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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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October 24, 2019

Mr. Michael L. Corbat
Chief Executive Officer
Citigroup Inc.
388 Greenwich Street
New York, NY 10013

Dear Mr. Corbat:

On October 15, 2019, Turkish state bank Halkbank was charged with fraud, money laundering, and sanctions evasion related to the bank's participation in a multibillion-dollar scheme to evade U.S. sanctions on Iran.¹ This indictment comes in the wake of related charges by the Department of Justice against nine individual defendants, including bank employees, the former Turkish Minister of the Economy, and other participants in the scheme.

According to court documents, Halkbank directly and indirectly allowed the Government of Iran and sanctioned entities to circumvent the prohibition on their access to the United States financial system by using front companies located in third countries like Turkey and the United Arab Emirates, the creation of falsified invoices, and the transmission of false and/or incomplete wire payment instructions.

Through this scheme, Halkbank and the co-conspirators concealed from U.S. financial institutions that international financial transfers appearing to be on behalf of Turkish and Emirati counterparties were, in fact, on behalf of and for the benefit of the Government of Iran and sanctioned entities. The co-conspirators caused numerous U.S. financial institutions to violate U.S. sanctions by causing them to unknowingly conduct these international financial transactions through U.S. correspondent accounts located in New York and elsewhere, and export financial services to the Government of Iran and to agents or affiliates of the Iran Revolutionary Guard Corps.²

Although not specifically identified in the indictments, court records identify eight "victim banks," U.S. financial institutions tricked into processing barred transactions on behalf of Halkbank and their coconspirators. The identified banks are Deutsche Bank, Bank of America, JP Morgan Chase, Citibank, HSBC, Standard Chartered, UBS, and Wells Fargo.³ I am writing

¹ Turkish Bank Charged in Manhattan Federal Court for Its Participation in a Multibillion-dollar Iranian Sanctions Evasion Scheme, Department of Justice Press Release, Oct. 15, 2019; <https://www.justice.gov/opa/pr/turkish-bank-charged-manhattan-federal-court-its-participation-multibillion-dollar-iranian>.

² United States vs. Atilla, 15 Cr. 867 RMB, (S.D.N.Y. 2017).

³ Letter from Joon H. Kim, Acting U.S. Attorney to Richard Berman, U.S. District Judge, Re. United States v. Reza Zarrab, a/k/a "Riza Sirraf," S2 15 Cr. 867 (RMB), March 27, 2017.

seeking more information from you about the barred transactions in which your financial institution may have participated.

As Ranking Member of the Senate Finance Committee, which has broad jurisdiction over U.S. international trade policy, I have a particular interest in the integrity of correspondent banking services. Correspondent banking services and related cross-border payments are a critical part of the global trade system. The ability to send and receive cross-border payments enables businesses to serve customers abroad, or to buy goods from suppliers abroad.⁴

Most cross-border payments flow through a complex and opaque correspondent banking network, and these payments are difficult for banks to administer and costly for consumers, particularly when compared to domestic payments. The complexity of the cross-border system is not only frustrating for legitimate trade and business, but also provides a vehicle for abuse. Risks associated with money laundering and terrorist financing are heightened in cross-border transactions, and the alleged Halkbank scheme is a clear example of exploitation of this system for such illegitimate purposes.

To assist my review, please provide the following information.

1. Please describe your bank's relationship with Halkbank and any correspondent banking services provided to Halkbank, including any alleged co-conspirators as identified by Department of Justice filings.
2. Please describe your bank's due diligence policies, procedures, and controls as they related to Halkbank.
3. Did your bank process any prohibited financial transactions on behalf of Halkbank and its alleged co-conspirators? If so, please identify the branch office(s), and provide the number of transactions, the approximate value, and the time period covered.
4. For any branch or branches identified in 3, please describe any independent testing for anti-money laundering compliance conducted by independent bank personnel or by an outside party at any time during which the prohibited transactions were occurring. Were any U.S. dollar transactions independently reviewed as part of the testing, if so, how many?

The following questions refer to your bank's correspondent banking practices generally and are not limited to transactions related to Halkbank.

5. How many U.S. dollar foreign correspondent banking relationships does your bank currently maintain? In each of the past three years, how many new U.S. dollar correspondent banking relationships have been established? In each of the past three years, how many U.S. dollar correspondent banking relationships have been terminated? For each terminated correspondent banking relationship, please identify the financial institution, and the jurisdiction in which it operates.

⁴ See, e.g., New Correspondent Banking Data – The Decline Continues, available at https://www.bis.org/cpmi/paysysinfo/corr_bank_data/corr_bank_data_commentary_1905.htm.

6. Please provide the approximate number of U.S. dollar wire transfers provided to correspondent account holders by your bank on an annual basis.
7. Please describe your bank's practices for verifying the accuracy of any information contained in wire transfer records, including payment instructions, identity of originator, identity of beneficiary, and any other related data.⁵
8. Please describe your bank's practices for conducting independent testing for anti-money laundering compliance for correspondent accounts. Please estimate the number of individual U.S. dollar transactions reviewed for accuracy as a part of any such testing on an annual basis.
9. Beginning in 2018, U.S. financial institutions must establish and maintain procedures designed to identify and verify the beneficial owners of legal entity customers as part of the bank's anti-money laundering program. Do the foreign financial institutions with which your bank has a correspondent relationship conduct the same level of due diligence of legal entity customers? If not, how does your bank account for the increased risk of money laundering and the abuse of anonymous shell companies when providing correspondent banking services to customers in these jurisdictions?
10. Is your bank subject to any deferred prosecution agreement related to its correspondent banking activities? If so, please describe.
11. Has your bank entered into any settlement agreement with the U.S. Department of Treasury's Office of Foreign Asset Control since 2009? If so, please describe.

Please provide answers to these questions no later than November 20, 2019. Thank you for your attention to this matter.

Sincerely,



Ron Wyden
Ranking Minority Member

⁵ Please include information about all records retained related to wire transfers, including, but not limited to, those required by 31 CFR 1020.410.