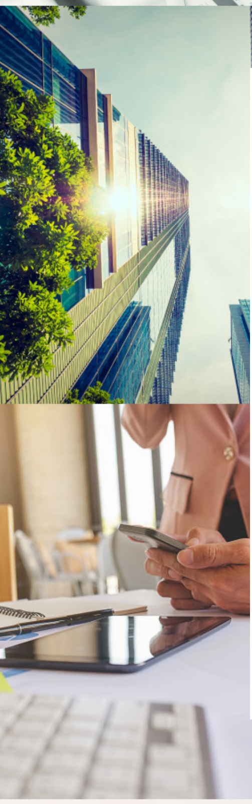
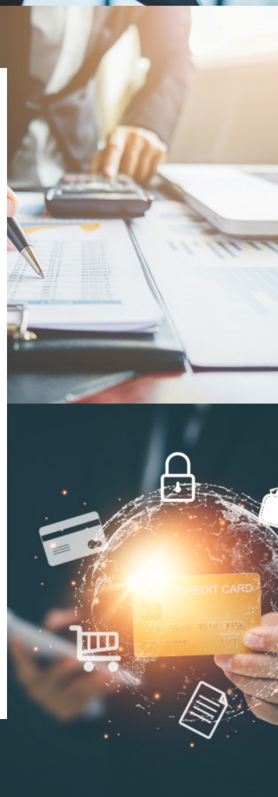


The AML Case Study Series

Deutsche Bank to pay $75 million to settle lawsuit by Epstein accusers



www.vinciworks.com

VinciWorks

Deutsche Bank to pay $75 million to settle lawsuit by Epstein accusers

In a case that could have implications on the impact of financial crime - as well as repercussions on other pending lawsuits - Deutsche Bank settled with a group of women who accused the lender of helping facilitate the US financier Jeffrey Epstein's sex trafficking operations.

The case raises red flags for:

- Banks
- Financial services
- Law firms
- Accounting firms

What happened?

A group of women who say they were abused by the late financier Jeffrey Epstein, sued Deutsche Bank, accusing the German bank of facilitating Epstein's sex trafficking. The lawsuit was led by an unidentified plaintiff who said Epstein sexually abused her from 2003 to 2018.

Epstein was a multi-millionaire accused of child sex trafficking and was a Deutsche Bank client from 2013 to 2018. He died in August 2019 in a Manhattan detention centre while awaiting trial for sex trafficking. The New York City's medical examiner called it a suicide.

The details

Deutsche Bank took Epstein as a client even after various charges of sex trafficking had already surfaced.

Before he became a client of the bank, Epstein had already pleaded guilty to two state-level prostitution charges in Florida, including one involving a minor. He served 13 months in prison and was released during the day to run his business. He also reached a plea deal with federal prosecutors in 2008 to dispense with charges similar to the ones he faced shortly before his death.

The Deutsche Bank suit, which was seeking class-action status, was filed in November by a woman using the pseudonym Jane Doe. She alleged Deutsche Bank knowingly participated in and financially benefited from participating in Epstein's sex trafficking by providing the necessary financial support for the scheme's continued operation.

The suit alleged that the bank knew that Epstein would use "means of force, threats of force, fraud, abuse of legal process, exploitation of power disparity, and a variety of other forms of coercion to cause young women and girls to engage in commercial sex acts."

According to the suit: "Knowing that they would earn millions of dollars from facilitating Epstein's sex trafficking, and from its relationship with Epstein, Deutsche Bank chose profit over following the law. Specifically, Deutsche Bank chose facilitating a sex trafficking operation in order to churn profits."

The settlement and its implications

The settlement caught many of those involved by surprise. Deutsche Bank agreed to pay $75 million to victims of Epstein to settle the federal lawsuit.

Under the deal, the victims who were affected by Epstein's sex trafficking when he was a customer of Deutsche Bank, from 2013 through 2018, would receive at least $75,000 and up to $5 million depending on an evaluation of their claims.

