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IN THIS ISSUE:

SPECIAL POINTS OF INTEREST:

- ESMA publishes responses received to consultation on MiFID II/MiFIR
- Outcomes of the plenary meeting of the FATF
- UK regulators consult on whistleblowing procedures
- How can business learn from Hillary Clinton's Email practices ?

Dear Colleagues,

Dear Members,

In this Newsletter, I would like to inform you about the discussions on the AML future questionnaire of the NBB as the Forum together with Febelfin & Assuralia were invited to an informal meeting on this subject.

As we know, these developments are closely linked to the FATF assessment report on Belgium whose publication is imminent, this Editorial being drafted on March 28th.

Similarly to what the FSMA provided us with for MiFID ((i) self-assessment of procedures/regulatory requirements, (ii) cartography and (iii) working programme), banks are now familiar with, the NBB in the AML context has already worked out a self-assessment we are used to for the second consecutive year now and is currently developing the next steps, i.e., a quantitative questionnaire and a methodology to ensure the efficiency of the measures. The existing questionnaire whose aim is to ascertain the conformity will continue to exist and will be revised together with the existing Circular at a later stage, following the entry into force of the 4th AML Directive. The purpose of these tools is to allow both the NBB and the institutions to fine-tune their risk based approach.

We are grateful to the NBB that we could contribute to their reflections on a consultative basis. A very first list of possible quantitative information focusing on ML/TF risks and risk classification has been circulated beforehand by the NBB to help initiating the debate. The National Bank highlighted that the objective of the whole project consists not only in providing the supervisor with relevant information allowing an improved risk-based supervision, but also in helping financial institutions themselves to improve the efficiency of their respective AML/CFT systems by an improved knowledge of their own exposure to the risks.

However, the initial list of information provided raised several comments from both the banking and the insurance sectors. Globally, the level of granularity is, from our perspective, too deep and a significant number of information (e.g. sub-categories of beneficial owners) which might be required are either not available or, when available, needs further ICT, queries and manual developments to be able to be gathered and delivered. In this context, the balance costs / benefits could be questioned especially for smaller entities or even for the insurance companies where the vulnerability to AML has to be rather appreciated at products or intermediaries' levels than at clients' level, as opposed to the banks as a matter of principle.

To better take into account an approach grounded on the risks, we came to a first informal conclusion following which the required information should be more tailored per sector, activities and methodological criteria already used to assess the risks. In our opinion, the questionnaire should also be linked to the content of the AML yearly report in which more details are already provided on the basis of available datas. This work in progress should be finalised by end of June in order to have the new questionnaire ready for 2016.

We thought that the MiFID working programme has proven to be particularly useful for the three lines of defense (Business, Compliance, Audit) in their normal course of activities as well as for the FSMA's inspections.

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EDITORIAL (PART II)

It created a level playing field, allowed to foresee the regulator's expectations, facilitated the monitoring by the Compliance function, and permitted to leverage on existing controls reports. As the NBB is keen to better ensure the efficiency of the whole AML process, it seemed already to have reflected upon it and be prepared to elaborate a tool along the same line, at least for the banks. We know that AssurMiFID being still recent, such programme does not exist yet for the insurance sector but this could be expected one day or another…

Before letting you go through this new issue of the Newsletter, let me kindly remind you to block May 12 in your diaries. We will be delighted meeting with you all again at the occasion of the yearly Compliance Day and the agenda is already promising !

Enjoy the reading !

With kind regards

Marie-France De Pover
Chairwoman

THE FINANCIAL CONDUCT AUTHORITY IMPOSES £2.1M FINE AND PLACES RESTRICTION ON BANK OF BEIRUT

The Bank of Beirut (UK) Ltd (Bank of Beirut) has been fined £2.1m by the UK Financial Conduct Authority (FCA) and stopped from acquiring new customers from high-risk jurisdictions for 126 days. In addition, the FCA has fined two approved persons at the bank.

The Bank of Beirut repeatedly provided the regulator with misleading information after it was required to address concerns regarding its financial crime systems and controls.

Anthony Wills, the former compliance officer at the Bank of Beirut, and Michael Allin, the internal auditor, have been fined £19,600 and £9,900, respectively. Wills and Allin failed to deal with the regulator in an open and cooperative way when responding to queries about the actions taken to mitigate financial crime risk.

