BNP Said Close to $9 Billion Sanctions Accord With U.S.

By Tom Schoenberg - Jun 23, 2014

BNP Paribas SA (BNP) is close to an agreement to plead guilty and pay $8 billion to $9 billion to settle allegations it violated U.S. sanctions, according to a person familiar with the negotiations.

The French bank intentionally hid transactions amounting to about $30 billion that violated U.S. sanctions against countries including Iran and Sudan, said the person, who asked not to be identified because the discussions are confidential. Paris-based BNP Paribas will probably plead guilty in early July to a criminal charge of conspiring to violate the International Emergency Economic Powers Act, the person said.

Terms of a settlement aren’t final, although the two sides have reached a broad agreement in principle, said the person. Leslie Caldwell, head of the Justice Department’s criminal division, and bank officials spoke on June 20 about the potential resolution, the person said.

Cesaltine Gregorio, a BNP Paribas spokeswoman in New York, declined to comment. Brian Fallon, a Justice Department spokesman, didn’t immediately return an e-mail message seeking comment after normal business hours.

The Wall Street Journal reported the broad settlement terms earlier. BNP Paribas would be temporarily banned from handling transactions in U.S. dollars, probably for a matter of months, and would announce departures of more than 30 employees, many of whom already have left, the newspaper said.

BNP, which is France’s largest bank, fell 0.8 percent to 50.76 euros at 10:44 a.m. in Paris, extending the stock’s decline this year to 10 percent.

Credit Suisse

“This looks good given some higher numbers had been reported in terms of fines,” Christian Hamann, an analyst with Hamburger Sparkasse with a neutral recommendation on the stock, said by phone from Hamburg today. “The problem is the guilty plea. The consequences are unknown.”

Closing a business for a few months would present BNP Paribas with administrative costs and test the willingness of clients to remain with the bank after the period in which it is unable to provide one of the services they require, said Hamann.

The settlement would make BNP Paribas the second major European bank to plead guilty in the U.S.
this year. In May, Credit Suisse Group AG agreed to pay $2.6 billion, the largest penalty in an offshore
tax case, after using secret Swiss accounts to help Americans hide money from the Internal Revenue
Service. Its main banking unit pleaded guilty to a criminal charge.

U.S. investigators have evidence that BNP Paribas moved funds related to companies and government
agencies in Sudan through regional banks during a period when the country was the subject of
sanctions over allegations of genocide, the Wall Street Journal reported, citing people familiar with the
matter.

**More Severe**

Investigators in the U.S. had sought at least $10 billion to resolve the probe of BNP Paribas, people
familiar with the discussions have said.

New York State’s top banking regulator, Benjamin Lawsky, had pressed for the dismissal of BNP
Paribas Chief Operating Officer Georges Chodron de Courcel along with about 12 other employees at
the bank, a person familiar with the matter has said. None of the BNP executives has been accused of
wrongdoing.

Chodron de Courcel will step down at the end of the month after more than 40 years at the bank, BNP
Paribas said June 12. Dominique Remy, who previously ran BNP’s commodities finance business, has
left the bank, according to the company.

Lawsky is also pressing BNP to dismiss Vivien Levy-Garboua, a senior consultant to the bank, as part
of a settlement, a person familiar with the matter has said.

**Hollande, Obama**

U.S. authorities first learned about possible wrongdoing by BNP Paribas around 2007, when an
informant contacted the Manhattan District Attorney’s office. The bank conducted its own
investigation and about a year later came forward with its findings, people familiar with the matter
have said.

HSBC Holdings Plc (HSBA) agreed to pay $1.9 billion in 2012 to resolve a sanctions-violation and
money-laundering investigation, while it avoided a guilty plea by admitting wrongdoing as part of its
accord. That had been the largest settlement for doing business with sanctioned countries.

U.S. prosecutors argued that a more severe penalty against BNP Paribas was justified because the
misconduct was more egregious and the bank didn’t fully cooperate with the investigation, a person
with knowledge of the matter has said.

The probe has added to commercial strains between the U.S. and France. President Francois Hollande
raised the BNP issue with American President Barack Obama at a Paris dinner on the eve of D-Day
celebrations this month. French government officials have warned against disproportionate penalties
that could harm France’s economy or shake Europe’s banking system.