UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

IN THE MATTER OF:	)	
	)	
	)	
	)	**Number 2005-5**
THE NEW YORK BRANCH	)	
ABN AMRO BANK N.V.	)	
NEW YORK, NEW YORK	)	

ASSESSMENT OF CIVIL MONEY PENALTY

I. INTRODUCTION

The Secretary of the United States Department of the Treasury has delegated to the Director of the Financial Crimes Enforcement Network the authority to determine whether a financial institution has violated the Bank Secrecy Act and the regulations issued pursuant to that Act,[1] and what, if any, sanction is appropriate.

In order to resolve this matter, and only for that purpose, ABN AMRO Bank N.V. ("ABN AMRO") has entered into a CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY ("CONSENT") dated December 19, 2005, without admitting or denying the determinations by the Financial Crimes Enforcement Network, as described in Sections III and IV below, except as to jurisdiction in Section II below, which is admitted.

The CONSENT is incorporated into this ASSESSMENT OF CIVIL MONEY PENALTY ("ASSESSMENT") by this reference.

II. JURISDICTION

ABN AMRO is a wholly-owned subsidiary of ABN AMRO Holding N.V., a public limited liability company incorporated under the laws of The Netherlands. ABN AMRO is a banking institution organized under the laws of The Netherlands, with headquarters in Amsterdam. ABN AMRO has over 3,000 branches, agencies, offices, and subsidiaries – members of the ABN AMRO Network – in over 60 countries. The ABN AMRO Network provides retail, private, corporate, correspondent, and other banking services to numerous businesses, institutions, and individuals throughout the world.

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[1] 31 U.S.C. §§ 5311 et seq. and 31 C.F.R. Part 103.

The ABN AMRO Network includes a number of branches, agencies, offices, or subsidiaries of ABN AMRO in the United States, through which ABN AMRO conducts operations in the United States. The New York Branch of ABN AMRO operates pursuant to a license from the New York State Banking Department. At all times relevant to this matter, the New York Branch of ABN AMRO was a "financial institution" and a "bank" within the meaning of the Bank Secrecy Act and the regulations issued pursuant to that Act.[2]

The Federal Reserve examines the operations of ABN AMRO in the United States for compliance with the Bank Secrecy Act and its implementing regulations, and for compliance with similar requirements under Title 12 of the United States Code. The New York State Banking Department also examines the New York Branch of ABN AMRO for compliance with requirements under banking laws of the State of New York comparable to those of the Bank Secrecy Act and its implementing regulations.

As of December 31, 2004, ABN AMRO Holding N.V. had consolidated total assets of approximately $830 billion. For the year ending December 31, 2004, ABN AMRO Holding N.V. had consolidated total revenue of approximately $24 billion. As of June 30, 2005, the New York Branch of ABN AMRO had assets of approximately $35 million.

III. DETERMINATIONS

A. Summary

This matter involves the North American Regional Clearing Center, a unit within the New York Branch of ABN AMRO. The North American Regional Clearing Center operated as a clearing institution for funds transfers in United States dollars. The North American Regional Clearing Center served as an intermediary institution. Prior to 1991, the North American Regional Clearing Center performed the clearing function primarily for other members of the ABN AMRO Network. Beginning in 1991, the New York Branch of ABN AMRO marketed the services of the North American Regional Clearing Center to institutions independent of the ABN AMRO Network. As of May 21, 2003, more than 400 institutions independent of the ABN AMRO Network held correspondent accounts with the North American Regional Clearing Center.

Beginning in 1998, the New York Branch of ABN AMRO focused substantial marketing efforts on small and mid-sized financial institutions in Russia. As of December 31, 1998, approximately 30 financial institutions in Russia held correspondent accounts with the North American Regional Clearing Center. The number more than tripled during the following year, and approximately 35 financial institutions in Russia opened correspondent accounts with the North American Regional Clearing Center during 2000. The majority of financial institutions in Russia had no relationship with the New York Branch of ABN AMRO other than correspondent accounts with the North American Regional Clearing Center, and no relationship with any member of the ABN AMRO Network other than the New York Branch of ABN AMRO. These financial institutions utilized the ABN AMRO Network and the New York Branch of ABN

[2] 31 U.S.C. § 5312(a)(2) and 31 C.F.R. § 103.11.

