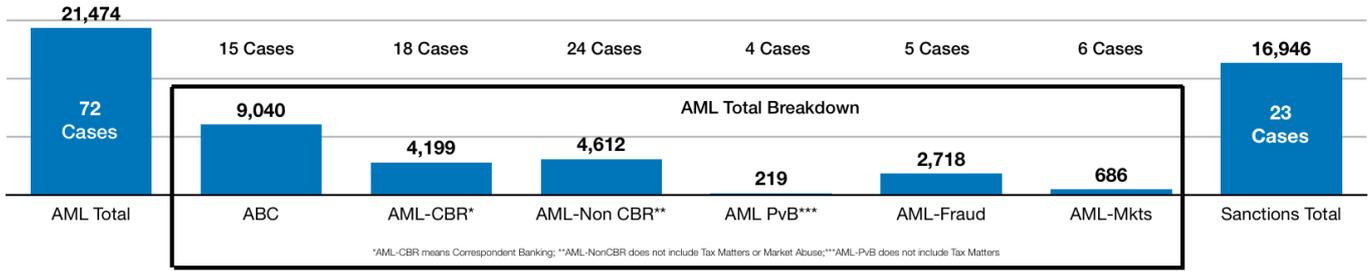
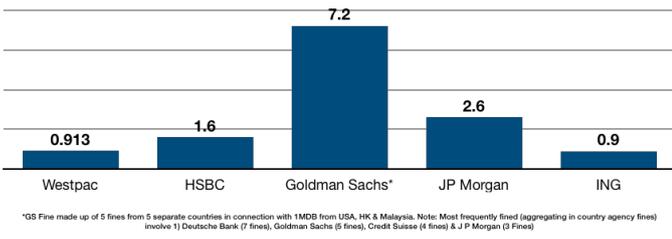


# Major AML & Sanctions Bank Fines & Penalties in the 21st Century (95 Fines >US\$10 million)

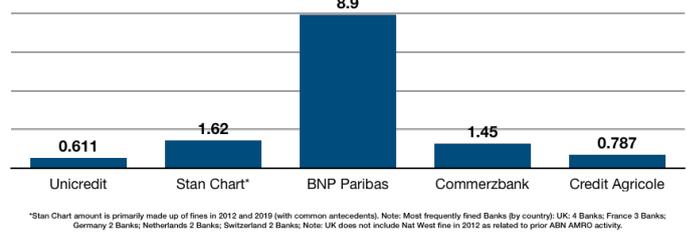
## Material AML & Sanctions Fines in the 21st Century by FCN (in US\$ millions)



### Highest AML Fines - 21st Century (in US\$ billions)

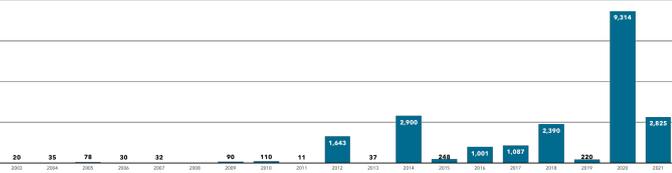


### Highest Sanctions Fines - 21st Century (in US\$ billions)



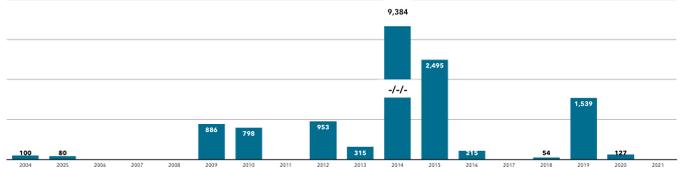
### High - US\$9 billion in 2020 - Year Announced (US\$2.9 billion in 2014/US\$2.8 billion in 2021/US\$2.39 billion in 2018)

AML Fines > US\$10 million - by Years Announced in 21st Century by FCN (in US\$ millions)



