THE INTERVENTION OF BPA GROUP

Notes for a meaningful analisys of the fact's

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DOCUMENTS (Which you can be found in the attached ibook)

INTRODUCTION

The purpose of this document is to provide a series of notes in order make an analytical reflection of what has happened as a result of the FinCEN Notice of March 10, 2015 and the subsequent intervention of Banca Privada d'Andorra (BPA). A series of background information regarding the previous events prior to March 10 are also displayed, therefore, with the provided information, the recipient of this document may have a real and objective view of what has happened and what is the current situation. This document is accompanied by several annexes endorsing the various statements and explanations made throughout the story.

The document consists of the following sections:

- Background information explaining the compulsory regulations to which the audited entity was subject and the results of the various annual revisions made by external auditors, as well as the most significant communications with Andorra regulatory bodies (INAF and UIFAND).
- Brief analysis of cases reported by FinCEN on their notice.
- Warnings from the United States in relation to the absence of regulation of the Andorran financial sector in certain areas of concern for international organisations.
- Salient features of the Moneyval, European Council fourth assessment report, carried out four years prior to the audit the of the BPA where deficiencies are already pointed in regards to the regulation of the Andorran financial system and it particular its lack of cash control. This fact encourages the verbal note from the United States to the Andorran authorities in August 2014.
- Two specific judicial decisions cases for money laundering practices carried out in Andorra.
- Other similar actions carried out by FinCEN and the one which affected Andorra and one of its financial institutions.
- Compilation of sanctions applied to financial institutions of the Principality.
- References to the enormous difficulties in obtaining information and the lack of overall transparency of the process.
- Relevant criteria applied by PricewaterhouseCoopers to audit the BPA accounts and customers, using parameters that go far beyond the provisions of the regulations currently in force in the Principality.
- FinCEN March 10 notice removal.
- Some final conclusions as a result of the various points covered in this document.

BACKGROUND

Banca Privada d'Andorra (BPA), like other banks in the country, has been placed under the Andorrans supervisors -Institut Nacional Andorrà de Finances (INAF) and UIFAND- since they have been regulating the financial industry and the regulations in force and applicable to the Principality of Andorra in the banking and financial industry.

FINANCIAL STATEMENTS

The audited financial statements are sent to the INAF before March 31 of the year following the closure of accounts. Furthermore, a supplementary report besides the audit that is being developed is sent to the INAF on the following financial year-end before June 30. Prior to the completion of the annual audit, the INAF holds a meeting with the external auditors of the bank to give indications regarding the points considered particularly relevant for review.

At the time of the intervention (March 10 2015), and as reported from day one by the Andorran authorities (the Prime Minister himself, Minister of Finance and Maria Cosan, the Director General of the regulatory body, - who was auditing the organization during 2008-2011, period when the entity was audited by KPMG and during which the majority of cases reported by FinCEN occurred-), the BPA levels of capital and liquidity significantly exceeded the minimum required by the regulator (17.6% of creditworthiness while the minimum was 10%, and liquidity was around 65% while the minimum required was 40%).

THE EXTERNAL EXPERT REPORT

The external expert report on the procedures used in the prevention of money laundering and financing of terrorism is an annual task. It is sent to both the UIFAND as the INAF before March 31 in the year following the financial year-end.

This report is prepared based on the technical reports annually issued by the UIFAND and sent to the financial institutions (attached reports of years 2012, 2013 and 2014 numbered as Docs. 1, 2 and 3 respectively, page 27). Their contents can be verified through the UIFAND instructions being basically the same, except for 2014 which includes the procedures to be carried out by insurance companies.

Submitted along with the expert report, are the policies to prevent money laundering applied by the organization (the expert reports from 2010 to 2013 are attached as Docs. 4, 5, 6 and 7, page 59).
Until 2014, no observation was received from the UIFAND in relation to the annual audit delivery (letter of audit compliance and subsequent briefing note is attached as Doc. 8, page 335). Points of formal nature are commented, validating the report and the accompanying policies submitted by the auditors. The FinCEN reported cases were already notified to the Andorran authorities, which had decided to take the convenient actions at the time of the auditors reports delivery -KPMG in 2012; 2013 in Deloitte-. Both companies signed the reports without making any reservation.

Both the obligation to audit the financial statements and the preparation of the independent expert report according to the procedures used in the fight against money laundering and the financing of terrorism have been duly annually completed by the BPA without receiving any comment from regulatory bodies except for 2014 as it was already explained.

It is important to emphasize that in the years 2009 and 2012, and requested by the new correspondents with whom the BPA wanted to operate, the certificates demonstrating the fulfillment of the obligations on the part of the entity were requested to the UIFAND. These certifications were obtained the without the slightest demurrer from the UIFAND, (certificates attached as Doc. 9 and it is also attached an explanatory letter of the evolution of the Money Laundering Prevention Department of the BPA Group and evolution and implementation of the recommendations of the auditors from the year 2010 Doc. 10, page 341).

OTHER COMMUNICATIONS WITH REGULATORY BODIES

1. In January 2013, following the blocking of funds of a group of Venezuelan BPA customers, the UIFAND initiated disciplinary proceedings against the entity. During the processing of the file, the BPA provided all documentation relating to the operations of Venezuelan customers. Testimony was taken to laundering prevention committee members, management, the compliance department and the BPA customer services managers. To the date of the intervention to the BPA, two years after the opening of the file, the

UIFAND had not reported any statement of objections.