AMRO primarily as a means of obtaining access to dollar clearing and settlement systems in the United States.

On average, the North American Regional Clearing Center processed approximately 30,000 funds transfers per day. The location, number, and size of financial institutions holding correspondent accounts with the North American Regional Clearing Center – and the volume of funds transfers that the North American Regional Clearing Center processed – posed a substantial risk of money laundering. The New York Branch of ABN AMRO failed to apply an adequate system of internal controls reasonably designed to assure compliance with the Bank Secrecy Act and manage the risk of money laundering at the North American Regional Clearing Center. The New York Branch of ABN AMRO was not adequately staffed to coordinate and monitor day-to-day compliance with the Bank Secrecy Act. The New York Branch of ABN AMRO also failed to provide adequate training to ensure compliance with the Bank Secrecy Act. The New York Branch of ABN AMRO's failure to implement an adequate Bank Secrecy Act compliance or anti-money laundering program resulted in extensive violations of the requirement to report suspicious transactions. Violations of the Bank Secrecy Act and its implementing regulations by the New York Branch of ABN AMRO were serious, longstanding and systemic.

On July 23, 2004, ABN AMRO and the New York Branch of ABN AMRO executed a "Written Agreement," as the term is used in Section 8 of the Federal Deposit Insurance Act, with the Federal Reserve Bank of Chicago, the Federal Reserve Bank of New York, the New York State Banking Department, and the Illinois Department of Financial and Professional Regulation. The Agreement requires the implementation of measures to assure and monitor compliance with the Bank Secrecy Act and its implementing regulations, including, but not limited to, measures designed to improve the system of internal controls at the New York Branch of ABN AMRO, particularly in the area of dollar clearing operations.

B. Violations of the Requirement to Establish and Implement an Adequate Bank Secrecy Act Compliance or Anti-Money Laundering Program

The Financial Crimes Enforcement Network has determined that the New York Branch of ABN AMRO violated the requirement to establish and implement an adequate Bank Secrecy Act compliance or anti-money laundering program. Since April 24, 2002, the Bank Secrecy Act and its implementing regulations have required state-licensed branches of foreign banks to establish and implement anti-money laundering programs.[3] The New York Branch of ABN AMRO complies with this requirement if it establishes and implements a program that conforms with rules of the Board of Governors of the Federal Reserve System.[4] Since 1993, the Board of Governors of the Federal Reserve System has required a program "reasonably designed to assure and monitor compliance" with reporting and recordkeeping requirements under the Bank Secrecy Act.[5] Reporting requirements under the Bank Secrecy Act include the requirement to report suspicious transactions. A Bank Secrecy Act compliance or anti-money laundering

[3] 31 U.S.C. § 5318(h)(1) and 31 C.F.R. § 103.120.

[4] 31 C.F.R. § 103.120.

[5] 12 C.F.R. § 208.63(b)(1).

program must contain the following elements: (1) a system of internal controls;[6] (2) independent testing for compliance;[7] (3) the designation of an individual or individuals to coordinate and monitor day-to-day compliance;[8] and (4) training of appropriate personnel.[9]

1. Internal Controls

The New York Branch of ABN AMRO failed to implement a system of internal controls reasonably designed to manage the risk of money laundering and assure compliance with the Bank Secrecy Act. The locations, number and sizes of financial institutions holding correspondent accounts with the North American Regional Clearing Center – and the volume of funds transfers that the North American Regional Clearing Center processed – posed a substantial risk of money laundering.