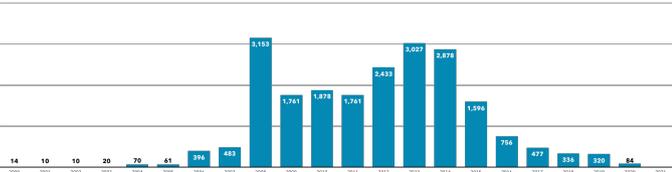
### High - US\$9.38 billion in 2014 - Year Announced (US\$2.49 billion in 2015/US\$1.53 billion in 2019/US\$953 million in 2012)

Sanctions Fines > US\$10 million - by Years Announced in 21st Century by FCN (in US\$ millions)



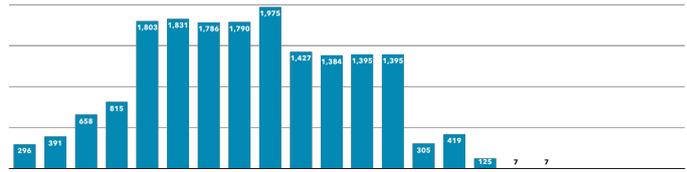
### High - US\$3.1 billion in 2008 - Year of Highest Violations (US\$3 billion in 2013/US\$2.87 billion in 2014/US\$2.4 billion in 2012) Top 3 Influenced: Goldman Sachs (ABC-2009-2014), JP Morgan (Fraud-2008), HSBC (AML-2006-2010)

AML Fines > US\$10 million - by Av Years of Violation 21st Century by FCN (in US\$ millions)



### High - US\$1.97 billion in 2008 - Year of Highest Violations (US\$1.83 billion in 2005/US\$1.8 billion in 2004/US\$1.79 billion in 2007) Top 3 Influenced: BNP Paribas (2004-2012), Commerzbank (2002-2010), Stan Chart (2008-2014)

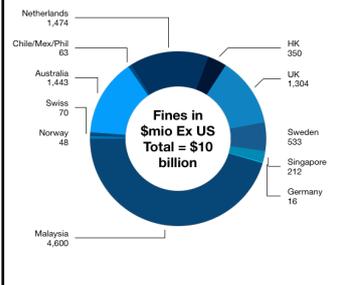
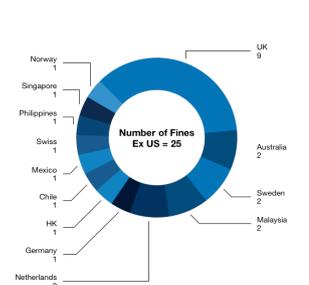
Sanctions Fines > US\$10 million - by Av Years of Violation in 21st Century by FCN (in US\$ millions)



### 2013 - 35 Fines (32 Fines include violations in 2012, 31 in 2014, 23 in 2011)

### 47 US Levied AML Fines & 25 Levied AML Fines Non US

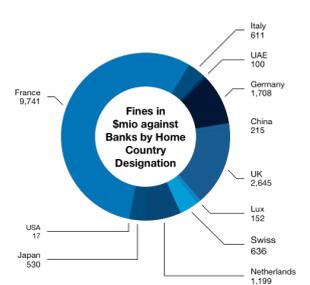
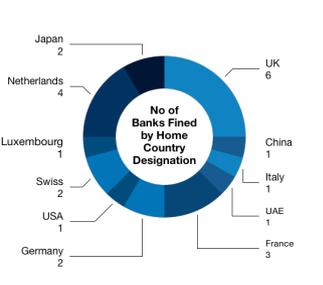
(US Fines represent 55% of total AML related Fines, followed by Malaysia (22%) Australia & Netherlands (7% each), UK (5%), Sweden (2.5%), Hong Kong (1.6%) & Germany (0.1%), with USA 55% Asia 31% & Europe 15%



### 2005 - 14 Fines (13 Fines include violations in 2004 & 2006, 10 in 2007)

### 23 US Levied Sanctions Fines-1 Levied Sanction Fine UK

(US Fines represent 99.9% of total Sanctions related Fines, followed by UK (US\$27 million).