Concerns about the culture within Bank of Beirut became apparent following supervisory visits to the firm in 2010 and 2011. In particular, the regulator believed too little consideration was being given to the risk that the firm be used for financial crime. Bank of Beirut was required to take a number of actions to address these concerns.

However, the former Compliance Officer and the internal auditor of the Bank of Beirut repeatedly provided misleading information to the regulator indicating that it had completed remedial actions when it had not.

Wills and Allin were responsible for addressing a number of the actions required of the firm. Wills handled most of the communication between the firm and the regulator and he sought to dismiss concerns that the Bank of Beirut was not properly implementing the required changes. Allin provided false assurance that the improvements to the firm's processes had been made.

The FCA recognises that both Wills and Allin were influenced by senior management. However, the FCA relied on the word of Wills and Allin to gain comfort that the changes to the firm's processes had been completed. Given Wills and Allin's position as approved persons, they should have resisted their senior management. .

This is the second time the FCA has used its suspension or restriction powers to punish a firm for serious misconduct. The sanction is intended to send a message of deterrence to the rest of the industry, and serve as a reminder that the FCA is able to respond with sanctions that target the business activities of the firm where the misconduct occurred.

Bank of Beirut repeatedly provided misleading information to the regulator

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ESMA PUBLISHES REVIEW ON BEST EXECUTION SUPERVISORY PRACTICES UNDER MIFID

The European Securities and Markets Authority (ESMA) has conducted a peer review on how national regulators (national competent authorities or NCAs) supervise and enforce the MiFID provisions relating to investment firms' obligation to provide best execution, or obtain the best possible result, for their clients when executing their orders.

ESMA found that the level of implementation of best execution provisions, as well as the level of convergence of supervisory practices by NCAs, is relatively low.

In order to address this situation a number of improvements were identified, including:

- prioritisation of best execution as a key conduct of business supervisory issue;
- the allocation of sufficient resources to best execution supervision; and
- a more proactive supervisory approach to monitoring compliance with best execution requirements, both desk-based and onsite inspections.

The review was conducted on the basis of information provided by 29 NCAs and complemented by on-site visits to the NCAs of France, Liechtenstein, Luxembourg, Malta, Poland and Spain.

Key Findings

The Report found that:

- oversight of best execution is usually a component of the supervision of general conduct of business issues, and is often limited to verifying if an execution policy exists rather than assessing the methods by which firms evaluate execution quality;
- best execution is often viewed in terms of best price. Other characteristics such as cost, speed, likelihood of execution and settlement, and order size received limited attention;
- execution venues tend to be highly concentrated in the main domestic market, with a low level of development of alternative venues;
- the absence of a European consolidated tape makes it difficult for NCAs to develop a comprehensive oversight of what constitutes best execution across all venues;
- monitoring of best execution of non-equity and less liquid markets is (largely) absent; and
- a lack of understanding amongst investors may explain the low rate of complaints on this topic which in turn has resulted in few enforcement actions on the issue.

Recommendations for future work

The Report identifies a number of areas for future work by NCAs and ESMA which could promote a more coherent cross-EU implementation, supervision and enforcement of the best execution rules, including:

- providing guidance for the national implementation of MiFID rules to ensure a common understanding of the best execution rules;
- assessing the adequacy of NCAs resources devoted to best execution supervision and the frequency and intensity of their active monitoring of best execution;
- providing guidance to help NCAs develop the assessment criteria to be used when firms use only one execution venue for a particular type of financial instrument;
- assessing whether obstacles exist to developing alternative execution venues;
- examining the use of sanctions to ensure a credible deterrent against breaches; and
- developing specific consumer education programmes.

The standard of supervision to ensure the implementation of MiFID's best execution requirements falls short of its aim

ISDA OUTLINES KEY PRINCIPLES FOR IMPROVING TRANSPARENCY AND DERIVATIVES TRADE REPORTING

On February 26, 2015 the International Swaps and Derivatives Association, (ISDA) published a paper that outlines a number of key principles and initiatives for regulators, market participants and industry service providers in order to further improve regulatory transparency of derivatives activity.

Significant progress has been made in this area over the past several years. ISDA helped establish trade repositories in 2011, and regulatory mandates for trade reporting have been imposed in most key jurisdictions since that time.