Until August of 1999, the New York Branch of ABN AMRO had no formal procedures for conducting due diligence on financial institutions holding correspondent accounts with the North American Regional Clearing Center. Although the New York Branch of ABN AMRO did eventually establish formal procedures, the Branch lacked complete documentation to adequately assess the potential for money laundering and execute a risk rating for many of these financial institutions including important information on ownership, management, customer base or business activities. Furthermore, procedures and controls failed to ensure that the New York Branch of ABN AMRO gathered and reviewed meaningful information from the financial institutions or other readily available sources on the existence of anti-money laundering programs, relevant host country laws and regulations, or similar safeguards at the correspondent institutions. In short, documentation failed to include information necessary for assessing – in an accurate and meaningful manner – the risk of money laundering that each institution posed, and failed to evidence that the New York Branch of ABN AMRO ever conducted adequate due diligence on the financial institutions. The lack of complete documentation continued into 2003. In fact, an internal review of documentation at the North American Regional Clearing Center indicated that, as of January 26, 2003, the New York Branch of ABN AMRO lacked complete documentation for institutions holding fifty percent of all correspondent accounts with the North American Regional Clearing Center.

In addition, the New York Branch of ABN AMRO failed to adequately monitor funds transfers processed by the North American Regional Clearing Center for potential suspicious activity. Until February of 2002, ABN AMRO relied solely on sporadic manual transaction monitoring by a single employee, despite the need for automated monitoring of the funds transfers. In February of 2002, the New York Branch of ABN AMRO implemented an automated transaction monitoring system. However, a substantial percentage of funds transfers that the North American Regional Clearing Center processed flowed to or from beneficiaries or originators with accounts at institutions independent of the ABN AMRO Network. Due to the

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[6] 12 C.F.R. § 208.63(c)(1).

[7] 12 C.F.R. § 208.63(c)(2).

[8] 12 C.F.R. § 208.63(c)(3).

[9] 12 C.F.R. § 208.63(c)(4).

lack of complete documentation for many of these institutions, the New York Branch of ABN AMRO often lacked information necessary for assessing – in an accurate and meaningful manner – the risk of money laundering and other illicit activity posed by each institution. This prevented the New York Branch of ABN AMRO from incorporating an accurate and meaningful assessment of the risk of money laundering – or information on which the New York Branch of ABN AMRO would base the assessment – into the automated monitoring system.

Moreover, the New York Branch of ABN AMRO failed to incorporate reliable and publicly available information concerning "shell companies" into the automated monitoring system. During the period from August of 2002 to September of 2003, the North American Regional Clearing Center processed approximately 20,000 funds transfers – with an aggregate value of approximately $3.2 billion – that involved "shell companies" in the United States serving as originators or beneficiaries, and institutions in Russia or other former Republics of the Soviet Union serving as originating or beneficiary institutions. The "shell companies" – business entities that lacked a physical presence – were primarily limited liability companies. In October of 2000, the Government Accounting Office published a report detailing the risk that criminals in Russia could utilize "shell companies" organized in the United States as a means of concealing identity. The New York Branch of ABN AMRO failed to adequately evaluate this readily available information and implement sufficient transaction monitoring systems and controls for shell company activity. Instead, and only upon strong urging from regulators, the New York Branch of ABN AMRO commenced an analysis of the activity in August of 2003 – one year after many of the transactions occurred.

Furthermore, the New York Branch of ABN AMRO failed to incorporate into the automated monitoring system information on institutions that the New York Branch of ABN AMRO had identified in suspicious activity reports, and information on institutions with correspondent accounts at the North American Regional Clearing Center that the New York Branch of ABN AMRO had closed. To illustrate, in January of 2002, the New York Branch of ABN AMRO filed a suspicious activity report involving a financial institution located in a former Republic of the Soviet Union. In July of 2002, the New York Branch of ABN AMRO closed all correspondent accounts that the institution held with the North American Regional Clearing Center. Afterwards, the same institution opened accounts at one or more institutions holding correspondent accounts with the North American Regional Clearing Center. From August of 2002 through September of 2003, the North American Regional Clearing Center processed approximately $100 million in funds transfers involving the institution. The funds transfers flowed through the correspondent accounts of the other institutions. The automated monitoring system at ABN AMRO failed to detect and enable the timely reporting of suspicious activity involving the financial institution.