## Major AML & Sanctions Bank Fines & Penalties in the 21st Century (95 Fines >US\$10 million)

1. **Summary:** In the 21st Century 96 material fines have been levied in 17 countries, on 57 Banks for US\$38.47 billion, with US\$21.47 billion for AML & US\$16.9 billion for Sanctions. A yearly average of US\$1.77 bio (US\$977 million for AML/US\$800 million for Sanctions). Fines are made up of ABC at US\$9 billion, AML Non CBR at US\$4.6 billion, AML CBR at US\$4.2 billion, AML Fraud at US\$2.7 billion, AML Markets at US\$686 million & AML PvB at US\$219 million. (Excludes tax related fines and market abuse fines).

### OBSERVATIONS

2. **Geography:** In the 1st decade of the 21st Century (2000-2009), 15 Major AML & Sanctions fines were levied - all by US Agencies amounting to US\$1.35 billion. In all 70 major fines were levied by the US amounting to approx US\$28.4 billion & 26 major fines were levied outside the US amounting to approx US\$10 billion. For AML fines, overall 53% (in value) were levied in the US, 30% in Asia, 16% in Europe & 0.15% in Latam/ For Sanctions fines 23/24 (99%) were levied in the US.
3. **Material AML Fines by Value:** Falling back in 2021 to US\$2.82 billion after reaching a peak in 2020 at US\$9.3 billion, but it is still the 3rd highest year on record after 2020 and 2014 where AML fines reached US\$2.9 billion. This represents a year on year fall of 70%. That said, in many ways 2020 was exceptional with huge ABC related fines levied against Goldman Sachs (in USA, UK, Singapore, Malaysia & Hong Kong) totalling US\$7.2 billion for its involvement in the 1 MDB scandal. Stripping this out, AML fines would have otherwise increased year on year by US\$711 million in 2021, an increase of 25%.
4. **Material AML Fines by Number:** Steadily rising reaching a high in 2020 (15) but reducing in 2021 (10), up from an average of 2 fines per year (2000 - 2015) increasing to an average of 8 fines per year (2016 onwards).
5. **Material AML Fines by Violation Period:** Whilst AML fines make headlines when announced, years after investigations & settlement discussions are conducted the time period where the alleged violations occurred is much earlier. Focussing on the violation periods attributable to major AML fines, the high point was between 2008 - 2014, with the earlier period in particular more violations relating to Correspondent Banking) and AML Fraud (following the fallout from Madoff) and the later period more AML Controls (including KYC & Transaction Monitoring, SAR Filing) and ABC (in particular 1MDB).
6. **Material AML Fines are on the Increase:** Increasing numbers of major fines pose questions which could suggest that: 1) more countries have decided to use major fines to punish Banks believing also it may encourage better and broader industry compliance; 2) Bank compliance with AML requirements (laws regulations, expectations & interpretations) is yet to fully mature or to demonstrate the capability to achieve and sustain "good enough" compliance; and/or 3) despite their increased popularity, AML fines are not yet having the desired effect.
7. **Largest AML Fines:** For AML fines levied the highest fines are: 1) Goldman Sachs (US\$7.2 bio - 1MDB (aggregating 3 fines); 2) JP Morgan (US\$2.6 bio - Madoff), 3) HSBC (US\$1.6 bio - Mexican/US ML). Most frequently fined (aggregating in country Agency fines) involve 1) Deutsche Bank (7 fines), Goldman Sachs (5 fines) Credit Suisse (4 fines) & J P Morgan & HSBC (3 Fines each).
8. **Material Sanctions Fines by Value:** Fallen significantly from a high in 2014 following the US\$8.9 billion fine against BNP Paribas. Whilst material sanction fines levied in 2019 were US\$1.5 bio, this was followed by US\$27 million in 2020, and none in 2021. Largest sanctions fines levied involved 1) BNP Paribas (US\$8.9 bio); 2) Commerzbank (US\$1.45 bio); 3) Standard Chartered Bank (US\$928 mio).
9. **Material Sanctions Fines by Violation Period:** Whilst 2014 was the high point in terms of announcement of sanctions fines, (the BNP Fine) the periods of violation are much earlier and more important in terms of any assessment relating to levels of compliance. Violation periods attributable to major sanctions fines of note was between 2004 - 2008, and between 2008-2014. After 2004 the US Government pursued an aggressive sanctions compliance strategy adopting new legal theories to successfully persuade foreign banks to voluntarily settle allegations of alleged sanctions violations carried out overseas. The figures suggests Bank compliance with US sanctions has matured & that largely preventative strategies employed are largely effective, and that levels of non compliance in terms of current sanctions expectations is historic.

