

# Press Center

## Treasury Identifies Lebanese Canadian Bank Sal as a “Primary Money Laundering Concern”

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*Treasury Acts to Protect the U.S. Financial System from Bank with Ties to a Global Narcotics Trafficking and Money Laundering Network and Hizballah*

To view a Fact Sheet on Section 311 of the USA PATRIOT Act, visit [link](#).

WASHINGTON – The U.S. Department of the Treasury today announced the identification of The Lebanese Canadian Bank SAL together with its subsidiaries (LCB) as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act (Section 311) for the bank’s role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network. This network moves illegal drugs from South America to Europe and the Middle East via West Africa and launders hundreds of millions of dollars monthly through accounts held at LCB, as well as through trade-based money laundering involving consumer goods throughout the world, including through used car dealerships in the United States. Treasury has reason to believe that LCB managers are complicit in the network’s money laundering activities. Today’s action also exposes the terrorist organization Hizballah’s links to LCB and the international narcotics trafficking and money laundering network.

“This action seeks to protect the U.S. financial system from the illicit proceeds flowing through LCB and to deprive this international narcotics trafficking and money laundering network of its preferred access point into the formal financial system,” said Under Secretary for Terrorism and Financial Intelligence Stuart Levey. “Any financial institution that collaborates in illicit conduct on this scale risks losing its access to the United States.”

Treasury’s Financial Crimes Enforcement Network (FinCEN) also today filed a Notice of Proposed Rule Making (NPRM), in which it proposes prohibiting U.S. financial institutions from opening or maintaining correspondent or payable-through accounts for LCB. In addition to these regulatory measures, the Treasury Department will work with the Lebanese Central Bank and other relevant Lebanese authorities to address the concerns highlighted by today’s action.

### **Links to Narcotics Trafficking and Money Laundering Network**

LCB – through management complicity, failure of internal controls, and lack of application of prudent banking standards – has been used extensively by persons associated with an international drug trafficking and money laundering network to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales into the formal financial system.

LCB's involvement in money laundering is also attributable to a failure to adequately control transactions that are highly vulnerable to criminal exploitation, including cash deposits and cross-border wire transfers; inadequate due diligence on high-risk customers including exchange houses; and, in some cases, complicity in the laundering activity by LCB managers. At least one of the individuals involved in this global drug trafficking and money laundering network has worked directly with LCB managers to conduct his transactions.

Several individuals involved in this global drug trafficking and money laundering network hold or utilize cash deposit accounts at LCB to move hundreds of millions of dollars monthly in cash proceeds from illicit drug sales into the formal financial system. They have also coordinated the laundering of these funds through key foreign nodes of the network using LCB accounts.

"The Lebanese Canadian Bank for years has participated in a sophisticated money laundering scheme involving used cars purchased in the United States and consumer goods overseas. Thanks to DEA-led operations, as well as today's Treasury action, we are exposing and disrupting this money laundering network and its connections to global drug trafficking and Hizballah," said DEA Administrator Michele M. Leonhart.

Drug Kingpin Ayman Joumaa and his Lebanon-based drug trafficking and money laundering network, along with several other individuals, have used LCB to launder narcotics proceeds – as much as \$200 million per month – as part of this international money laundering network. In this criminal scheme, the proceeds are laundered through various methods, including bulk cash smuggling operations and use of several Lebanese exchange houses that utilize accounts at LCB branches. On January 26, Treasury designated Joumaa along with nine individuals and 19 entities in his network as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act).

### **Links to Hizballah**

According to U.S. Government information, Hizballah derived financial support from the criminal activities of Joumaa's network.

LCB managers are also linked to Hizballah officials outside of Lebanon. For example, Hizballah's Tehran-based envoy Abdallah Safieddine was involved in Iranian officials' access to LCB and key LCB managers, who provide them banking services. LCB's other links to Hizballah include LCB's subsidiary, Gambia-based Prime Bank, which is partially owned by a Lebanese individual known to be a supporter of Hizballah.

Hizballah was designated by the Department of State as a Foreign Terrorist Organization (FTO) in October 1997 and as a Specially Designated Global Terrorist (SDGT) under Executive Order (E.O.) 13224 in October 2001.

### **Background on LCB**

LCB is based in Beirut, Lebanon and maintains a network of 35 branches in Lebanon and a representative office in Montreal, Canada. Originally established in 1960 as Banque des Activités Economiques SAL, it operated as a subsidiary of the Royal Bank of Canada Middle East from 1968 to 1988 and is now a privately owned Lebanese bank. LCB offers a broad range

of corporate, retail, and investment products, and it maintains extensive correspondent accounts with banks worldwide, including several U.S. financial institutions. As of 2009, LCB's total assets were worth more than \$5 billion.

LCB has a controlling financial interest in a number of subsidiaries covered by today's 311 action, including LCB Investments SAL, LCB Finance SAL, LCB Estates SAL, LCB Insurance Brokerage House SAL, Dubai-based Tabadul for Shares and Bonds LLC, and Prime Bank Limited of Gambia. LCB owns 51 percent of Prime Bank, while remaining shares are held by local and Lebanese partners. LCB serves as the sole correspondent bank for Prime Bank.

### **Background on Section 311**

Section 311 grants the Secretary of the Treasury the authority to identify a foreign jurisdiction, institution, class of transaction, or type of account as an entity of "primary money laundering concern." The Secretary can then require domestic financial institutions and financial agencies to take certain "special measures" against the entity of primary money laundering concern.