

# Ethical issues in managerial accounting hsbc ethical assignment

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HASH lacked adequate control processes in compliance and anti-money laundering. It was also involved in illegal cash transfers from criminals and terrorists and helped any customers launder money by opening thousand of accounts in Jersey. The deficiencies and negligent controls inside HASH included an inability to properly monitor SSL 5 billion in cash transactions between 2006 and 2009, poor staffing and high turnover in the bank's compliance units.

These issues were partly caused by its widespread affiliates operated with a degree of independence that left chief bank officials with less authority and control. Each affiliate had its own officer to manage compliance with laws to prevent money laundering. Engel Morris-Cottrell, head of the Anti Money Laundering Network, a consultancy based in Koala Lump, Malaysia, said international banks face conflicts between laws and regulations in different countries. " There are times when the lines are blurred, when you're not clear exactly where the edge is," he said. If you step over the edge you get slapped, but often you don't know where the edge is. " One of the Highs problems was the bank's compliance division was unable to battle the suspect money. High turnover of top compliance officials made it difficult for reform to take hold. Stakeholders Over the last few years, HASH leadership has experienced major change. In 01 0, HASH Holdings appointed a new Chairman Of the Board Of Directors, Douglas J. Flint, replacing Stephen Green, who had become a U. K. Cabinet Minister.

A new Group Chief Executive was also selected, replacing Michael Change, who retired, with Stuart T. Gultier. Over the last ten years, HOBOS has undergone numerous changes in management, with the head of the bank <https://assignbuster.com/ethical-issues-in-managerial-accounting-hsbc-ethical-assignment/>

turning over four times. Over the last five years, HABITS has experienced high turnover in its Compliance and anti-money laundering (MALL) leadership, making reforms difficult to implement. Since 2007, HUBS has had four Compliance heads and five MALL directors. Currently, Gary Peterson holds both positions. In 2012, Mr.

Peterson is expected to resign his duties as MALL director to his deputy, Alan Schoenberg, so that the top Compliance and MALL positions at HOBBS will each have a full time professional. Issues 1 . HABITS operated its correspondent accounts for foreign financial institutions with established, severe MALL deficiencies, including a dysfunctional MALL monitoring system for account and wire transfer activity, insufficient staffing, inappropriate country and client risk assessments, and late or missing Suspicious Activity Reports.

This lack of control exposed the United States to money laundering, drug trafficking, and terrorist financing risks. 2. HOBOS failed to assess the MALL risks associated with HASH affiliates before opening correspondent accounts for them, failed to identify high risk affiliates, and failed for years to treat HOBOS as a high risk account. For example, between 2007 and 2008, Highs Mexican operations moved \$7 billion into the bank's U. S. Operations.

The committee report said that large amount of cash indicated illegal drug proceeds from drug cartels. 3. The U. S. Treasury Department's Office of Foreign Assets Control (OPAC) has developed a list of orbited persons and countries which banks use to create an OPAC filter to identify and freeze potentially prohibited transactions. Transactions stopped by this filter

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typically undergo a personalized review to see if the transaction is legal and can proceed or the funds must be blocked.

For years In connection with Iranian transactions, HASH allowed two non-U. S. Affiliates to engage in conduct to avoid using the OPAC filter and personalized transaction evaluations. HASH affiliates provided fully transparent transaction information, when it obtained evidence that some affiliates were acting to void the OPAC filter, HABITS failed to take important action to confront those affiliates. 4. HUBS provided U. S. Correspondent accounts to some foreign banks despite evidence of links to terrorist financing. They ignored terrorist links.

For example, they performed financial transactions with Iran and other countries while providing money and banking services to banks in Saudi Arabia and Bangladesh that might have helped fund Al-Qaeda and other terrorist groups. 5. In less than four years, HOBOS cleared over \$290 million in sequentially numbered, illegibly signed and bulk U. S. Dollar travelers checks for Hokum Bank. HUBS couldn't explain why its clients were regularly depositing up to \$500, 000 or more per day in U. S. Dollar travelers checks obtained in Russia into Japanese accounts.

Recommendations 1 . HASH needs to have more efficient methods to screen high-risk affiliates. HOBOS should reevaluate its relationships with HASH affiliates that will include reviewing affiliate MALL and compliance audit findings, identifying high risk affiliates, designating affiliate accounts requiring enhanced monitoring, and closing overly risky accounts. HOBOS should conduct a special examination of the HOBBY account to determine

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whether it should be closed. . HASH should respect OPAC prohibitions and take them seriously.

HASH Group and HABITS should take determined action to stop non-U. S. HASH affiliates from avoiding the OPAC filter that screens transactions for terrorists, drug traffickers, and other criminals. 3. HUBS should close accounts for banks with terrorist financing links. HAJJ'S should terminate correspondent relationships with banks whose owners have links to or present high risks of involvement with terrorist financing. 4. HOBOS should restrict its acceptance of large blocks of sequentially numbered U. S. Dollar travelers checks from HASH affiliates and reign financial institutions.