It is anticipated that this settlement will put an end to legal claims related to the bank's relationship with Epstein. In 2020, the lender was fined $150 million by New York state's financial regulator over its relationship with Epstein. He became a client after he was dropped by JP Morgan Chase.

This deal leaves JPMorgan to defend its own would-be class action lawsuit by Epstein accusers involving similar allegations. The bank is being sued by the US Virgin Islands, where Epstein had a home on the private island of Little St James, and a woman known only as Jane Doe 1. JPMorgan CEO Jamie Dimon has said the bank is not liable for sex trafficking by Epstein, its former long-time customer.

Court papers have outlined many details about JP Morgan's alleged ignoring or turning a blind eye to Epstein's activities.

What did the bank do wrong?

While Deutsche Bank declined to comment on the settlement, its statement from 2020 says it all: "We acknowledge our error of onboarding Epstein in 2013 and the weaknesses in our processes, and have learned from our mistakes and shortcomings."

The law firms of Boies Schiller Flexner and Edwards Pottinger were equally as specific in their joint statement: "This groundbreaking settlement is the culmination of two law firms conducting more than a decade-long investigation to hold one of Epstein's financial banking partners responsible for the role it played in facilitating his trafficking organisation."

David Boies, one of the accusers' lawyers, said in a statement that Epstein's abuses "could not have happened without the collaboration and support of many powerful individuals and institutions. We appreciate Deutsche Bank's willingness to take responsibility for its role."

This settlement comes on the heels of a settlement Deutsche Bank reached last September, where it agreed to pay $26.25 million to settle a US shareholder lawsuit accusing the bank of lax oversight while doing business with risky, ultra-rich clients - like Epstein.

What is the bank doing right?

Deutsche Bank's spokesman Dylan Riddle said the bank has invested over €4 billion to bolster its controls, processes and training, hired more people to fight financial crime and beefed up its anti-financial crime division.

It has also cut ties with other high-risk clients.

The risk indicators

The list of red flags, in this case, is long. In Deutsche Bank's onboarding of Epstein, he already had a number of claims against him - including sexual assault claims made by 40 underage girls.

It seems that when Epstein moved his money to the bank, they didn't ask too many questions - at onboarding and throughout the course of the relationship.

In the bank's $150 million settlement in 2020 with the New York Department of Financial Services, it was noted that Epstein, who was already a convicted sex offender, had engaged in suspicious transactions for years, even though Deutsche Bank deemed him a "high risk" client from the moment he became a customer in 2013.

"Despite knowing Mr. Epstein's terrible criminal history, the bank inexcusably failed to detect or prevent millions of dollars of suspicious transactions," Linda A. Lacewell, the department's superintendent, said at the time.

In fact, instead of performing appropriate due diligence on Epstein and the activity in his accounts, regulators wrote, the bank was focused on his potential to "generate millions of dollars of revenue as well as leads for other lucrative clients."

Epstein left behind an estate valued at over $600 million that is now the subject of litigation by the attorney general of the United States Virgin Islands, where Epstein had lived and worked for nearly 20 years. Epstein used a company he established there, Southern Trust, to open over 40 accounts with the bank. Over the course of 5 years, activities in those accounts were repeatedly questioned by Deutsche Bank employees, who were ignored by their superiors.

Even after a specialist in the bank's anti-money laundering (AML) department raised concerns about the bank's relationship with Epstein, the relationship continued. Eventually, the bank did set some conditions for monitoring Epstein's activity, but because they were poorly communicated there was confusion and the alerts were mostly dismissed.

Red flags in a client: A checklist

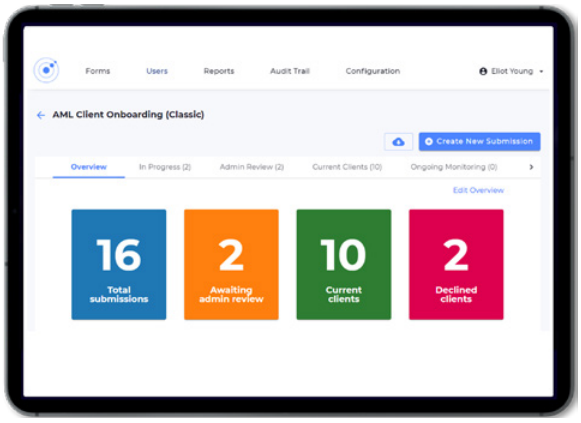
According to the Financial Action Task Force (FATF) businesses should take note of these red flags while onboarding new clients or dealing with existing ones:

