

ENFORCEMENT INFORMATION FOR DECEMBER 11, 2012

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs it administers and in 31 CFR part 501. On November 9, 2009, OFAC published as Appendix A to part 501 Economic Sanctions Enforcement Guidelines. See 74 Fed. Reg. 57,593 (Nov. 9, 2009). The Economic Sanctions Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at <http://www.treasury.gov/ofac/enforcement>.

ENTITIES – 31 CFR 501.805(d)(1)(i)

HSBC Holdings plc Settles Potential Liability for Apparent Violations of Multiple Sanctions Programs: HSBC Holdings plc (“HSBC Holdings”) has agreed to remit \$375,000,000 to settle potential civil liability on behalf of it and certain of its affiliates (collectively “HSBC Group”) for apparent violations of: the Cuban Assets Control Regulations (“CACR”), 31 C.F.R. part 515; the Burmese Sanctions Regulations (“BSR”), 31 C.F.R. part 537; the Sudanese Sanctions Regulations (“SSR”), 31 C.F.R. part 538; the now-repealed Libyan Sanctions Regulations (“LSR”), 31 C.F.R. part 550; and the Iranian Transactions Regulations (“ITR”), 31 C.F.R. part 560.¹ HSBC Holdings’ settlement with the Office of Foreign Assets Control (“OFAC”) is part of a global sanctions-related settlement among HSBC Holdings, OFAC, the U.S. Department of Justice, the New York County District Attorney’s Office, and the Federal Reserve Board of Governors. HSBC Holdings agreed to settle with OFAC for HSBC Group’s apparent violations of OFAC regulations for \$375,000,000, with the obligation deemed satisfied by a payment of \$375,000,000 to the Department of Justice and the New York County District Attorney’s Office.

The settlement covers the following apparent violations of the CACR, BSR, SSR, LSR, and ITR, all of which OFAC has determined were egregious under its Economic Sanctions Enforcement Guidelines.

HSBC Group processed 40 wire transfers totaling approximately \$18,817,452 between March 18, 2004, and December 7, 2007, involving Cuba in apparent violation of the CACR. The total base penalty for these apparent violations of the CACR was \$2,600,000. HSBC Group processed 1,031 wire transfers totaling approximately \$136,736,510 between March 15, 2004, and May 31, 2006, in apparent violation of the BSR. The total base penalty for these apparent violations of the BSR was \$416,346,763. HSBC Group processed 1,036 wire transfers totaling approximately \$109,042,996 between March 15, 2004, and August 21, 2007, in apparent violation of the SSR. The total base penalty for these apparent violations of the SSR was \$378,554,375. HSBC Group processed 25 wire transfers totaling approximately \$1,172,363 between March 15, 2004, and April 27, 2004, involving the Government of Libya or Libyan persons in apparent violation of the now-repealed LSR. The total base penalty for these apparent violations of the LSR was \$6,997,304. HSBC Group processed 203 funds transfers totaling approximately

¹ Please note that on October 22, 2012, the ITR were renamed the Iranian Transactions and Sanctions Regulations and were reissued in their entirety.

\$164,308,904 between March 19, 2004, and June 15, 2010, in apparent violation of the ITR. The total base penalty for these apparent violations of the ITR was \$355,374,292.

HSBC Group did not voluntarily self-disclose these apparent violations under the terms of OFAC's Economic Sanctions Enforcement Guidelines ("the Guidelines"). The total base penalty amount under the Guidelines for this set of apparent violations equals the statutory maximum penalty, which in this case is \$1,159,872,734.

In reaching its determination that the above-referenced apparent violations were egregious, OFAC found that HSBC Group failed to exercise a minimal degree of caution or care in avoiding conduct that led to the apparent violations; several HSBC Group employees, including senior management, were aware of the conduct that led to the apparent violations; the apparent violations resulted in significant harm to U.S. sanctions programs objectives; HSBC Group is a highly sophisticated global financial organization; and HSBC Group did not maintain adequate policies or procedures to ensure compliance with the sanctions programs administered by OFAC.

Mitigation was extended because some of the apparent violations processed by HSBC Group may have been eligible for an OFAC license; HSBC Group has not received a penalty notice, finding of violation, cautionary letter, warning letter, or other administrative action from OFAC in the five years preceding the date of the transactions giving rise to the apparent violations; HSBC Group provided substantial cooperation to OFAC; HSBC Group took remedial action in response to matters described above; and this settlement is part of a comprehensive sanctions-related settlement with other federal, state, or local agencies. Mitigation was further extended because HSBC Holdings agreed to settle these apparent violations.

This settlement also covers the following apparent violations that are separate and unrelated to the above matters, and which OFAC determined were not egregious.

Between May 24, 2006, and October 10, 2008, HSBC Bank USA, N.A. failed to appropriately block or reject a book entry transfer of 32,000 ounces of gold bullion for the ultimate benefit of a bank owned or controlled by the Government of Iran and processed nine electronic funds transfers totaling \$21,786,029 in apparent violation of the BSR, ITR, SSR, and Executive Order 13469 of July 25, 2008, "Blocking Property of Additional Persons Undermining Democratic Processes or Institutions in Zimbabwe."

The statutory maximum penalty in these cases was \$45,470,000. The total base penalty amount under the Guidelines for these apparent violations was \$467,000.