

# AML Intelligence

## 2021 Financial Crime Fines Review

January 2022



# 2021, A Year in Review

2021 was a pretty quiet year on the regulatory fines front compared to previous years with €9.5 billion meted out to organisations around the world compared to €20 billion in 2020. Again we have categorised the fines along the following lines;

- AML Breaches
- Corruption, Bribery, Fraud
- Sanctions Violations.

Corruption, bribery and fraud fines came in first again with total fines of €5.8 billion, the highest being a €2 billion fine against Boeing for fraud conspiracy charges. This compares to €9 billion in 2020. It is interesting to note that Boeing's greatest rival, Airbus, was the recipient of last year's highest fine of €4 billion for bribing public officials and hiding the payments as part of a pattern of worldwide corruption.

Will these mammoth fines be enough to eradicate corruption in the Aviation sector in the years to come? We shall see.

AML fines were notably down by almost 77% from €11.5 billion in 2020 to just €2.6\* billion in 2021. These fines are mostly meted out to banks for deficiencies and failures with their AML policies, procedures and processes.

The largest fine resulted from the continuing 1MDB scandal. It was dished out to Malaysian based AMBank to the tune of €580 million. It was interesting to note that the previous year's largest fines to Goldman Sachs, for a combined €6 billion, were 1MDB related also.

So can we deduce that the banks are finally getting their act together to stem the flow of dirty money into the banking system or is that just wishful thinking?

They are certainly investing huge time and resources to strengthen their compliance and this is evidenced by the projected spend of \$214 billion on financial crime compliance according to a report by LexisNexis Risk Solutions , surpassing the \$180 billion spent in 2020.

There is also evidence that the time of the compliance function has arrived with senior executives beginning to take seats in the bank boardrooms. Each decade sees a particular profession rising through the ranks and this decade will see ambitious GRC personnel assume more leadership positions within banking and the broader financial services and regulated sectors.

So if the flow of dirty money is being slowly squeezed out of the international banking system, it begs the question – where is it being diverted to? The simple answer is that it moves to other sectors or industries with lower levels of AML checks like cryptocurrencies where it can be much easier to obscure the source of criminal proceeds and corruption.

And as we reported in AML Intelligence last year, real estate money laundering is of growing importance as a conduit to wash dirty money by the Kleptocrats', international drug and people traffickers, and their armies of professional enablers. The USA is the destination of choice for this type of activity primarily because it is America, but also because it is easier than washing dirty money through the banks, as real estate professionals are not required to identify the beneficial ownership in most transactions.

Money laundering is also being enabled by some of the very people and organisations who are tasked with preventing it in the first place – namely the companies houses and registries throughout the world who are the curators of the UBO registers. Yet they seem incapable of preventing wide-scale illegal activity by allowing anonymous individuals to set up companies without having to verify their identities.

This is a preposterous situation and has facilitated money laundering on an industrial scale. The UK's National Crime Agency has estimated that as much as £90 billion is laundered through the UK's financial system each year including using fake companies at Companies House.

These fake companies are then used for a multitude of financial crimes including trade based money laundering .The lack of proper KYC checks also allow fraudsters to set up fake companies to perpetrate financial crimes using identities stolen from their oblivious victims.

The most frustrating thing is that it should be relatively easy to prevent, by introducing and enforcing robust KYC checks for new company formations, including Digital ID verification of all directors and owners.

The USA remains the global enforcer through their Treasury and Justice Departments and their enforcement agencies, such as Fincen, OFAC and MLARS. They accounted for over 39% of overall fines for 2021 and a whopping 74% by value .