Finally, the New York Branch of ABN AMRO failed to investigate numerous alerts generated by the automated monitoring system of transactions bearing indicia of suspicious activity. Until July of 2002, the New York Branch of ABN AMRO assigned the task of reviewing and investigating the alerts or reports to only three individuals – staffing clearly inadequate in light of both the volume of the alerts or reports, and the other functions these individuals performed for the New York Branch of ABN AMRO.

In April of 2003, the New York Branch of ABN AMRO attempted to address perceived inadequacies in the automated monitoring system by replacing the system. However, as of October 31, 2003, the New York Branch of ABN AMRO was still unable to fully utilize the capabilities of the new system to manage the risk of money laundering and ensure compliance with the Bank Secrecy Act.

2. The Designation of an Individual or Individuals to Coordinate and Monitor Day-To-Day Compliance with the Bank Secrecy Act

The New York Branch of ABN AMRO failed to adequately staff the compliance function at the New York Branch of ABN AMRO with individuals responsible for coordinating and monitoring day-to-day compliance with the Bank Secrecy Act. Until December of 2001, only one individual at the New York Branch of ABN AMRO coordinated and monitored day-to-day compliance with the Bank Secrecy Act. The individual had other demanding responsibilities as manager of reconciliation and financial reporting. Furthermore, the individual had no previous work history directly related to Bank Secrecy Act compliance. Until July of 2002, the New York Branch of ABN AMRO assigned the task of coordinating and monitoring day-to-day compliance with the Bank Secrecy Act to only three individuals – staffing clearly inadequate in light of the volume of the activities that the New York Branch of ABN AMRO conducted, and the risk that these activities posed.

3. Training

The New York Branch of ABN AMRO failed to provide adequate training. Bank Secrecy Act compliance staff in critical positions displayed a lack of knowledge on the detection and reporting of suspicious transactions – a deficiency especially serious considering the substantial risk of facilitating money laundering that confronted the New York Branch of ABN AMRO.

C. Violations of the Requirement to Report Suspicious Transactions

The Financial Crimes Enforcement Network has determined that New York Branch of ABN AMRO violated the requirement to report suspicious transactions.[10] The Bank Secrecy Act and its implementing regulations impose an obligation on a bank to report transactions that the bank "knows, suspects, or has reason to suspect" are suspicious. The bank must report the transactions if the transactions involve or aggregate to at least $5,000, and the transactions are "conducted or attempted by, at, or through" the bank. A transaction is "suspicious" if the transaction: (1) involves funds derived from illegal activities, or is conducted to disguise funds derived from illegal activities; (2) is designed to evade reporting or record keeping requirements under the Bank Secrecy Act; or (3) has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including background and possible purpose of the transaction.[11]

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[10] 31 U.S.C. § 5318(g) and 31 C.F.R. § 103.18.

[11] 31 C.F.R. § 103.18(a)(2)(i)-(iii).

Banks must report suspicious transactions by filing suspicious activity reports.[12] In general, a bank must file a suspicious activity report no later than thirty calendar days after detecting facts that may constitute a basis for filing a suspicious activity report. If no suspect was identified on the date of detection, a bank may delay the filing for an additional thirty calendar days, to identify a suspect. However, in no event may the bank file a suspicious activity report more than sixty calendar days after the date of detection.[13]

The North American Regional Clearing Center operated as a clearing institution for funds transfers in United States dollars. All of these funds transfers represented transactions "conducted or attempted by, at, or through" the New York Branch of ABN AMRO.

