



# Department of Justice

FOR IMMEDIATE RELEASE  
MONDAY, SEPTEMBER 17, 2007  
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CRM  
(202) 514-2008  
TDD (202) 514-1888

## **UNION BANK OF CALIFORNIA ENTERS INTO DEFERRED PROSECUTION AGREEMENT AND FORFEITS \$21.6 MILLION TO RESOLVE BANK SECRECY ACT VIOLATIONS**

WASHINGTON – Union Bank of California, N.A., a wholly-owned subsidiary of UnionBanCal Corporation, based in San Francisco, has entered into a deferred prosecution agreement on charges of failing to maintain an effective anti-money laundering program and will forfeit \$21.6 million to the U.S. government, Assistant Attorney General Alice S. Fisher of the Criminal Division and Drug Enforcement Administration Administrator Karen Tandy announced today.

A criminal information filed today at the U.S. District Court for the Southern District of California in San Diego charges Union Bank of California with one count of failing to maintain an effective anti-money laundering program. Union Bank of California waived indictment, agreed to the filing of the information, and accepted and acknowledged responsibility for its conduct in a factual statement accompanying the information. The company will pay \$21.6 million to the United States to settle forfeiture claims held by the government. In light of the bank's significant remedial actions to date and its willingness to acknowledge responsibility for its actions, the government will recommend the dismissal with prejudice of the charge in 12 months, provided the bank fully implements significant anti-money laundering measures required by the agreement.

"Banks that knowingly disregard their legal obligations under the Bank Secrecy Act are easily exploited by drug cartels and other criminals," said Assistant Attorney General Alice S. Fisher of the Criminal Division. "The Department of Justice will continue to work to make sure banks follow the law and put these vital anti-money laundering programs in place."

"In a multi-billion dollar illegal drug market, the law requires and DEA depends on financial institutions to know their customers and practice due diligence," said Drug Enforcement Administration Administrator Karen P. Tandy. "When banks fail to uphold their responsibilities, they turn their legitimate business into a currency stash house used by international drug traffickers to line their pockets, fuel more trafficking, and corrupt government officials and global economies. The Union Bank of California will pay the price for its failure with a hefty fee."

"Our American economy depends on the integrity of financial institutions and the work of those institutions to ensure compliance with anti-money laundering regulations," stated Eileen Mayer, Chief, IRS Criminal Investigation. "This investigation clearly demonstrates law enforcement's commitment to enforcing these regulations, which assist in our efforts to detect and halt criminal activity like drug trafficking."

The Financial Crimes Enforcement Network (FinCEN) and the Office of the Comptroller of the Currency (OCC) have each assessed an additional \$10 million civil money penalty against the company for violations of the Bank Secrecy Act. The FinCEN penalty will be deemed satisfied by a single payment of \$10 million to the OCC, resulting in total payments of \$31.6 million by Union Bank of California under these settlements.

The charges and the deferred prosecution agreement filed today arose out of transactions conducted between May 2003 and April 2004 by and through certain accounts at Union Bank of California held by licensed Mexican casas de cambio (currency exchange houses). Several U.S. and international undercover operations documented the export of multi-ton quantities of cocaine out of Colombia to Mexico, for transshipment to the U.S. and Europe. Investigators then traced the flow of the resulting drug proceeds in the form of bulk shipments of U.S. dollars and euros to a few Mexican casas de cambio working in concert with one another, or to the direct deposit of drug proceeds to accounts held by the casas de cambio in Spain. In either case, once the drug proceeds were successfully placed with the Mexican casas de cambio, the proceeds were then either wire transferred or, after being converted to other negotiable instruments, directly shipped to UBOC in California for deposit to certain of the casas de cambio bank accounts. Union Bank of California failed to detect, identify and report the suspicious transactions in the accounts, as required by the Bank Secrecy Act, due to deficiencies in its anti-money laundering program.

Under the Bank Secrecy Act, banks are required to establish and maintain an anti-money laundering compliance program that, at a minimum, provides for: (a) internal policies, procedures, and controls designed to guard against money laundering; (b) the coordination and monitoring of day-to-day compliance with the Bank Secrecy Act; (c) an ongoing employee training program; and (d) independent testing for compliance conducted by bank personnel or an outside party. Banks are also required to have comprehensive anti-money laundering programs that enable them to identify and report suspicious financial transactions to the U.S. Treasury Department's Financial Crimes Enforcement Network.

The case was prosecuted by Senior Trial Attorney John W. Sellers and Acting Assistant Chief Mia Levine of the Criminal Division's Asset Forfeiture and Money Laundering Section, which is headed by Chief Richard Weber. This case was jointly investigated by the Drug Enforcement Administration's San Diego and Miami Field Divisions, with assistance from the DEA Bogota Country Office, the DEA Madrid Country Office, Internal Revenue Service - Criminal Investigation, San Diego Branch of the Los Angeles Field Office, and the Sunny Isles Beach Police Department and the Homestead Police Department in Florida.

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