Today, virtually all derivatives transactions are reported to trade repositories. But major challenges remain, primarily because of a lack of standardization within and across jurisdictions in reporting requirements. Data requirements differ in jurisdictions; some data requirements are not clearly defined; and standardized reporting formats have not been adopted quickly or broadly enough.

The end result is that regulators may lack a true picture of risk in individual jurisdictions because of incomplete and inconsistent trade data, and cannot aggregate data (and risk exposures) on a global basis.

At the same time, market participants face costly, duplicative and conflicting trade reporting rules, while trade repositories must collect and standardize data from multiple sources for multiple jurisdictions.

ISDA's paper outlines key principles for standardizing, aggregating and sharing data across borders and action steps that all stakeholders should consider and align with in order to improve regulatory transparency.

Regulatory reporting requirements for derivatives transactions should be harmonized within and across borders:

Toward this end, regulators around the world should identify and agree on the trade data they need to fulfill their supervisory responsibilities, and then issue consistent reporting requirements across jurisdictions.

Policy-makers should embrace and adopt the use of standards – such as legal entity identifiers (LEIs), unique trade identifiers (UTIs), unique product identifiers (UPIs) and Financial products Markup Language (FpML) – to drive improved quality and consistency in meeting reporting requirements.

Unique global identifiers have been developed. They should be expanded as necessary and their use should be adopted across reporting regimes. The governance of such standards should be transparent and allow for input and review by market participants, infrastructure providers and regulators.

Where global standards do not yet exist, market participants and regulators can collaborate and secure agreement on common solutions to improve consistency and cross-border harmonization:

Market participants can, in an open and transparent process, establish a central source (a data dictionary) that defines and clarifies derivatives trade and reference data and workflow requirements for each reporting field that is required by each regulator. Regulators should be clear about their priorities and set timetables for reform. They should also regularly review this work and facilitate its adoption on a cross-border basis.

Laws or regulations that prevent policy-makers from appropriately accessing and sharing data across borders must be amended or repealed.

Regulators need to continue to work collaboratively to develop a framework that enables appropriate sharing of derivatives trade data across geographic boundaries. Roadblocks to the appropriate sharing of data should be removed either by regulatory or legislative action.

There has been significant progress in the reporting of swaps data but there is still room for improvements

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EBA REVIEWS GUIDELINES ON REMUNERATION

The European Banking Authority (EBA) has launched on March 4, 2015 a three-month public consultation on its Guidelines on sound remuneration policies.

These draft Guidelines set out the governance process for implementing sound remuneration policies across the EU, as well as the specific criteria for mapping all remuneration components into either fixed or variable pay.

Guidance is also provided on the application of deferral arrangements and the pay-out instruments ensuring that variable remuneration is aligned with an institution's long-term risks and that any ex-post risk adjustments can be applied as appropriate.

These draft Guidelines complement the EBA Opinion on allowances issued in October 2014 by providing additional details in support of the principles formulated in it, so as to ensure compliance with the bonus cap introduced by the Capital Requirements Directive (CRD IV). In particular, the Guidelines clarify the process for identifying those categories of staff whose professional activities have a material impact on the institutions' risk profile, and do so on the basis of the criteria that were defined in the EBA Regulatory Technical Standard (RTS) on identified staff.

Specific guidance is provided on how the ratio between the variable and the fixed components of remuneration should be calculated, taking into account specific remuneration elements, such as allowances, sign-on bonus, retention bonus and severance pay.

The document also covers pay-out processes and types of instruments used to pay variable remuneration, in line with the provisions defined in the EBA standards on classes of instruments and the combination of different categories of instruments.

On the application of proportionality to the remuneration principles, these draft Guidelines follow a legal reading of the CRD IV, supported by the European Commission, that the requirements on deferral and payment in instruments have to be applied to all institutions.

On this point, the EBA is of the view that specific exemptions could be introduced for certain institutions that do not rely extensively on variable remuneration and, if confirmed by further analysis, also for identified staff that receive only a low amount of variable remuneration.

To this regard, the Authority intends to send its advice to the European Commission suggesting legislative amendments that would allow for a broader application of the proportionality principle and is, therefore, asking all interested parties to provide input on this aspect.

The EBA Guidelines will apply to competent authorities across the EU, as well as to institutions on a solo and consolidated basis, including all subsidiaries which are not subject to the CRD IV framework. Once the new Guidelines will be enforced, the previous Guidelines on remuneration policies and practices from 2010 will be repealed. .