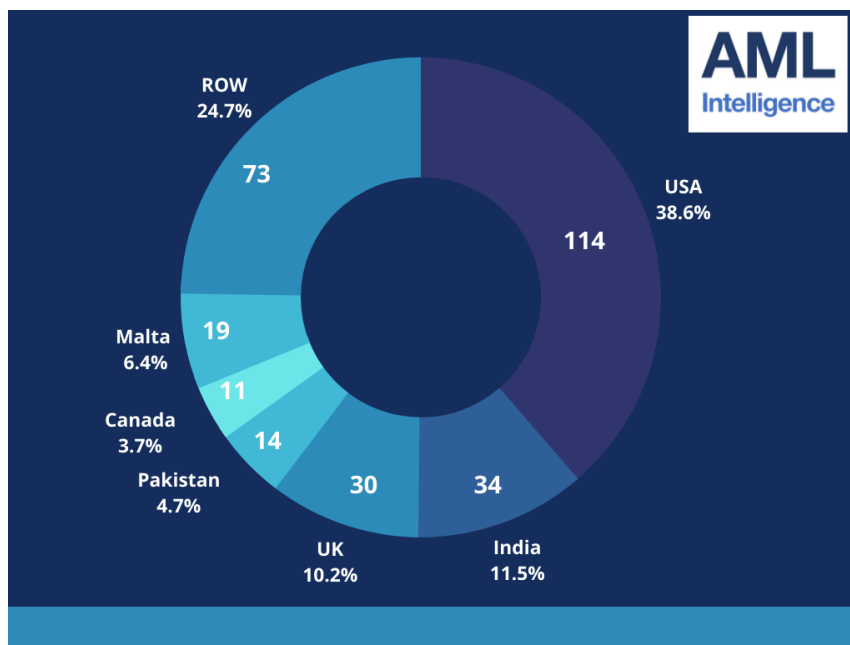
***Best wishes for 2022***

*James Theacy*

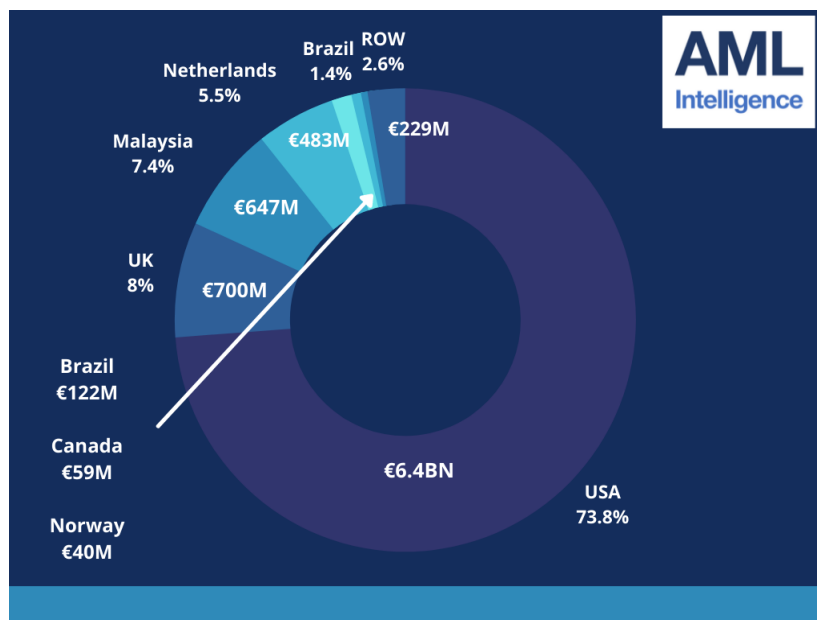
*AML Intelligence Managing Director*



### *% Fines per country in 2021*



### *Country fines by amount in 2021*

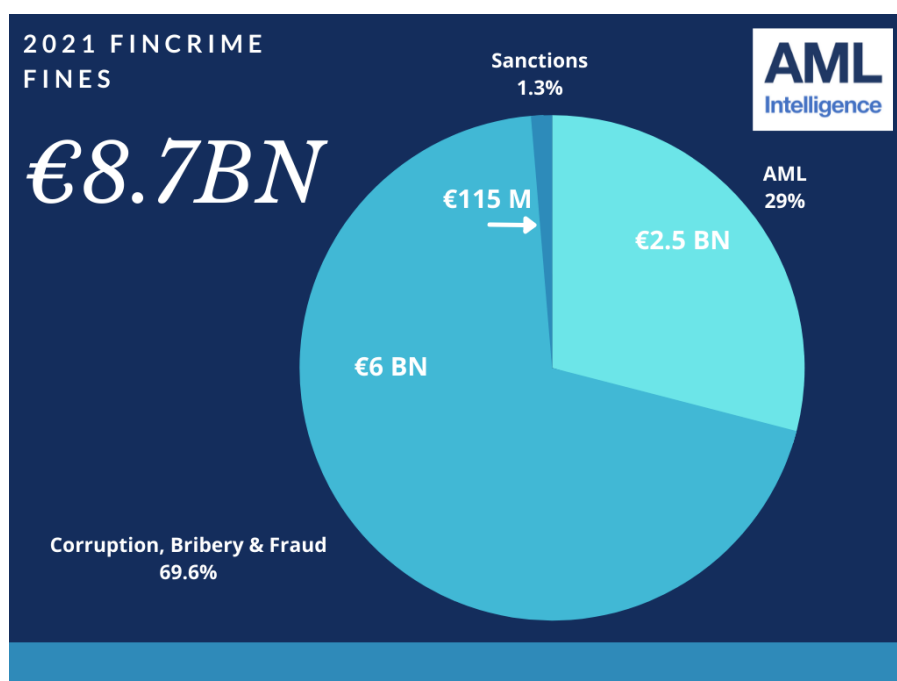


## 2021 Fine Breakdown

In 2021, 295 total FinCrime fines totalling **€8.7BN\*** were handed out, reducing from a record €20BN in 2020, representing a 56.5% decrease.

Of this €8.7BN, Corruption, Bribery and Fraud account of **69.6%** of total fines, amounting to over €6BN\*.

Data collected by AML Intelligence shows there were a total of 67 fines given out in 2021, falling under the Corruption, Bribery and Fraud categories.



