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Commerzbank Pays \$1.45 Billion To Settle U.S. Criminal Case, Defer Prosecution

Commerzbank AG is paying a whopping [\\$1.45 billion](#) to settle a host of charges from U.S. authorities over [U.S. sanctions and banking violations](#). The bank is headquartered in Frankfurt but operates in the U.S. and elsewhere. The elsewhere turns out to include transactions with sanctions-ridden parts of the world like Iran and Sudan. Commerzbank appears to have had a kind of no-questions asked policy. In numerous instances, if red flags were raised internally about sanctions-violating deals or fraud, they were covered up.

The bank faced a separate probe related to accounting fraud at Olympus Corp., a Japanese maker of cameras and endoscopes. Olympus became a \$1.7 billion-accounting scandal in 2011. Now, Commerzbank AG and its U.S. affiliate have agreed to forfeit \$563 million, pay a \$79 million fine, and enter into a [deferred prosecution agreement](#) with the Justice Department for violations of the International Emergency Economic Powers Act (IEEPA) and the Bank Secrecy Act (BSA). The bank entered into settlement agreements with the Treasury Department's Office of Foreign Assets Control (OFAC) and the Board of Governors of the Federal Reserve System



Commerzbank also agreed to a cease and desist order from the Board of Governors of the Federal Reserve System. Moreover, the bank must take certain remedial steps to ensure its compliance with U.S. law in its ongoing operations. There's a civil penalty of \$200 million there too.

There is also a deal with the New York State Department of Financial Services, under which Commerzbank is paying a penalty of \$610 million. OFAC has levied a fine of \$258.6 million, which will be satisfied by payments made to the Justice Department. If one adds up all the payments, Commerzbank will pay a total of \$1.45 billion in penalties.

In entering the deferred prosecution agreement, Commerzbank admitted its criminal conduct, agreeing to pay \$263 million in forfeiture and a fine of \$79 million for the IEEPA violations, and to pay \$300 million in forfeiture in connection with the BSA violations. Commerzbank also agreed to implement rigorous internal controls and to cooperate fully with the Justice Department, including by reporting criminal conduct by employees.

Some of the money, \$300 million, will go to victims of the Olympus fraud. Between 1999 and 2010, a total of more than \$1.6 billion in furtherance of the Olympus fraud was cleared through Commerz New York. Commerz New York failed to take action concerning Olympus or any of the Olympus-related entities until November of 2013, years after the fraud was revealed.

Commerzbank was charged with knowingly and willfully conspiring to commit violations of these laws, willfully failing to have an effective anti-money laundering program, willfully failing to conduct due diligence on its foreign correspondent accounts, and willfully failing to file suspicious activity reports. Commerzbank admitted that it violated New York State law by falsifying records.

Under the BSA, a financial institution is required to detect and report suspicious activity. Commerzbank and Commerz New York failed to conduct adequate due diligence or to obtain “know your customer” information which helps guard against money laundering.

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