

Independent AML review of BPA identifies circa 900 customers allegedly suspicious of money laundering

- Comprehensive AML review conducted by PwC identifies new cases of money laundering confirming serious deficiencies at BPA.
- AREB is taking the necessary steps to identify evidence of alleged criminal activity among BPA senior management and directors, including the bank's majority shareholders.
- This AML review process achieves a milestone to protect BPA's legitimate customers and ensure their subsequent transfer to Vall Banc.

Andorra la Vella, March 8th 2016

The rigorous customer-by-customer AML review conducted by PwC as an independent expert in preventing money laundering has determined that Banca Privada d'Andorra (BPA) had 923 customers who are allegedly suspicious of money laundering. They represent 3% of the bank's nearly 29,200 customers (account holders and authorised signatories) and about 1 billion euro in business volume (loans + deposits + assets under management), i.e., 19% of BPA's total business volume.

Out of those 923 customers, about 100 files combine all the criteria representing heightened AML risks, such as matches with AML watch lists, suspicious transactions or links with money laundering cases that are already being judicially prosecuted.

These are some of the main conclusions of the mandate that the Andorran authorities commissioned to PwC in March 2015, as soon as the draft notice by the Financial Crimes Enforcement Network (FinCEN, the financial crimes unit of the US Treasury) was published.

Based on the PwC report, after twelve months of work, AREB concludes that circa 27,000 customers, i.e. 92.6%, are already transferable to the newly-created bank,

Vall Banc. The other 7.4%, 2,165 customers, includes 923 alleged suspects and another 1,242 cases that may ultimately be classified as "compliant" if they deliver the necessary documentation to prove the legitimacy of their accounts and transactions.

PwC has carried out analysis on the customers, which are enabling BPA under the control of AREB to notify the competent authorities of alleged suspected cases of money laundering that were both, undetected and not under investigation at the date of the FinCEN communiqué on 10 March 2015. They include the Sinaloa case, currently under confidential judicial inquiry.

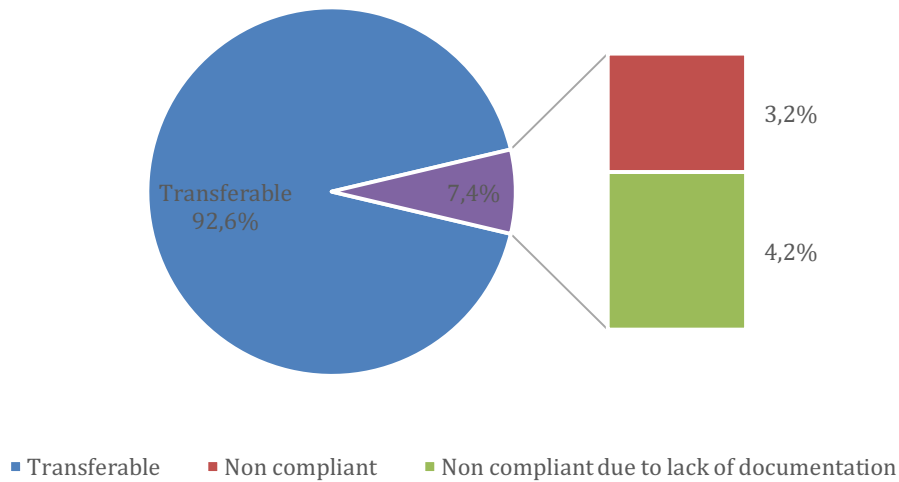
AREB is also taking the necessary steps to identify evidence that may be indicative of crimes by BPA senior management and directors, including the bank's majority shareholders.

Rigorous approach

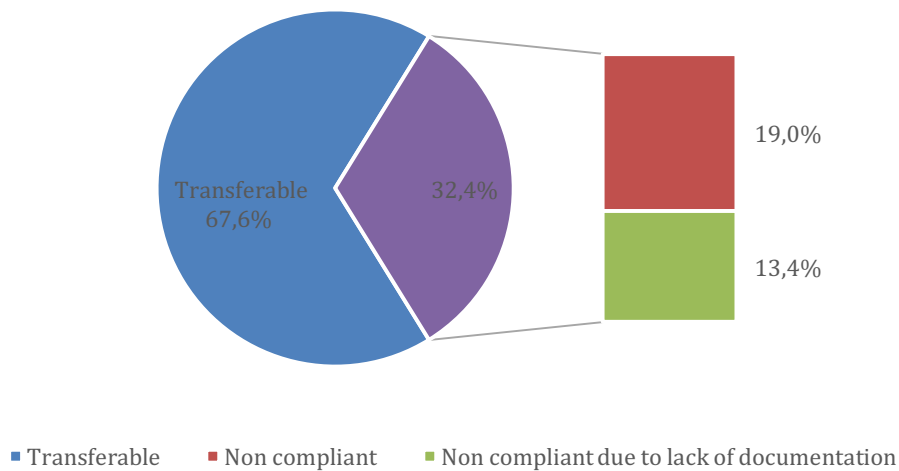
PwC commenced the analysis on 24 March 2015, and set 29 January 2016 as the cut-off date for reference with the final document being delivered to AREB on 29 February. In order to execute the mandate, PwC reviewed each of BPA's customers according to the agreed scope and all the transactions undertaken over the last seven years in more than 37,000 accounts. A total of 15 million transactions were analysed, and over 60,000 documents submitted by customers in support of the legitimacy of their accounts were received and cross-checked.

As a result, PwC considers that, at the date of the report, there are 2,165 customers classified as "non-compliant". Out of them, a group of 1,242 customers that gather a business volume of 708 millions euro, representing a 13,4% of the whole business volume, have been included due to non-delivery of evidence of outstanding transactions either per amount or per volume. Should those customers deliver the requested documentation they could be considered transferable.

Clients compliance distribution



Business volume per client category



New anti-money laundering systems

The work performed by PwC made it necessary to develop and implement new information systems at the bank in order to analyse customers properly and process over 800 Gb of data, equivalent to more than 3 million printed pages. As a result of that work, Vall Banc currently has one of the most advanced customer intelligence systems for properly categorising the AML risk of the clients transferred to it, ensuring that the new bank will be able to operate in conformity with the strictest international anti-money laundering (AML) standards.

This process, supervised by the Andorran authorities, and the fact that BPA will not resume operations and that its former managers and directors have been removed, enabled FinCEN to state on 19 February that it no longer considered BPA to be a threat to the financial system. Consequently, the US agency expressed its approval of the measures adopted by the Andorran authorities, the resolution plan for BPA and the ongoing oversight by AREB.

This review was a necessary pre-requisite for the main goal of this process: protecting BPA's legitimate customers, ensuring their subsequent transfer to Vall Banc, the ultimate sale of this entity and therefore safeguarding the stability of the Andorran financial system.