AML fines accounted for 29% of total global fines, with €2.5BN\*\* mandated for financial firms. Sanctions represented just 1.3% of total fines with €115M ordered to be paid.

*\*\* The UBS fine of €1.8BN was not included in 2021 AML fine reports, due to its original prosecution date of 2019, and was counted as part of the 2019 calendar year*

*Total Global Fines \*: €8,703,640,415*

*Corruption, Bribery & Fraud Fines \* €6,058,723,121*

*AML Fines\*: €2,529,794*

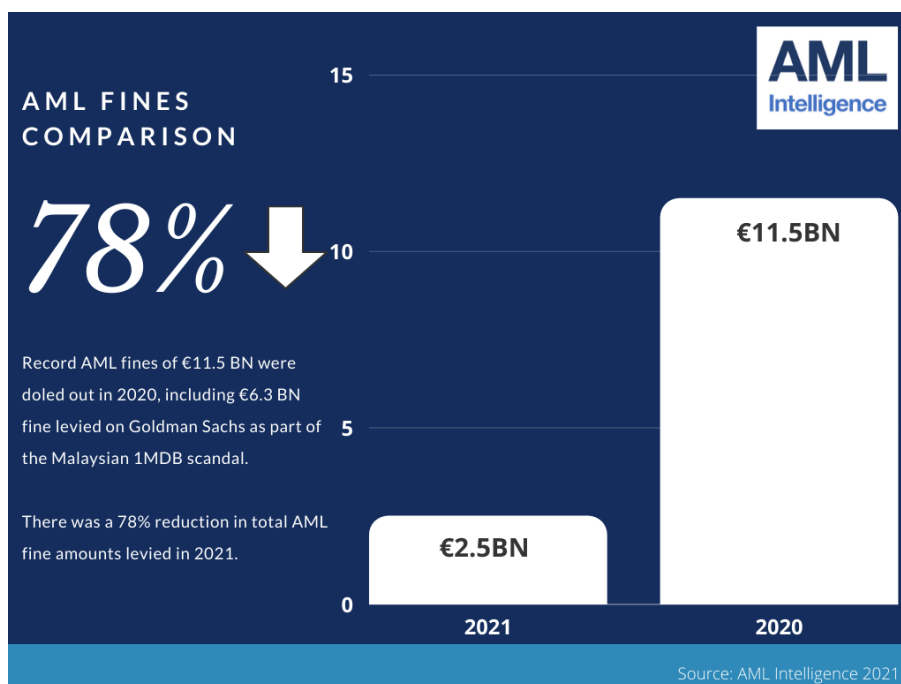
*Sanctions\*: €115,697,500*

## AML Fines 2021

Record-breaking Anti-Money Laundering fines of **€11.5 Billion** were given out in 2020.