- Highly secretive clients
- Account holder from a high-risk country
- Funds from suspicious accounts
- Frequent transfers to different accounts
- Transfers without a logical explanation
- Multiple accounts under the same client
- Transferring or receiving money from unregistered geographies
- Conversion to virtual assets
- Immediate withdrawal after receiving funds
- Problems in the customer due diligence process

AML client onboarding solution

Omnitrack, VinciWorks' [AML client onboarding solution] enhances both the risk assessment and document collection aspects of client onboarding.

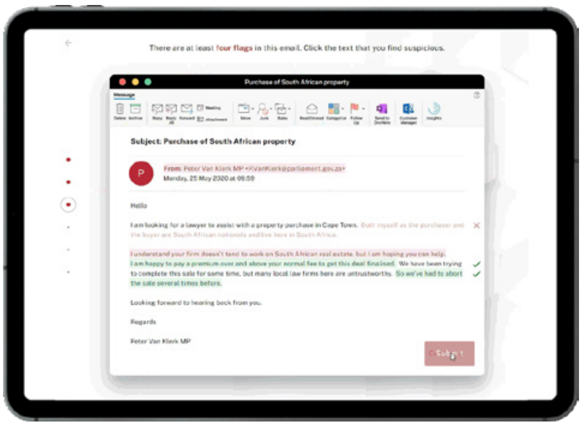
Our template workflows adapt to the specific risks posed by each client, based on factors such as jurisdiction, type of entity and industry. This allows you to make informed choices about each client using the risk-based approach. Our comprehensive workflows incorporate industry-specific guidance such as LSAG for law firms. The flexibility of Omnitrack lets you choose the default workflow most appropriate to your business. The workflow can be customised to suit your own areas of practice and risk scoring system. Our team will guide you through every step of the process.



AML training suite - Relevant training for all staff

VinciWorks strives to make its AML training more than simply a tick-box exercise.

Our courses are packed with realistic scenarios, real-life case studies and every customisation option you can think of. We have everything from in-depth induction training to refresher courses and five minute knowledge checks. Whichever industry, jurisdiction or job role you work in, a course can instantly be built just for your staff.

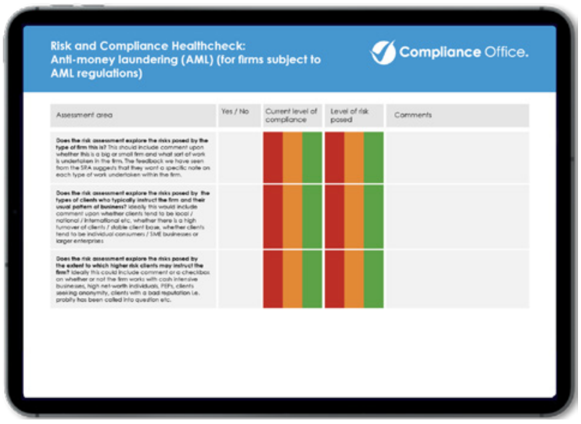


AML audit

Our partners at Compliance Office have the expertise needed to help you conduct an independent, tech-enhanced AML audit, in accordance with the latest Legal Sector Affinity Group (LSAG) guidance.

Their team keeps their pulse on the latest AML requirements and your audit will be completed by former practising solicitors with many years of experience in law firm regulation, often former SRA staff.

You won't need to worry about dedicating extra time and internal resources to this critical process and you'll be free to enhance your compliance controls and fully adhere to regulatory requirements. Once the audit is completed, you'll receive a detailed report as well as an action plan that will be critical in helping your firm address any weaknesses



Contact Us

www.vinciworks.com
enquiries@vinciworks.com
+44 (0) 208 815 9308

VinciWorks