The guidelines clarify the process for identifying staff having a material impact on the institutions' risk profile

FINANCING OF THE TERRORIST ORGANISATION ISLAMIC STATE IN IRAQ AND THE LEVANT

FATF's report on the financing of the Financing of the Terrorist Organisation Islamic State in Iraq and the Levant (ISIL) analyses how this terrorist organisation generates and uses its funding. This knowledge is crucial in order to determine how FATF and the international community can choke off ISIL funding. Information collected from a wide range of sources and countries such as Saudi Arabia, Turkey and the United States, demonstrate that ISIL's primary source of income comes from the territory it occupies.

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FINANCING OF THE TERRORIST ORGANISATION ISLAMIC STATE IN IRAQ AND THE LEVANT (PART II)

The appropriation of the cash held at state-owned banks, gave ISIL access to an estimated half a billion USD in late 2014. The exploitation of oil fields also generates significant funds for ISIL, particularly when it first took control of them. This report identifies other sources of funding that ISIL relies on to finance its terrorist activities and the regular investments into its infrastructure and governance requirements.

Globally, there has been a strong and clear response on the need to disrupt ISIL's financial flows and deprive it of its assets. Many countries have established stronger legal, regulatory and operational frameworks, to detect and prosecute terrorist financing activity, in line with the FATF Recommendations. But more needs to be done. This report highlights a number of new and existing measures to disrupt ISIL financing, for example:

Request countries to proactively identify individuals and entities for inclusion in the UN Al Qaida Sanctions Committee list.

Share practical information and intelligence at an international level, both spontaneously and on request, to effectively disrupt international financial flows.

Suppress ISIL's proceeds from the sale of oil and oil products, through a better identification of oil produced in ISIL-held territory.

Detect ISIL fundraising efforts through modern communication networks (social media).

Further in-depth research is needed to determine the most effective countermeasures to disrupt ISIL funding.

Using the findings of the FATF report on the sources and methods of financing of ISIL, the FATF and the FATF-Style Regional Bodies (FSRBs) will work together with international organisations to develop proposals to strengthen all counter-terrorism financing tools and report back to the G20 by October 2015.

Making sure the legal and institutional frameworks are in place

FATF and FSRBs will take additional steps to make sure that all members implement measures to freeze terrorist funds and stop terrorist financing. As a priority, the FATF will immediately review whether all its members have implemented measures to cut off terrorism-related financial flows, in accordance with the FATF Recommendations. All members are required to:

- criminalise the financing of individual terrorists and terrorist organisations;
- freeze terrorist assets without delay and implement ongoing prohibitions;
- establish the capacity to develop robust designation proposals on individuals that meet the UN designation criteria.

The FATF will put pressure on any country who has failed to implement these measures and will include this in its report to the G20 in October 2015.

Operational measures

It is essential in combating global terrorism that all countries do not just establish laws and regulations to disrupt terrorist financing, but that they also ensure that they are working effectively. They must also actively use them in a whole-of-government approach that focuses on combating key terrorist financing risks, including by:

- implementing targeted financial sanctions regimes and developing the capacity to propose designations to the United Nations Security Council, and issue third country requests that meet designation criteria;
- identifying their terrorist financing risks and developing more effective ways to detect, disrupt, deter and prosecute terrorist financing;
- protecting their non-profit sector from the risk of terrorist abuse. The FATF is updating its best practices paper to help countries respond more effectively to terrorist abuse of this sector;

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The ISIL phenomenon shows a new type of terrorist organisation with unique funding streams

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FINANCING OF THE TERRORIST ORGANISATION ISLAMIC STATE IN IRAQ AND THE LEVANT (PART III)

- taking steps to identify and target individuals, including travellers, who are suspected of terrorist financing involvement, by using PNR (Passenger Name Record of air travellers), for example, in order to stop, restrain and enable confiscation of illicit cross-border transportation of cash;
- devising effective mechanisms to identify, monitor and take action against unregulated money value transfer services, and strengthening the transparency of financial flows;
- empowering FIUs and other competent authorities to improve the exchange of financial and other relevant information domestically and internationally in a timely manner. The ability to detect, analyse and share information about financial flows is essential to financial investigations. For terrorist-related cases, governments should be able to obtain relevant information from all sources more rapidly.