### CONCLUSIONS

10. **Effectiveness of Fines:** Whilst it can be argued that historic levels of sanctions violations & fines are unlikely to reappear, & that those long sanctioned by the US (& others) are unlikely to be knowingly supported by international Banks, this may change to the extent new additional sanctions target those where international Banks have major commercial activities and find, in particular local compliance more challenging as a result. AML fines suggest a more fundamental problem - whilst overall fine amounts are reducing for core AML themes, they are increasing in value and frequency for ABC & Markets (and continue to focus on hard to manage AML Correspondent Banking) and still in the overall number of cases, not least encouraged by poor country FATF assessments that regularly downgrade countries that don't have and use sanctioning authorities (Recommendation 35 Sanctions/Immediate Outcome 3 Supervision). It's likely we will only know true levels of violations for 2015-2020 later in this decade, but we can assume the pressure to fine more Banks in higher amounts including for process weaknesses will only increase.
11. **Effectiveness Challenges:** Whereas Sanctions fines levied suggest they have been very effective (irrespective of views on legitimacy or legal basis) in changing Banks behaviour towards compliance, the same cannot yet be said for AML fines. Can the difference be seen by comparing compliance through prevention as opposed to risk mitigation, through compliance with strict rules rather than taking a risk based approach & fines being used to punish underlying illegal acts as opposed to control process weaknesses? Making AML fines more effective could also involve targeting these more towards penalising underlying criminal activity and away from control weaknesses, but addressing control weaknesses through traditional supervisory tools & techniques that may in some countries have broken down. Whilst responsibility for violations clearly rests with the relevant Bank & its management, many of the AML fines levied in the 21st Century follow earlier red flags known to Regulators & where interventions were insufficient, not sustained or not adequately followed or tracked.
12. **Future Effectiveness:** Fines will continue to play an important role in punishing material sanctions & AML violations, but whether they are effective in advancing the fight against financial crime remains to be seen. Whilst some advocate ever more punitive acts, for example raising fines further, others believe it requires the jailing of senior bankers. Still others would go further and suggest vicarious criminal liability, essentially extending criminal liability for acts or omissions of others, to catch CEOs that are responsible for the environment across a Bank, but not the individual acts. Would this criminal standard though similarly apply to other stakeholders in the private and public sectors equally? Rather than simply focussing on punitive measures, the "carrot" should be considered in addition to the "stick" & a balance towards achieving positive outcomes and not just measuring inputs such as strict regulatory compliance. The Wolfsberg Groups Effectiveness criteria for Banks suggests regulatory compliance is important but so are risk based controls and providing high quality information to & co operating with law enforcement. Why not incentive Banks to move beyond targeting full regulatory compliance which is unachievable & instead target risk based adequate controls reasonably designed to prevent detect & report on financial crime & assess them on what they may have missed AND also on what they may have found. Implemented properly this should result in more of what everyone wants - less financial crime & safer & better run Banks.