

Under the settlement provision of the New York Department of Financial Services (DFS) Consent Order announced on Aug. 19, Mega International Commercial Bank's New York branch should do the following:

One, within 10 days of executing the order, pay the entire US\$180 million fine, engage an independent compliance consultant and select an independent monitor; two, within 30 days, retain an independent monitor; three, within 60 days, complete a compliance review and submit a compliance report that includes all known or suspected violations of law, or suspicious transactions to law enforcement and supervisory authorities; four, engage a compliance consultant for up to six months to oversee and address deficiencies in Mega Bank New York's compliance function; five, retain an independent monitor for a minimum of two years to conduct a review of Mega Bank New York's money laundering compliance program and a look-back review of the bank's US currency clearing transactions from Jan. 1, 2012, to Dec. 31, 2014, to determine whether it properly identified and reported all transactions occurring at, by, or through the branch in accordance with the applicable money laundering and Office of Foreign Assets Control laws and regulations.

The US dollar value of credit transactions between Mega Bank NY and Colon FTZ was US\$3.5 billion in 2013 and US\$2.4 billion in 2014. Corresponding figures for the Panama City branch were US\$1.1 billion and US\$4.5 billion.

Now the first 30 days is over, what has been done? There is no report of Mega International Commercial Bank's voluntary action, but the Financial Supervisory Commission fined it NT\$10 million (US\$318,167). The bank is not allowed to set up new overseas branches until it improves internal management and dismisses former chairman McKinney Tsai (麥金尼), former president Wu Hann-ching (吳漢成), vice president Liang Mei-chi (梁梅琪), chief audit officer Liu Hsiao-ling (劉孝玲) and chief compliance officer Chen Tien-lu (陳添路), as well as New York branch president Huang Shih-ming (黃世明).

Will the commission's requirements meet New York DFS' order provision? Not at all. Mega Bank is required to engage an independent compliance consultant, select and retain an independent monitor. It has done nothing, but claims irregular transactions did not constitute suspicious activity.

Keep an eye on Mega Bank

Written by John Hsieh

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Well, it is standard practice that wire transfers to a closed bank account are returned to the sender, a regulatory filing is required around the world, so why not for transactions from Mega Bank NY to Mega Bank Panama? That absolutely constitutes a suspicious activity.

As the DFS report said in Article 21.d: “A significant number of reported debit authorizations processed by Mega-NY between 2010 and 2014 occurred when the Panamanian beneficiary accounts identified in the underlying transactions were closed by the Colon FTZ Branch because of inadequate Know-Your-Customer documentation received by that branch — a highly suspicious level of activity. Moreover, most of these accounts were open for less than two years; a number were open even less than one year — further evidence of very questionable activity. The suspicious nature of this activity is compounded by the fact that the remitters and beneficiaries associated with many of the Suspicious Payment Reversals were identical parties; in some cases, the original payment instructions were sent months after the beneficiary accounts had already been closed. Moreover, the Suspicious Payment Reversals continued at least into 2015.”

Obviously, the commission did not do its job correctly. The commission's NT\$10 million fine is not a solution to this case. Instead it highlights the urgent need for citizen oversight.

Why did Mega Bank open two branches in Panama, which has historically been recognized as a high-risk jurisdiction for money laundering? Did it simply break money laundering laws or, worse, did it chose to flagrantly disregard regulations and participate in money laundering?

Mega Bank must frankly disclose the suspicious transactions from 2010 to last year, and reveal who the senders and recipients were. A cover-up will always make things worse.

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