To achieve this, countries should:

- strengthen inter-agency communication among financial intelligence units, law enforcement and intelligence services;
- encourage spontaneous exchanges of information among countries.

The FATF will focus on developing proposals to take forward these measures.

Additional work on terrorist financing

The FATF report Financing of the terrorist organisation Islamic State in Iraq and the Levant (ISIL) also identified a number of significant and emerging terrorist finance risks, including kidnapping for ransom, non-profit organisations, foreign terrorist fighters, social networks, among others, which all played a role in the financing of this terrorist organisation.

Over the course of the next three months, the FATF will conduct further research in identifying and analysing these risks, and determine what more needs to done to prevent financial and economic sectors from being abused for terrorist financing for new and emerging threats.

The FATF will discuss the findings of this work at its June 2015 Plenary.

In September 2015, the annual Joint Experts Meeting will be held in collaboration with the Financial Action Task Force of Latin America (GAFILAT) and will have as its main theme the 'financing of terrorism'.

The FATF highlights the importance of robust implementation of the FATF standards to disrupt ISIL financing

ROYAL DECREE ON ENTRY INTO FORCE OF CERTAIN BANKING LAW PROVISIONS PUBLISHED

The Royal Decree of February 22, 2015, which provides for the entry into force of several provisions of the Law of 25 April 2014 on the status and control of credit institutions, has been published on March 3, 2015.

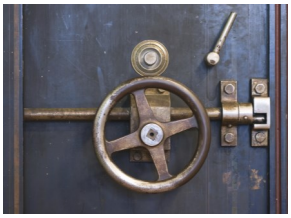
From now on, deposits from natural persons and from small and medium-sized enterprises benefit from a lien over the moveable assets of a credit institution.

The Deposit Protection Fund benefits from the same lien with respect to its claims against the relevant credit institution.

The provisions of the Belgian Banking Law on resolution tools also entered into force. These provisions of the Banking Law set out the conditions under which the resolution authority may initiate resolution proceedings against a credit institution, and the tools available to the resolution authority.

The provisions dealing with the sale of business tool, the bridge institution tool and the asset separation tool have now entered into force.

The provisions dealing with the bail-in tool are subject to the adoption of a Royal Decree by the end of 2015 at the latest.



EUROPEAN PARLIAMENT PUTS AN END TO OPAQUE CARD PAYMENT FEES

The fees that banks charge retailers to process shoppers' payments will be capped, under uniform EU-wide rules, further to a vote in Parliament on March 10, 2015

The cap, which will apply to both cross-border and domestic card-based payments, should result in lower costs for card users.

Transparent fee-capping rules

- For cross-border debit card transactions, the agreed fee cap is 0.2% of transaction value.
- For domestic debit card transactions, at Parliament's request, the same 0.2% cap will apply after a five-year transition period in which EU member states may cap fees at 0.2% of the "annual weighted average transaction value of all domestic transactions within the card scheme".
- For smaller domestic debit card transactions, member states may also set a maximum fixed fee of €0.05 per transaction, after the five-year transition period.
- For credit card transactions, fees will be capped at 0.3% of transaction value and member states may set a lower fee cap for domestic credit card transactions.

Lower costs should benefit both retailers and shoppers

Today retailers are often obliged to accept all cards at conditions set by the card issuers.

Under the new rules, retailers who choose a card scheme will have to accept only cards within that scheme that are subject to these fee-capping rules. If they exercise this right, then shoppers may find that retailers accept a smaller range of cards, but capped fees should result in lower costs for both retailers and shoppers.

Exemptions: commercial cards and "three party" schemes

The new rules will not apply to so-called "three-party" card schemes such as Diners and American Express (involving only one bank) provided the card is both issued and processed within the same scheme.

Commercial cards used only to pay business expenses will also be exempt.

After three years, the rules will also apply to three-party card schemes that licence other parties to issue cards and thus circumvent the law by effectively operating as four-party ones.

The capping rules do not affect ATM cash withdrawals.

Next steps

After Parliament's vote, the rules will need to be officially endorsed by the Council of Ministers before they can take effect, six months after the legislation enters into force.