The absence of effective internal controls, training and designated personnel at the New York Branch of ABN AMRO resulted in extensive violations of the requirement to timely report suspicious transactions. During the period from 1996 through 2001, the New York Branch of ABN AMRO filed only 12 suspicious activity reports. In contrast, the New York Branch of ABN AMRO filed escalating numbers of suspicious activity reports during the period from 2002 through 2004 – after the Federal Reserve and New York State Banking Department applied elevated scrutiny to compliance by the New York Branch of ABN AMRO with the Bank Secrecy Act. The New York Branch of ABN AMRO delinquently filed a substantial number of suspicious activity reports involving, in aggregate, a substantial dollar amount of transactions.

In addition, the New York Branch of ABN AMRO filed incomplete or inaccurate suspicious activity reports. Numerous suspicious activity reports characterized transactions as terrorist financing without sufficient cause, failed to identify as suspects institutions holding correspondent accounts with the North American Regional Clearing Center, or contained little or no description of the transactions at issue in direct contravention of the instructions on the report.

IV. CIVIL MONEY PENALTY

Under the authority of the Bank Secrecy Act and the regulations issued pursuant to that Act,[14] the Financial Crimes Enforcement Network has determined that a civil money penalty is due for the violations of the Bank Secrecy Act and the regulations issued pursuant to that Act described in this ASSESSMENT.

Based on the seriousness of the violations at issue in this matter, and the financial resources available to the New York Branch of ABN AMRO, the Financial Crimes Enforcement Network has determined that the appropriate penalty in this matter is $30,000,000.

V. CONSENT TO ASSESSMENT

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[12] 31 C.F.R. § 103.18(b)(2).

[13] 31 C.F.R. § 103.18(b)(3).

[14] 31 U.S.C. § 5321 and 31 C.F.R. § 103.57.

To resolve this matter, and only for that purpose, ABN AMRO, without admitting or denying either the facts or determinations described in Sections III and IV above, except as to jurisdiction in Section II, which is admitted, consents to the assessment of a civil money penalty against the New York Branch of ABN AMRO in the amount of $30,000,000. The assessment shall be concurrent with the assessment of civil money penalty, in the amount of $40,000,000, by the Board of Governors of the Federal Reserve System, and shall be satisfied by one payment of $30,000,000 to the Department of the Treasury.

ABN AMRO agrees to pay the amount of $30,000,000 within five business days of this ASSESSMENT. Such payment shall be:

a. Made by certified check, bank cashier's check, bank money order, or wire;

b. Made payable to the United States Department of the Treasury;

c. Hand-delivered or sent by overnight mail to the Financial Crimes Enforcement Network, Attention: Associate Director, Administration & Communications Division, 2070 Chain Bridge Road, Suite 200, Vienna, Virginia 22182; and,

d. Submitted under a cover letter, which references the caption and file number in this matter.

ABN AMRO recognizes and states that it enters into the CONSENT freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by the Financial Crimes Enforcement Network or any employee, agent, or representative of the Financial Crimes Enforcement Network to induce ABN AMRO to enter into the CONSENT, except for those specified in the CONSENT.

ABN AMRO understands and agrees that the CONSENT embodies the entire agreement between ABN AMRO and the Financial Crimes Enforcement Network relating to this enforcement matter only, as described in Section III above. ABN AMRO further understands and agrees that there are no express or implied promises, representations, or agreements between ABN AMRO and the Financial Crimes Enforcement Network other than those expressly set forth or referred to in the Consent and that nothing in the Consent or in this ASSESSMENT is binding on any other agency of government, whether federal, state, or local.

VI. RELEASE

ABN AMRO understands that execution of the CONSENT, and compliance with the terms of this ASSESSMENT and the CONSENT, constitute a complete settlement of civil liability for the violations of the Bank Secrecy Act and regulations issued pursuant to that Act described in the CONSENT and this Assessment.

By: _____
William J. Fox, Director
Financial Crimes Enforcement Network
United States Department of the Treasury

Date: 19-DECEMBER-2005