



Manhattan U.S. Attorney Announces \$102 Million Settlement Of Civil Forfeiture And Money Laundering Claims Against Lebanese Canadian Bank

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Settlement Resolves Claims Related to Money Laundering Network for Narcotics Trafficking and Other Criminal Proceeds, Including Funds Used to Support Hizballah

Preet Bharara, the United States Attorney for the Southern District of New York, and Michele M. Leonhart, the Administrator of the U.S. Drug Enforcement Administration (“DEA”), announced today a settlement of a civil forfeiture and money laundering lawsuit brought by the United States against the Lebanese Canadian Bank (“LCB”) and its assets. The Government’s action, filed on December 15, 2011, alleges a widespread, international scheme in which Lebanese financial institutions with links to Hizballah, including the now defunct LCB, used the U.S. financial system to launder narcotics trafficking and other criminal proceeds through West Africa and back into Lebanon. The settlement order requires LCB to forfeit \$102 million to the United States. The settlement order was entered in Manhattan federal court today by U.S. District Judge Paul A. Engelmayer.

Manhattan U.S. Attorney Preet Bharara said: “Today’s settlement shows that banks laundering money for terrorists and narco-traffickers will face consequences for their actions, wherever they may be located. This type of money laundering network fuels the operations of both terrorists and drug traffickers, and we will continue to use every resource at our disposal to sever the connection between terrorists, narco-traffickers, and those who fund their lethal agenda.”

DEA Administrator Michele M. Leonhart said: “Regardless of how or where, DEA will relentlessly pursue global drug criminals and their huge profits, in particular those associated with terror networks such as Hizballah. This settlement is significant and addresses the role the Lebanese Canadian Bank played in facilitating illicit money movement from the United States to West Africa to Hizballah-controlled money laundering channels. Drug trafficking profits and

terror financing often grow and flow together. One of DEA's highest priorities will always be to promote U.S. and global security by disrupting these narco-terror schemes and protecting the systems they abuse."

According to an Amended Complaint filed in Manhattan federal court in October 2012, and other documents filed in the case:

From approximately January 2007 to early 2011, at least \$329 million was transferred by wire from LCB and other financial institutions, primarily two Lebanese money exchange houses, to the United States for the purchase of used cars that were then shipped to West Africa. Cash from the sale of the cars, along with the proceeds of narcotics trafficking, were funneled to Lebanon through Hizballah-controlled money laundering channels. LCB played a key role in these money laundering channels and conducted business with a number of Hizballah-related entities. Hizballah is a U.S. Department of State designated Foreign Terrorist Organization, a Specially Designated Terrorist, and a Specially Designated Global Terrorist.

On February 10, 2011, the U.S. Department of the Treasury, Financial Crimes Enforcement Network ("FinCEN") issued a finding and proposed rule, pursuant to the USA Patriot Act, that LCB is a financial institution of primary money laundering concern, based on, among other things, FinCEN's determination that there was reason to believe that LCB had been routinely used by drug traffickers and money launderers operating in various countries in Central and South America, Europe, Africa, and the Middle East. FinCEN also determined that there was reason to believe that LCB managers were complicit in the network's money laundering activities.

Following the FinCEN action, another Lebanese financial institution, Société Générale de Banque au Liban ("SGBL"), acquired most of the assets of LCB. In connection with the purchase, \$150 million was placed in an escrow account at Banque Libano Française SAL ("BLF") in Lebanon. In August 2012, the Government seized \$150 million from a BLF correspondent account in the United States based on a provision of U.S. law allowing seizure of such funds as a substitute for the funds held in escrow in Lebanon (the "Seized Funds").

The settlement order requires LCB to forfeit \$102 million of the Seized Funds to the United States. The settlement order also provides that, to settle claims brought by SGBL for \$90 million of the Seized Funds, LCB will be required to pay SGBL an additional \$12 million, and make provisions for additional payments based on separate agreements between LCB and SGBL. SGBL will also receive the remaining \$48 million of the Seized Funds.

In addition, a second settlement order was entered in this action on June 20, 2013, regarding claims against the Hassan Ayash Exchange Company ("Ayash"), one of the Lebanese money exchange houses allegedly involved in the money laundering scheme. Under this settlement order, Ayash will forfeit more than \$720,000 to the United States.

The settlement orders resolve only claims relating to LCB, Ayash, and their assets. The civil forfeiture and money laundering action continues against other alleged participants in the money laundering scheme.

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Mr. Bharara thanked the DEA for its leadership and praised the New York Organized Crime Drug Enforcement Strike Force for its outstanding work on this investigation, which he noted is ongoing. The DEA's New York Organized Crime Drug Enforcement Strike Force (the "Strike Force") is comprised of agents and officers of the U. S. Drug Enforcement Administration, the New York City Police Department, Immigration and Customs Enforcement – Homeland Security Investigations (HSI), the New York State Police, the U. S. Internal Revenue Service Criminal Investigation Division, the Federal Bureau of Investigation, the Bureau of Alcohol, Tobacco, Firearms and Explosives, U.S. Secret Service, and the U.S. Marshals Service. The Strike Force is partially funded by the New York/New Jersey High Intensity Drug Trafficking Area (HIDTA), which is a federally funded crime fighting initiative. Mr. Bharara also thanked the U.S. Department of State, the U.S. Department of the Treasury, the Federal Bureau of Investigation, and the New Jersey State Police for their assistance.

This matter is being handled by the Office's Asset Forfeiture Unit. Assistant U. S. Attorneys Sharon Cohen Levin, Michael Lockard, Jason Cowley, and Alexander Wilson are in charge of the case.

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