Today fees for card-based payments are not transparent and differ among EU countries

EUROPEAN PARLIAMENT VOTES TO CHANNEL FUNDS TOWARDS LONG TERM EUROPEAN INVESTMENT

On March 10, 2015 Parliament adopted the rules to address present banks' reluctance to lend to small businesses or open-ended research projects by creating European Long-Term Investment Funds (ELTIFs) designed to benefit the real economy and society by channelling non-bank funds into long-term projects to deliver infrastructure, intellectual property or research results.

ELTIFs' objectives and structure

ELTIFs are vehicles designed to boost non-bank investment in the real economy across Europe. They will help pension funds, insurance companies, professional and even retail investors willing to invest at least €10 000 over the long term in one or more ELTIFs to put money into projects in

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EUROPEAN PARLIAMENT VOTES TO CHANNEL FUNDS TOWARDS LONG TERM EUROPEAN INVESTMENT (PART II)

their own countries or elsewhere, provided these projects benefit the EU economy: be it infrastructure, machinery or equipment, education, research or fostering the growth of small and medium-sized enterprises (SMEs).

ELTIFs investment funds will have to apply for authorisation, have a regulated structure and play by uniform rules to assure that they would offer long-term and stable returns. Parliament inserted provisions to ensure that they are not invested in speculative assets and that any retail investors putting money in them are properly informed and protected.

Way out for retail investors

ELTIF investors will have to make a long term commitment since they will not be able to withdraw their money easily.

However, to protect retail investors in particular, the negotiators agreed "redemption" rules that would enable an ELTIF that has enough liquid assets to return an investor's money at the investor's request.

Next steps

After the full House votes on these rules, which have already been informally approved by the member states the rules must be officially endorsed by the Council and they should apply 6 months after their entry into force.

STRUCTURED PRODUCTS: UK FINANCIAL CONDUCT AUTHORITY CALLS FOR IMPROVEMENTS FROM FIRMS

A behavioural economics research paper published by the Financial Conduct Authority (FCA) has found that many consumers overestimate the expected returns on structured deposits.

Consumers were asked to anticipate how the FTSE 100 would grow over time and then asked for their expectations for structured deposits linked to the FTSE 100 during the same period.

While consumers' expectations for FTSE growth were in line with the FCA's assumptions, they did not match the returns they anticipated on structured products based on the same benchmark.

The FCA found that, on average, returns were overestimated significantly, by almost 10 percent of the assumed investment amount over five years.

The FCA also found that consumers did not recognise that the structured products designed for the purpose of the research were unlikely to offer greater returns compared to best-buy fixed-term cash deposits. Indeed, consumers needed to be offered relatively high rates of return on risk-free cash deposits for these products to be preferred to structured deposits.

However, targeted disclosure somewhat improved how consumers make these comparisons.

The research findings reinforce the importance of firms designing structured products that are a reasonable match for the financial sophistication of customers in the target market.

The FCA's discovery work with firms highlighted a number of areas of concern where some firms were falling short of expected standards. In particular:

- firms' senior management must do more to put customers at the forefront of their approach to product governance;
- structured products should have a reasonable prospect of delivering economic value to customers in the target market;
- firms need to provide customers with clear and balanced information on each product and any risks;
- manufacturers need to strengthen the lifecycle monitoring of their products.

The message is simple: think very carefully before buying a product if you don't understand how it works

FinCEN NAMES BANCA PRIVADA D'ANDORRA A FFI OF PRIMARY MONEY LAUNDERING CONCERN

On March 10, 2015, the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) named Banca Privada d'Andorra (BPA) as a foreign financial institution (FFI) of primary money laundering concern.

This finding is based on information indicating that, for several years, high-level managers at BPA have knowingly facilitated transactions on behalf of third-party money launderers acting on behalf of transnational criminal organizations.

BPA's corrupt high-level managers and weak anti-money laundering controls have made BPA an easy vehicle for third-party money launderers to funnel proceeds of organized crime, corruption, and human trafficking through the U.S. financial system.

BPA's activity of primary money laundering concern occurred largely through its Andorra headquarters. BPA is one of five Andorran banks and is a subsidiary of the BPA Group, a privately-held entity. The activity involved the proceeds of organized criminals in Russia and China, foreign corruption, and other criminal activity. BPA accesses the U.S. financial system through direct correspondent accounts held at four U.S. banks, through which it has processed hundreds of millions of dollars.