Three cumulative fines levied on Goldman Sachs as part of the Malaysian 1MDB scandal made up a whopping **€6.3 Billion**.

In comparison to 2020, AML fines in 2021 decreased by **78%**, with a total of **€2.5 Billion\*** doled out.



Data from AML Intelligence recorded 210 fines given out worldwide, with the United States representing the vast majority of fines (43), followed by India (27), Malta (18), the UK (17), Pakistan (14), Canada (11) and Hong Kong (9).

*\*\* The UBS fine of €1.8BN was not included in 2021 AML fine reports, due to its original prosecution date of 2019, and was counted as part of the 2019 calendar year*

## Some of the world's largest AML fines were given to global banking players including:

- ☐ AMBank Malaysia, who were fined €580 Million for its alleged role in the multi-billion dollar 1MDB scandal
- ☐ Dutch banking giant, ABN AMRO, was fined €480 Million for its AML shortcomings
- ☐ NatWest was fined €310 Million for alleged money laundering at a number of its UK branches
- ☐ Capital One was slapped with a €240 Million fine for its AML breaches under the US Bank Secrecy Act (BSA)



## Corruption, Bribery & Fraud

A total of 67 fines related to corruption, bribery and fraud were handed out across the world in 2021. These fines totalled a whopping €6BN\*.

Some of the largest fines include:

- ☐ Boeing was hit with a €2.2BN fine over the Boeing 737 Max fraud conspiracy
- ☐ Taro Pharmaceuticals was hit with a €405M fine in relation to 'price-fixing' of generic drugs
- ☐ Western Union was slapped with a €308M fine in connection with a major fraud scheme

