

United States Senate

WASHINGTON, DC 20510

December 13, 2018

The Honorable Mike Crapo
Chairman
Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Crapo:

Over the past several years, Deutsche Bank has been the subject of numerous enforcement actions in the in the United States and abroad,¹ and just weeks ago the bank's head office and other locations in Frankfurt were raided by 170 police officers and tax investigators as part of a money laundering probe.²

Given the Committee's jurisdiction over banking regulatory enforcement, Deutsche Bank's history of regulatory problems, and the recent allegations of money laundering that resulted in the recent raid conducted by German law enforcement, we request that the Banking Committee undertake an investigation into Deutsche Bank and its compliance with the Bank Secrecy Act (BSA) and Anti Money Laundering (AML) regulations.

The compliance history of this institution raises serious questions about the national security and criminal risks posed by its U.S. operations. This is particularly so, given its history of inadequate risk management and compliance policies and controls, poor corporate culture, the nature and scale of its activities in Russia, and the fact that its correspondent banking operations in the U.S. serve as a gateway to the U.S. financial system for Deutsche Bank entities around the world. In addition to actions related to the BSA and AML, the Federal Reserve, the New York Department of Financial Services and the UK Financial Conduct Authority brought actions against the bank for its role in facilitating suspicious transactions resulting in the movement of about \$10 billion - - generated by unknown Russians behind anonymous shell corporations -- out of Russia over a

¹ For example, in April 2015, the CFTC issued an Order to settle charges that Deutsche Bank routinely engaged in acts of false reporting and attempted manipulation and, at times, succeeded in manipulating the LIBOR and Euribor interest rate benchmarks. The same month, DB Group Services (UK) Limited, a wholly owned subsidiary of Deutsche Bank AG, agreed to plead guilty to wire fraud for its role in manipulating the LIBOR. Deutsche Bank entered into a deferred prosecution agreement to resolve wire fraud and antitrust charges, in connection with its alleged role in manipulating the U.S. Dollar LIBOR and engaging in a price-fixing conspiracy to rig the Yen LIBOR. Together, Deutsche Bank and its subsidiary paid \$775 million in criminal penalties. In 2015, Deutsche Bank AG agreed to pay \$258 million to New York and U.S. banking regulators for violating U.S. sanctions against Iran, Libya, and Syria. And in February 2018, the CFTC issued an Order filing and settling charges against Deutsche Bank Securities Inc. for attempted manipulation of the ISDAFIX benchmark and requiring DBSI to pay a \$70 million civil monetary penalty.

² Kottasova, Ivanka. "Deutsche Bank headquarters raided in Panama Papers Probe" CNN Business, November 30, 2018. <https://www.cnn.com/2018/11/29/business/deutsche-bank-police-raid/index.html>

four year period.³ Deutsche Bank has yet to provide a detailed explanation of those transactions, the parties involved, and how and why it facilitated them.⁴

We are particularly concerned with Deutsche Bank's role in correspondent banking - particularly the question of whether Deutsche Bank's relationships with foreign institutions are allowing these foreign institutions and their customers access to the U.S. banking system.

For many years, correspondent banking has been recognized as a vulnerable pathway for the movement of illicit funds on behalf of terrorists, drug traffickers, corrupt officials, and fraud operations. The September 11, 2001 terrorist attacks⁵ and the 2012 federal consent orders and settlements with the Hong Kong Shanghai Bank Corporation (HSBC), among other examples, demonstrate that criminal networks continue to launder money with the help of correspondent banking.⁶ Title III of the Patriot Act established standards that institutions must follow in their correspondent banking operations and international anti-money laundering organizations have also focused on this activity as a key area of risk. But, these laws have not fully addressed problems.

Just this year, news outlets reported that Deutsche Bank, along with several other financial institutions, served as correspondent banks for ABLV, a Latvian Bank that Treasury's Financial Crimes Enforcement Network (FinCEN)⁷ found was laundering money and evading sanctions against North Korea. The correspondent banking relationship between ABLV and these financial institutions allowed money to move more easily between the Latvian bank and the U.S. financial markets.⁸ But ABLV is not the only example of how Deutsche Bank's correspondent banking relationships have been implicated in money laundering schemes. In November, the Wall Street Journal reported that an internal review found that Deutsche Bank handled about \$150 billion of

³ Shotter, James, Kara Scannell, and Caroline Binham, "Deutsche Bank pays \$630m to settle Russian mirror trades probe," Financial Times, January 31, 2017. <https://www.ft.com/content/5bc8008a-e722-11e6-967b-c88452263daf>

⁴ Caesar, Ed. "Deutsche Bank, Mirror Trades, and More Russian Threads" The New Yorker, March 29, 2017, <https://www.newyorker.com/business/currency/deutsche-bank-mirror-trades-and-more-russian-threads>

⁵ National Commission on Terrorist Attacks upon the United States, Kean, T. H., & Hamilton, L. (2004). The 9/11 Commission report: Final report of the National Commission on Terrorist Attacks upon the United States. Washington, D.C.: National Commission on Terrorist Attacks upon the United States. https://govinfo.library.unt.edu/911/staff_statements/911_TerrFin_App.pdf

⁶ Committee on Homeland Security and Governmental Affairs. U.S. Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing HSBC Case History. Washington, D.C: United States Senate, 2017. [https://www.hsgac.senate.gov/imo/media/doc/PSI%20REPORT-HSBC%20CASE%20HISTORY%20\(9.6\).pdf](https://www.hsgac.senate.gov/imo/media/doc/PSI%20REPORT-HSBC%20CASE%20HISTORY%20(9.6).pdf)

⁷ The release can be found at: <https://www.fincen.gov/news/news-releases/fincen-names-ablv-bank-latvia-institution-primary-money-laundering-concern-and>


⁸ Hinshaw, Drew, Patricia Koswsmann, and Ian Talley "How a Tiny Latvian Bank Became a Haven for the World's Dirty Money," The Wall Street Journal, March 26, 2018. <https://www.wsj.com/articles/how-a-tiny-latvian-bank-became-a-haven-for-the-worlds-dirty-money-1522083261>

“potentially suspicious” transactions tied to Danske Bank, the largest financial institution in Denmark, implicating it in a \$230 billion money laundering scheme.⁹


In light of the Committee’s recent hearings and discussion of enacting legislation to modify the Bank Secrecy Act and Anti-Money Laundering statutes, we believe that additional hearings should be held to better assess the adequacy of existing anti-money laundering safeguards. A case study of the history of Deutsche Bank’s compliance problems, with a focus on its correspondent banking operations, would provide Committee members with detailed examples that would help them better understand the nature and scope of such risks, and what is needed to prevent them. To that end, we request that, in the new Congress, you support a thorough, detailed bipartisan Committee investigation into Deutsche Bank’s compliance history, with a focus on its correspondent banking operations and vulnerabilities to money laundering, to be followed by a report and hearing.

We thank you for your attention to this issue and look forward to working with you on these matters.

Sincerely,



Chris Van Hollen
United States Senator



Elizabeth Warren
United States Senator

⁹ Strasburg, Jenny and Patricia Kowsman. “*Deutsche Bank Handled \$150 Billion of Potentially Suspicious Flows Tied to Danske*,” The Wall Street Journal, November 20, 2018. <https://www.wsj.com/articles/deutsche-bank-handled-150-billion-of-potentially-suspicious-flows-tied-to-danske-1542724703>