BPA's high-level managers established financial services tailored to its third-party money launderer clients to disguise the origins of funds. In exchange for some of these services, BPA's high-level managers accepted payments and other benefits from their criminal clients.

FinCEN's action describes a high-level manager at BPA in Andorra who provided substantial assistance to Andrei Petrov, a third-party money launderer working for Russian criminal organizations engaged in corruption. In February 2013, Spanish law enforcement arrested Petrov for money laundering. Petrov is also suspected to have links to Semion Mogilevich, one of the FBI's "Ten Most Wanted" fugitives.

FinCEN's action also describes the activity of a second high-level manager at BPA in Andorra who accepted exorbitant commissions to process transactions related to Venezuelan third-party money launderers. This activity involved the development of shell companies and complex financial products to siphon off funds from Venezuela's public oil company Petroleos de Venezuela (PDVSA). BPA processed approximately $2 billion in transactions related to this money laundering scheme.

FinCEN's action also describes the activities of a third high-level manager at BPA in Andorra who accepted bribes in exchange for processing bulk cash transfers for another third-party money launderer, Gao Ping.

Ping acted on behalf of a transnational criminal organization engaged in trade-based money laundering and human trafficking and established a relationship with BPA to launder money on behalf of this organization and numerous Spanish businesspersons. Through his associate, Ping paid exorbitant commissions to BPA bank officials to accept cash deposits into less scrutinized accounts and transfer the funds to suspected shell companies in China. Spanish law enforcement arrested Ping in September 2012 for his involvement in money laundering.

"International financial institutions are welcome to provide a conduit for their customers to utilize American banks, as long as they abide by our laws that govern those transactions," said Richard Weber, Chief, IRS Criminal Investigation. "However, when senior managers of these institutions turn to corruption and bribery to enrich themselves, they should not be surprised when special agents from IRS CI come knocking at their door.

Corrupt individuals put profits at a premium and serve as connections between the licit and illicit worlds

SEC CHARGES GOODYEAR WITH FCPA VIOLATIONS

On February 24, 2015, the US Securities and Exchange Commission charged Goodyear Tire & Rubber Company with violating the Foreign Corrupt Practices Act (FCPA) when its subsidiaries paid bribes to land tire sales in Kenya and Angola.

Goodyear agreed to pay more than $16 million to settle the SEC's charges.

According to the SEC's order instituting a settled administrative proceeding, Goodyear failed to prevent or detect more than $3.2 million in bribes during a four-year period due to inadequate FCPA compliance controls at its subsidiaries in sub-Saharan Africa.

Bribes were generally paid in cash to employees of private companies or government-owned entities as well as other local authorities such as police or city council officials.

The improper payments were falsely recorded as legitimate business expenses in the books and records of the subsidiaries, which were consolidated into Goodyear's books and records.

The SEC's order finds that Goodyear's subsidiary in Kenya bribed employees of the Kenya Ports Authority, Armed Forces Canteen Organization, Nzoia Sugar Company, Kenyan Air Force, Ministry of Roads, Ministry of State for Defense, East African Portland Cement Co., and Telkom Kenya Ltd. Goodyear's subsidiary in Angola bribed employees of the Catoca Diamond Mine, which is owned by a consortium of mining interests including Angola's national mining company Endiama E.P. and Russian mining company ALROSA. Others bribed in Angola worked at UNICARGAS, Engevia Construction and Public Works, Electric Company of Luanda, National Service of Alfadega, and Sonangol.

Goodyear neither admitted nor denied the SEC's findings. The settlement reflects the company's self-reporting, prompt remedial acts, and significant cooperation with the SEC's investigation. Goodyear must pay disgorgement of $14,122,525 – which comprises the company's illicit profits in Kenya and Angola – plus prejudgment interest of $2,105,540. Goodyear also must report its FCPA remediation efforts to the SEC for a three-year period.

"Public companies must keep accurate accounting records, and Goodyear's lax compliance controls enabled a routine of corrupt payments by African subsidiaries that were hidden in their books," said Scott W. Friestad, Associate Director of the SEC's Enforcement Division. "This settlement ensures that Goodyear must forfeit all of the illicit profits from business obtained through bribes to foreign officials as well as employees at commercial companies in Angola and Kenya."

Bribes were generally paid in cash to local authorities such as police or city council officials