

News Letter

Global Financial Regulatory & Policy Newsletter

November 2019

"...What we need is smart regulation, not more regulation..."

TRUMP TURKEY THANKSGIVING PARDON..?

With the advent of US Thanksgiving and President Erdogan's visit to the US, the relationship between President Trump and his Turkey counterpart is under focus. As ever with geo-political tensions, the optics are vital. With Turkey's Halkbank in the dock in the US over alleged Sanctions violations involving Iran - a major trade partner for Turkey - doubts remain over how decisive US enforcement may be.

US checks and balances apply; there is no doubting the determination of Congress on Turkey. So Trump's ongoing cordial relationship with Erdogan may not significantly affect the outcome of enforcement on Halkbank. Further issues include NATO Member Turkey's alleged interest in buying Russian S-400s, which would exclude it from access to US F-35s.

MONEY LAUNDERING OR SANCTIONS

Many jurisdictions and regions are playing veritable "catch-up" with the US Sanctions/AML playbook. The danger is that money laundering offences are treated in isolation, and wider (US) sanctions issues ignored. Leading to a major denial of the threat of (US) enforcement.

For example, the Nordic banking scandal which involves alleged illicit transactions via Baltic branches of Nordic financial institutions. In EU terms, this is treated as an alleged "money laundering" incident.

[Full article HERE](#)

IRAN CABLES - MAJOR LEAK

The Intercept and the New York Times jointly published a story based on a massive leak of 700+ secret Iranian intelligence documents. Revealing the unparalleled influence Iran had over Iraq, and catastrophic consequences of US policy, particularly the 2003 US invasion.

REMEMBER (...) 12th OF DECEMBER

Johnson versus Corbyn 2019, after May versus Corbyn 2017. The UK General Election is all about Brexit - right...? No... - it isn't. Why? Because there are no clean Leave versus Remain sides to the debate. Labour's baffling message: "Leave now - decide later". So voters face credible economics (Johnson) or Venezuela-style Marxism (Corbyn). 1983 repeat seems likely (Con: 397; Lab: 209). Factor in pro-Labour boundaries, inevitable repeat of pro-Labour student voter fraud - Johnson to win with a majority of 50-100.

News Letter

Global Financial Regulatory & Policy Newsletter

November 2019

EUROZONE STAGNATION AMIDST BREXIT

Eurozone economic growth in the throes of a UK exit from the EU, is far from rosy. Even its largest economic hub, Germany, struggled to avoid a technical recession in Q3 2019, registering a lamentable 0.1% q/q growth figure.

The Euro Area delivered equally unimpressive 0.2% growth for the same quarter, below non-Euro UK at 0.3%. The UK had an overall trade deficit of GBP -66bn with the EU in 2018. With the UK's c.44% of total exports to the EU equivalent to a mere c. 11% of the UK's total economy, it is not hard to see why the UK (excl. Jeremy Corbyn, perhaps...) might consider lower tariff trade with traditional Commonwealth (India, Australia, Canada et al; total Commonwealth population: 2.4bn) and historical partners (China, US, GCC) as a sound economic reason for leaving the EU. Hardly rocket science.



EU EXPANSION / RETRACTION

EU Accession Member States Turkey, Montenegro, Serbia, Albania and Northern Macedonia are looking decidedly unfit for entry to the EU. Levels of corruption in Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia are high. Greco, the Council of Europe's anti-corruption body has found that reforms in these countries have been ineffective to date.

Greco issued 27 recommendations concerning the judiciary in the 5 countries. Only six have been fully implemented in 4-5 years. In 3 of the 5 countries, no Greco recommendation concerning the judiciary has been fully implemented so far. Montenegro halted the investigation of 22m euro illegal payment to privileged clients of failing Atlas Bank while under Central Bank control.

Turkey, another EU Accession Member State, has been targeted by the EU for sanctions after the EU set up a new framework to sanction entities over unauthorized oil drilling in Cyprus waters. This EU sanctions move has prompted Turkey's Erdogan to threaten to return Islamic State (IS) prisoners to the EU. 1,200 IS militants are in Turkish prisons. The future does not look good for EU expansion.

