

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

IN THE MATTER OF:)

DOHA BANK)
NEW YORK BRANCH)
NEW YORK, NEW YORK)

Number 2009-1

ASSESSMENT OF CIVIL MONEY PENALTY

I. INTRODUCTION

Under the authority of the Bank Secrecy Act and regulations issued pursuant to that Act,¹ the Financial Crimes Enforcement Network has determined that grounds exist to assess a civil money penalty against Doha Bank, New York Branch (“Doha New York” or the “Branch”). To resolve this matter, and only for that purpose, Doha New York has entered into a CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY (“CONSENT”) 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

The Branch is a Federal branch of a foreign banking organization, Doha Bank (“Doha Bank”). Doha Bank is a private commercial bank headquartered in Doha, Qatar, which also has branches in Dubai and Kuwait. Doha New York has a single location in New York City. As of September 30, 2008, the Branch had assets of approximately \$138 million. The Office of the Comptroller of the Currency (the “OCC”) is the Branch’s Federal functional regulator and examines the Branch for compliance with the Bank Secrecy Act, its implementing regulations and similar rules under Title 12 of the United States Code.

At all relevant times, the Branch was a “financial institution” and a “bank” within the meaning of the Bank Secrecy Act and the regulations issued pursuant to that Act.²

III. DETERMINATIONS

A. Summary

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

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

Doha New York has a client base that consists primarily of correspondent accounts for Doha Bank and other foreign financial institutions. These foreign financial institutions do business in countries that include jurisdictions presenting a high risk of money laundering and terrorist financing. Prior to February 2006, the Branch processed transactions for foreign money exchanges, either directly for customers or indirectly through correspondents. The Branch provides a range of services that include trade finance, dollar clearing, check clearing, wire transfers, pouch activity, and demand draft services.

Doha New York violated the requirement to establish and implement an adequate anti-money laundering program. Doha New York was previously under a formal enforcement action by the OCC from 1999 through 2001, for failure to have an effective Bank Secrecy Act compliance program and to identify and report suspicious activities. As of September 30, 2005, Doha New York again failed to establish and implement an adequate anti-money laundering program reasonably designed to identify and report suspicious transactions, particularly with respect to wire transfers, pouch activity, and U.S. dollar demand drafts. As a result, the Branch failed to file a substantial number of suspicious activity reports in a timely manner. To address the Branch's Bank Secrecy Act compliance deficiencies, the OCC, by consent, issued a cease and desist order ("Consent Order") to the Branch on September 19, 2006. The OCC continues to assess compliance management and the Branch's progress towards meeting the requirements of the Consent Order. This civil money penalty assessment is the result of deficiencies and transactions that occurred, in large part, at the Branch between May 1, 2004 and January 16, 2007.

B. Violations of the Requirement to Implement an Anti-Money Laundering Program

The Financial Crimes Enforcement Network has determined that Doha New York violated the requirement to establish and implement a reasonably designed anti-money laundering program. Since April 24, 2002, the Bank Secrecy Act and its implementing regulations have required financial institutions to establish and implement anti-money laundering programs.³ A Federal branch of a foreign bank must implement an anti-money laundering program that conforms with the rules of the OCC. Since 1987, the OCC has required a program "reasonably designed to assure and monitor compliance" with reporting and recordkeeping requirements under the Bank Secrecy Act.⁴ Reporting requirements under the Bank Secrecy Act include the requirement to report suspicious transactions.⁵ An anti-money laundering program must contain the following elements: (1) a system of internal controls to assure ongoing compliance; (2) independent testing for compliance; (3) the designation of an individual, or individuals, to coordinate and monitor day-to-day compliance; and (4) training of appropriate personnel.⁶ The Branch failed to implement an adequate system of internal controls to ensure compliance with the Bank Secrecy Act and manage the risk of money laundering or other suspicious activity, or to conduct adequate independent testing to allow for the timely identification and correction of Bank Secrecy Act compliance deficiencies.

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

⁴ 12 C.F.R. § 21.21(b).

⁵ 31 C.F.R. § 103.18.

⁶ 12 C.F.R. § 21.21(c).

1. Internal Controls

Doha New York failed to establish adequate policies, procedures and internal controls reasonably designed to ensure compliance with the Bank Secrecy Act. Doha New York maintained correspondent accounts with institutions that operated in jurisdictions that posed heightened risks of money laundering and terrorist financing. Despite the risk, the Branch did not design and implement internal controls tailored to its high-risk business lines, to enable management of the risk of money laundering and terrorist financing. The Branch conducted business without implementing adequate due diligence procedures⁷ and internal controls, as appropriate and practical, to detect and timely report suspicious activity in wire transfers, pouch activities, or demand drafts. Wire transfer monitoring used a manual, labor-intensive process of reviewing wire transfer message hard copies, which was inadequate for a transaction volume in 2005 of over 350 wire transfers per day, with an annual volume of 84,000 wire transfers totaling approximately \$67 billion. Furthermore, the wire transfer monitoring process reviewed only single transactions, with no consideration of multiple transactions, involving the same parties, over periods of time. Similarly, pouch activity monitoring did not aggregate multiple items payable to the same payee or beneficiary, subjecting only single transactions exceeding \$5,000 to any monitoring. Pouch activity monitoring procedures did not address identification of repeat customers, repeat payors, or other potentially suspicious patterns and trends. Policies toward U.S. dollar demand drafts did not address criteria for opening demand draft relationships with foreign financial institutions, acceptable and unacceptable types of transactions, and criteria for closing demand draft relationships as warranted. Monitoring procedures for demand drafts consisted of the compliance officer occasionally (i.e., every one to three months) reviewing only those transactions that exceeded a \$10,000 threshold.

