almost USD 5bn in 2022 for *anti-money laundering (AML)* issues, sanctions breaches and deficiencies in their *know your customer (KYC)* systems, bringing the total since the global financial crisis to almost USD 55bn, according to Financial Times.

Fines usually come several years after infractions, so the latest figures do not capture financial institutions caught offside by the plenitude of sanctions introduced in the wake of Russia's assault on Ukraine last year.

The US has been the most aggressive imposer of penalties, chalking up USD 37bn of the fines, followed by roughly USD 11bn in Europe, the Middle East and Africa, and just over USD 5.1bn in Asia-Pacific.



source: Financial Times

US takes the biggest share of post-crisis AML fines

On March 17, 2022, *Financial Crimes Enforcement Network* announced a USD 140mil civil money penalty against **USAA Federal Savings Bank (USAA FSB)** for violating the Bank Secrecy Act (BSA) by allegedly failing to implement and maintain an effective, reasonably designed anti-money laundering (AML) program. According to FinCEN, the bank “also admitted that it willfully failed to accurately and timely report thousands of suspicious transactions to FinCEN involving suspicious financial activity by its customers, including customers using personal accounts for apparent criminal activity.”

Among US banks, **Goldman Sachs, JPMorgan Chase and Wells Fargo top the league table for AML and related fines in the post-crisis era.**

European Banks Pay for Anti-Money Laundering Failures

A string of fines is shining a light on anti-money laundering failures at European banks. According to the financial authorities across Europe, the main issues for which the financial institutions were fined are:

- not applying sufficient anti-money laundering (AML) checks on customers based in high-risk countries;
- shortcomings in the banks' transaction-monitoring systems;
- deficiencies in customer due diligence processes and procedures for investigating suspicious payments.

Germany

Germany's financial regulator **threatened to fine Deutsche Bank AG if it doesn't implement controls against money laundering** by a set deadline, suggesting the regulator is not satisfied with the bank's efforts to police dirty-money flows. BaFin told Deutsche Bank to take specific measures to prevent money laundering and terrorism financing so it could fulfill requests BaFin had made in 2018 and 2019. The regulator said it would impose financial penalties if the bank doesn't comply. Deutsche Bank needs to meet deadlines by mid-2023.

UK

As for the United Kingdom, **Financial Conduct Authority (FCA) stated that the total amount of fines during the calendar year of 2022 amounts GBP 215.8mil.** Back in October 2022, one of the biggest UK banks pleaded guilty in money laundering case. At issue in the case was bank's purported failure to identify suspicious activity from a customer who deposited roughly GBP 365mil in accounts. Of the amount deposited, GBP 264mil were in cash, according to Reuters.

Later on, the financial regulator hit **Spanish bank Santander with a fine of over GBP 107.7mil** for AML failures relating to the way it monitored customer transactions. FCA's Final Notice regarding Santander UK PLC refers to breaches of PRIN 3 related to the risk of financial crime in the Retail Banking sector. According to the regulator, *the nature of a bank's business activity makes it particularly susceptible to the risk of being used by their customers to facilitate the laundering of money. To mitigate this risk, a bank must take reasonable care to organize and control its affairs responsibly and effectively and to establish and maintain an effective risk-based anti-money laundering ("AML") control framework.*

France

France's financial regulator, the ACPR, disclosed that Crédit Agricole had been fined EUR 1.5mil (USD 1.59mil) following an onsite inspection of the bank's division Languedoc. The inspection uncovered shortcomings in the bank's transaction-monitoring systems, customer due diligence processes and procedures for investigating suspicious payments.

CEE Countries

The National Bank of Romania (NBR) published the information on the administrative measures and sanctions applied to credit and financial institutions for breaching the provisions of the AML Act. According to NBR's website, the total amount of penalties for 2022 reached RON 630K (EUR 129K). Compared to Europe's USD 11bn worth of penalties for the same period, Romania positions itself well behind the European average, with the number of Regulator's warnings heavily growing, meaning that it leads more to a conciliation policy, instead of punishing the financial institutions.

The Polish Financial Supervision Authority imposed a fine of PLN 3mil (EUR 638K) to the Polish branch of a Dutch bank as a result of the bank's breach of the AML Act.

Conclusion

Anti-Money Laundering (AML) programs continue to help financial institutions minimize money laundering, illegal activity funding, and fraud in a general sense. Governments worldwide regulate these programs to ensure they can assist financial institutions of various fields, such as banks, insurance, and mortgage companies, fintech, savings and loan associations, credit unions, brokerage firms, and others.

While the number of money laundering fines rose significantly from 2021 to 2022, a number of factors must be taken into account when analyzing the statistics. Aside from the rise in white-collar crime and the increased global penalties on AML issues regarding financial institutions, positive takeaways contributing to these statistics can include **the improved investigatory capacities and detection rates of financial crime** as compared to that of just a few years ago. Another positive aspect is that these striking findings will place financial institutions and regulators on high alert for illicit financial activity in 2023.

The EU's long-term goal of a pan-European anti-money laundering program is moving closer with the creation of a central EU authority to combat money laundering. The **EU Anti-Money Laundering Authority (AMLA)** will monitor, support, and coordinate the application of EU financial services regulations across the continent – though the responsibility for combating money laundering remains in the hands of member states. AMLA will contribute to the harmonization and coordination of supervisory practices in the financial and non-financial sectors, the direct supervision of high-risk and cross-border financial entities and the coordination of financial intelligence units. AMLA will be established at the beginning of 2023 and is expected to be fully resourced by the end of 2025, with direct supervision expected in early 2026.

How can Deloitte help?

- Review of the current AML framework implemented by the financial institutions to ensure compliance with regulatory requirements
- Provide support in remediation of any deficiencies identified during the controls from authorities
- Provide ad-hoc advice in any AML/CFT related topics

For further questions regarding the aspects mentioned in this alert, please don't hesitate to contact us:



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