News Letter

Global Financial Regulatory & Policy Newsletter

November 2019

CROSS-BORDER SANCTIONS & AML Geo-Financial Risk, US\$ Dominance, Extra-Territoriality

Despite the numerous high level scandals and multi-billion dollar fines, particularly over the past decade, there is still a lot of confusion over US cross-border powers, otherwise known as Extra-Territoriality.

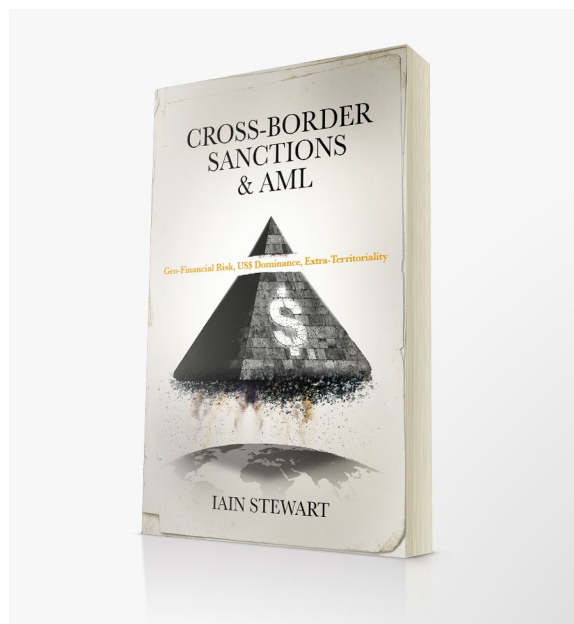
Much of this confusion has led to major firms and investors, governments making the wrong decisions and attempting to circumvent US Sanctions/AML policy, with disastrous results.

The key to the level of US pre-eminence is revealed in the way that US dollar dominance has provided the US with a major policy leveraging tool. The threat of exclusion from US dollar transactions or US markets has been, at times, a deterrent for some, but not all. Those who have chosen to ignore the full force of US extra-territorial enforcement have found themselves on the end of major penalties.

With many jurisdictions struggling to prosecute sanctions, money laundering, terrorist financing and corruption offences successfully due to a high burden of proof in civil and criminal cases, the US has managed to adapt its approach in the aftermath of the 9/11 attacks to ensure that major offences do not go unpunished.

The use of settlements and deferred prosecution agreements, and a relatively low bar to corporate criminal liability - with relatively few actual prosecutions - has been feasible due to the potential severity of measures that the US is able to impose. These are without equal elsewhere in the world.

Available on [Amazon](#) &
www.SanctionsAML.com
500+ pages by Iain Stewart



News Letter

Global Financial Regulatory & Policy Newsletter

November 2019

SCANDALS AND SHARE PRICES

The full impact of the Baltic money laundering scandal is playing out as numerous regulatory, prosecuting authorities and investigators look into the parties involved. At the core of the overriding international investment community's concern is that European banks overlooked their exposure to rogue actors and allegedly facilitated transactions for them.

In typical EU fashion, much of the US angle has been conveniently ignored - particularly in the Nordics - as the threat of major US enforcement, US-style stakeholder class actions is naively under-estimated. Nordic banks from smaller markets have found themselves very exposed to the international spotlight, with leaders from banks in the Nordic countries having had to step down, entire Boards replaced - after initially trying to underplay the impact of the scandals.

The share price hit to the major Nordic banks has been severe - with a near-50% hit to Denmark's Danske Bank in 2018, and further hits to Nordea, Swedbank and SEB over the past 12 months or so.

Astonishingly, many of these banks are being covered by analysts who continue to predict Buy or Outperform ratings on a 12-month basis. Often with highly inflated valuations relative to prevailing share prices - for companies still under investigation and subject to the highest levels of scrutiny and uncertainty.

Given recent US enforcement and the sheer size of the alleged Sanctions/AML violations, fines currently priced in of \$6bn for Swedbank and \$10bn+ for Danske Bank seem entirely reasonable. This is still not reflected in the valuations of Nordic banks, and it looks likely that US authorities will be wanting to look at potential collusion - with the multiple conflicts of interest, interlinked senior families and corporate, regulatory figures in Nordic banking and commerce.

Despite the worthy efforts of some newly-arrived leaders who have replaced former Board members in the banks concerned, the true impact on share prices remains to be seen.

All the best,

Pain

Should you at any point wish to Unsubscribe from this Newsletter, please inform us on www.SanctionsAML.com