2. Independent Testing

Doha New York's independent testing of its Bank Secrecy Act program was not effective. Audits of the program primarily relied on a questionnaire completed by the compliance officer or deputy general manager. The scope of transaction testing at the Branch was insufficient to ensure compliance with the reporting requirements of the Bank Secrecy Act, being limited to a review of records generated pursuant to the Bank Secrecy Act, instead of assessing the overall adequacy of the program. The lack of sufficient transaction testing limited the Branch's ability to assess the adequacy of its suspicious activity monitoring in high-risk, high-volume areas such as wire transfers, pouch activity, and demand drafts. Procedures for transaction testing of these areas were inadequate or nonexistent.

C. Violations of the Requirement to Report Suspicious Transactions

The Financial Crimes Enforcement Network has determined that Doha New York violated the suspicious transaction reporting requirements of the Bank Secrecy Act and regulations issued pursuant to that Act.⁸ These reporting requirements impose an obligation on financial institutions to report transactions that involve or aggregate to at least \$5,000, are conducted by, at, or through the financial institution, and that the institution "knows, suspects or

⁷ 31 C.F.R. § 103.176.

⁸ 31 U.S.C. § 5318(g) and 31 C.F.R. § 103.18.

has reason to suspect” are suspicious.⁹ 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 the background and possible purpose of the transaction.¹⁰

Banks must report suspicious transactions by filing suspicious activity reports and must generally do so no later than thirty (30) calendar days after detecting facts that may constitute a basis for filing such reports.¹¹ If no suspect was identified on the date of detection, a bank may delay the filing for an additional thirty (30) calendar days in order to identify a suspect, but in no event may the bank file a suspicious activity report more than sixty (60) calendar days after the date of initial detection.¹²

The absence of effective internal controls and independent testing at the Branch resulted in numerous violations of the requirement to timely report suspicious transactions over an extended period of time. The Branch lacked adequate policies, procedures and controls necessary to monitor for, detect and timely report suspicious activity, as required by the Bank Secrecy Act. As a result, the Branch filed 610 late suspicious activity reports involving suspicious transactions totaling approximately \$7.4 billion. All 610 were filed from January 2004 through January 2009, representing 89% of the 685 suspicious activity reports filed by the Branch during that time period. Five hundred sixty-four of these late suspicious activity reports, reporting transactions totaling approximately \$6.5 billion, were filed as a result of the transaction review required under the Consent Order. Moreover, Doha New York processed a substantial volume of funds transfers that should have been identified as suspicious transactions including transactions involving entities with potential connections to terrorist financing and/or in jurisdictions that posed heightened risk of terrorist financing. These suspicious transactions were reported years after the activity took place. The resulting delays impaired the usefulness of the suspicious activity reports by not providing law enforcement with timely information related to approximately \$7.4 billion in suspicious transactions.

IV. CIVIL MONEY PENALTY

Under the authority of the Bank Secrecy Act and the regulations issued pursuant to that Act,¹³ the Financial Crimes Enforcement Network has determined that a civil money penalty is due for violations of the Bank Secrecy Act and the regulations implementing that Act, as described in this ASSESSMENT.

Based on the seriousness of the violations at issue in this matter, and the financial resources available to Doha New York, the Financial Crimes Enforcement Network has determined that the appropriate penalty in this matter is \$5,000,000.

⁹ 31 C.F.R. § 103.18(a)(2).

¹⁰ 31 C.F.R. § 103.18(a)(2)(i)-(iii).

¹¹ 31 C.F.R. § 103.18(b)(2).

¹² 31 C.F.R. § 103.18(b)(3).

¹³ 31 U.S.C. § 5321 and 31 C.F.R. § 103.57.

V. CONSENT TO ASSESSMENT

To resolve this matter, and only for that purpose, Doha New York, 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 in the sum of \$5,000,000. This penalty assessment shall be concurrent with a \$5,000,000 civil money penalty assessed by the OCC against Doha New York, and shall be satisfied by one payment of \$5,000,000 to the Department of the Treasury.

Doha New York 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 Doha New York to enter into the CONSENT, except for those specified in the CONSENT.

Doha New York understands and agrees that the CONSENT embodies the entire agreement between the Branch and the Financial Crimes Enforcement Network relating to this enforcement matter only, as described in Section III above. Doha New York further understands and agrees that there are no express or implied promises, representations, or agreements between the Branch and the Financial Crimes Enforcement Network other than those expressly set forth or referred to in this document 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

Doha New York understands that execution of the CONSENT, and compliance with the terms of this ASSESSMENT and the CONSENT, constitute a complete settlement and release of the Branch's civil liability for the violations of the Bank Secrecy Act and regulations issued pursuant to that Act as described in the CONSENT and this ASSESSMENT.

By:

/s/

James H. Freis, Jr., Director
FINANCIAL CRIMES ENFORCEMENT NETWORK
U.S. Department of the Treasury

Date: _____

April 20, 2009