

Lloyds TSB Bank Agrees to Forfeit \$350 Million For Violations of IEEPA

Lloyds TSB Bank plc (Lloyds Bank), a financial institution registered and organized under the laws of England and Wales and headquartered in London, agreed to forfeit a total of \$350 million, \$175 million to the United States in connection with violations of the International Emergency Economic Powers Act (IEEPA), and \$175 million to the New York County District Attorney's Office. This is an extremely large fine for violation of the Iran, Sudan and other sanctions regulations, and it points to an increased interest in deterring conduct by financial intermediaries that facilitates the export of critical products and services to prohibited countries.¹

The criminal information² and 24-month deferred prosecution agreements with the Department of Justice and the New York County District Attorney's Office³ are of particular significance for the following reasons:

- Lloyds Bank is incorporated in the UK. The case illustrates the willingness of the Department of Justice and other domestic enforcement agencies to prosecute foreign persons who aid and abet violations of U.S. sanctions regulations and state criminal laws and to seek substantial penalties in serious cases.
- The forfeiture amount was based on the "transaction amounts", namely, the total value of the banking transactions that the government concluded violated IEEPA.
- Lloyds Bank agreed to conduct a complete compliance review regarding all transactions from April 2002 through December 2007, and also agreed to enhance its sanctions compliance program.

The Factual Statement filed with the Court alleges that beginning as early as 1995 and until January 2007, Lloyds Bank falsified outgoing wire transfers from the UK to the U.S. that involved countries or persons on U.S. sanctions lists, especially involving Iran or Sudan, stripping out information that would alert U.S. banks to the origin of the funds. The criminal information alleges that the conduct by Lloyds Bank was designed to facilitate and assist its customers in evading U.S. economic sanctions laws.

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If you have any questions about the issues addressed in this memorandum or if you would like a copy of any of the materials mentioned, please do not hesitate to call or email David Kelley at 212.701.3050 or dkelley@cahill.com; Jon Mark at 212.701.3100 or jmark@cahill.com; John Schuster at 212.701.3323 or jschuster@cahill.com; Rand McQuinn at 202.862.8932 or mcquiR@cgrdc.com; or Kathy Strom at 202.862.8644 or stromk@cgrdc.com.

¹ The Treasury Department's Office of Foreign Assets Control (OFAC) is continuing to investigate this matter. Lloyds does not believe that there will be any payment to OFAC, since the amount paid to the United States Department of Justice and the New York County District Attorney's Office will be credited towards satisfying any further penalty by OFAC. Lloyds TSB Press Release, dated 9 January 2009.

² United States v. Lloyds TSB Bank Plc, Criminal No. CR-09-007 (D.D.C. Jan. 9, 2009), Joint Motion for Approval of Deferred Prosecution Agreement and Exclusion of Time Under the Speedy Trial Act (includes form of Deferred Prosecution Agreement with the Department of Justice and Criminal Information), available at http://www.usdoj.gov/criminal/pr/press_releases/2009/01/01-09-09lloyds-attachment.pdf

³ Lloyds Bank concurrently entered into deferred prosecution agreements with each enforcement agency. The Deferred Prosecution Agreement with the New York County District Attorney's Office is available at http://graphics8.nytimes.com/images/2009/01/10/business/DANY_DPA_Final.pdf