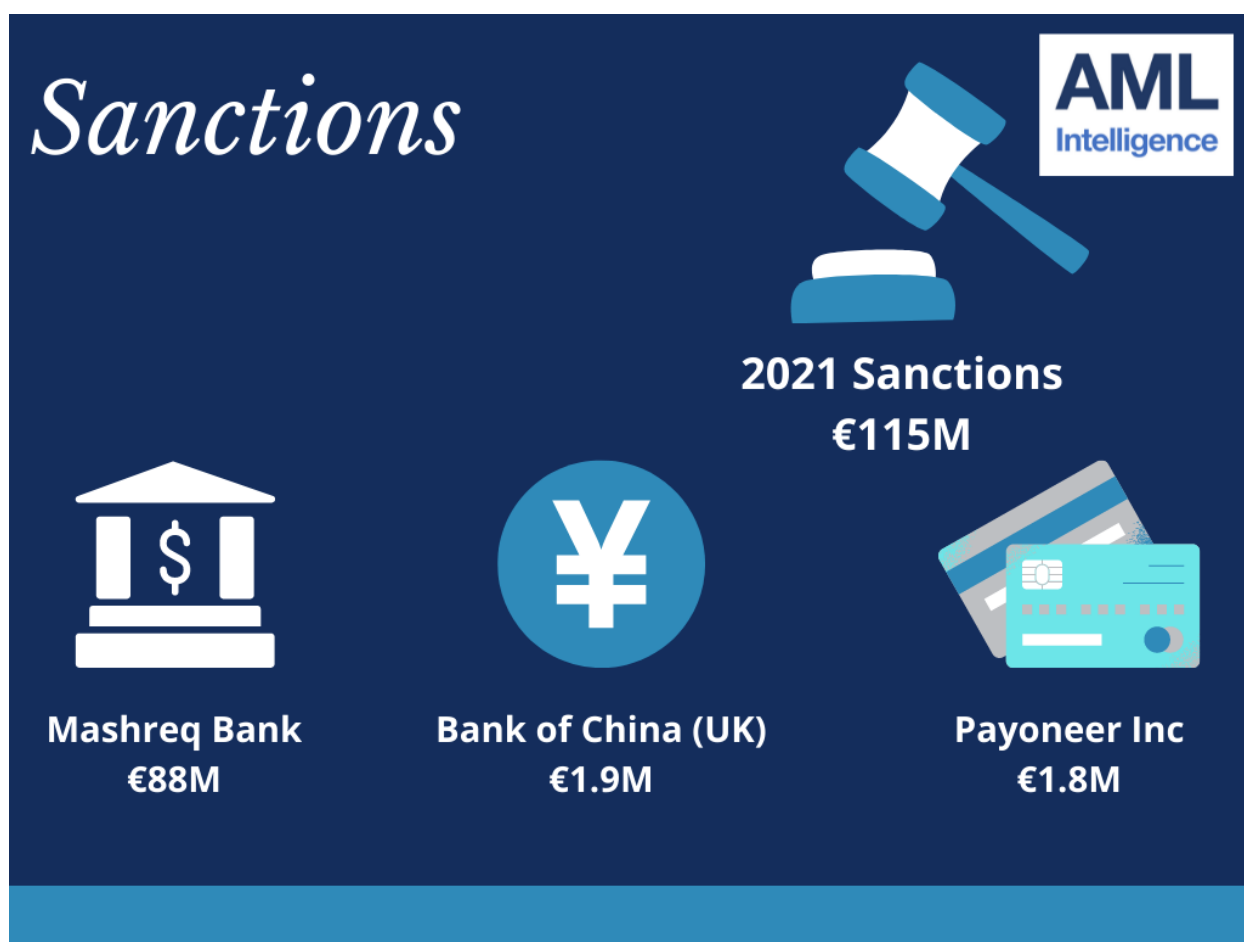


## Sanctions

A total of 17 sanctions were handed out to firms and banks across the world in 2021, representing €115M.

The biggest sanctions were given to:

- ☐ Mashreq Bank, who were sanctioned in relation to Sudan violations
- ☐ Similarly, the Bank of China was hit with a €1.9M fine over Sudan violations
- ☐ Payoneer was given a €1.8M sanction, after it processed payments for parties located in Iran, Sudan and Syria, as well as processing payments for sanction persons on OFAC's SDN list.



## Conclusion

2021 was a year we won't forget quickly. The economic and societal impact of the COVID-19 Pandemic has sent shockwaves through all sectors of society.

Whilst fines given to financial institutions have decreased in comparison to the bumper 2020 year, 2021 still remains in the top three years of enforcement.

The United States leads the charge for fines and sanctions, representing a massive 38.4% of total fines, and collecting €6.4BN from offenders.

The use of fines and sanctions will continue to play a major role in enforcement of AML, FinCrime and Compliance regulations, but to what extent do fines become normalised and part of everyday banking culture?

Financial Crime is a multi-trillion dollar business, it seeps through our society, causing blight to our financial institutions and financial sector.

By recognising the importance of improving financial culture, regulations and moving from a 'tick-the-box' mentality to a risk-based approach, rather than relying on hefty fines, the financial sector can improve its security and reputation against financial crime.

## **About us**

AML Intelligence is the fastest growing business intelligence site in the world, with over 70,000 international readers per month.

Established in June 2020 by AMLi Co-Founders Stephen Rae and James Treacy, AML Intelligence brings breaking news, insight and analysis to professionals in the FinCrime and Compliance space daily.

As an AML Intelligence subscriber, you receive:

- ☐ Latest Analysis, Opinion, Interviews and Breaking News
- ☐ Newsletters
- ☐ Global Bank Fines & Penalties Database
- ☐ FREE ACCESS to our AMLi Boardroom Series

Our website is updated hourly to include the latest breaking news, as well as regulatory watch sanctions and fines from across the world.

We have a number of Enterprise Licence Agreements with several global banks, allowing their regional, global and functional AFC, AML and Compliance teams full access to all our premium content and free access to our conferences.

*If you would like further information on the benefits of corporate membership, please contact AML Intelligence Managing Director James Treacy at **[jtreacy@amlintelligence.com](mailto:jtreacy@amlintelligence.com)***