2. In 2014, the INAF requests information throughout the financial industry regarding the reputational risks that could affect the company and the industry as a whole. The BPA answers as of March 24, 2014, explaining the cases that were later reported by FinCEN (ie Oil, Pallardó and Petrov cases) informing the regulatory body about many other situations and issues. The BPA never received any comments from the INAF (copy of the letter sent by the BPA to the INAF is attached as Doc. 11, page 361).

3. It should be noted, as already stated, that the current general director of the financial industry regulatory body, Maria Cosan, was the auditor responsible for preparing the report of the external expert on the procedures used in the prevention of money laundering and financing of terrorism of the intervened entity during the period between 2008 and 2011, years in which the entity was audited by KPMG and is known to be the busiest period of customers listed in the cases reported by the FinCEN. Mrs. Maria Cosan, therefore, had perfect firsthand knowledge of all the facts.

In notice issued by FinCEN (attached as Doc. 12, page 375). The dependent agency of the US Treasury Department responsible for combating money laundering, and the summary report that accompanied it, justified applying Section 311 of the Patriot Act to the BPA because of the existence of four cases which turned the Andorran in a first-rate financial institution in the area of money laundering. Furthermore, it must be said that the FinCEN's notice discloses facts and data which source or nature are still unknown. The Andorran authorities (INAF, UIFAND, Magistracy, Prosecutor ...) have this information and might be able to provide the needed elements to clarify those facts or data, which at this point we ignore.

1. PETROLEUM CASE (Venezuelans)

By order of the UIFAND, the funds of a group of the BPA clients were blocked. After a judicial process that lasted nearly two years, first the Magistracy and later the Criminal Court unlocked them. During the judicial process letters rogatory and information to the Interpol in the United States, France, Spain, Venezuela and Ecuador were requested. Unlocked funds were sent from Andorra via money transfer to American and European first-rate banks (list of the major issuing and receivers banks operating with Venezuelan customers Attached as Doc. 13, page 387).

All customers linked to this dossier passed the due diligence filter process when they requested opening accounts at the BPA. Among the filters that were established include customer identification, validation lists of unwanted international clients *(World-Check and World Compliance)*,documentation of all transactions and their economic reality, specific reports *Kroll, International Center of Economic Penal Studies*and *International Chamber of Commerce-Comercial Crime Services*. Likewise, were analyzed by the external auditors of the BPA without finding strange transactions and agreeing with the procedures used by the BPA. In addition, it is necessary to state that all these clients funds that a some point were deposited in the BPA arrived or departed via bank transfer. All banks that took part in those operations were first class international companies, mainly American, who never detected any anomaly or irregularity after subjecting their customers to enhanced due diligence checks (release of funds order from the investigating Mayor dated April 23, 2014, attached as Doc. 14, and the release order confirmation of the Supreme Cort dated July 29, 2014, attached as Doc. 15, page 393).

2. PALLARDÓ CASE (CHINESE)

Rafael Pallardó was a client operating at the BPA from year 2008 to 2011. This client also worked with other entities in the country. Never any entity issued any statement of suspicion. Pallardó entered cash from the Chinese retail business. Then transferred money to China to buy more merchandise. Pallardó is an entrepreneur of the leather and related products industry, with a strong commercial relationship with China due to the explained operations.
Apart from the standard procedures used in customer knowledge and operations, it was considered appropriate to apply enhanced due diligence measures and *in situ* so that, visits were made in order to validate the activity. Regular meetings with the customer, Customs Inspection Records and Clearing Formal Entries of all the goods imports listed in the file were requested.

In 2010, as there is such a significant increase in activity, a detailed study was requested *(forensic)* KPMG regarding customer to certify that there is no illegal activity. The conclusion of the report was that it was exclusively tax evasion, which does not constitute an offence in Andorra (KPMG report attached as Doc. 16, page 417).

In 2011, coinciding with the acquisition of Banco de Madrid by the BPA, it was decided to cease operations with the client because the activity itself is produced by tax evasion in the Spanish territory. The cancellation of the relationship was effective from September 2011.

As this customer has large amounts of cash, he avoids making the corresponding transfers to Andorra by compensating with other customers of the BPA in Spain. This compensation is made between customers, without the presence of any manager of the intervened financial entities. It should be noted that in the audits (attached as Docs. 4, 5, 6, page 59) on the prevention of money laundering by the KPMG for the years 2010, 2011 and 2012 already included in the report (1 paragraph p. 16, 3rd paragraph p.18 and 1st paragraph p. 21, respectively) that the entity has control lists to identify cash transfers between customers. For these years, there is no recommendation from the auditors to limit or prohibit the operation. And there is no observation from the UIFAND or the INAF about it. The entity has shown complete transparency with both the auditors and the regulators.

3. PETROV CASE (RUSSIANS)

Victor Kanaykin is a client who opened an account at the BPA in 2003 naming Andrei Petrov, a businessman residing in Lloret as a representative for Spain and Andorra with limited powers on the account. Kanaykin, the owner of the company DDC Ltd. and former member of the Russian parliament (Duma), sent $ 20 million in 2003 and 30 million in 2007. The account did not experience any transaction since then. All the money came via transfer from Latvia (EU) and corresponded to dividend payments brought from the industrial conglomerate he manages. The conglomerate's main business activity ran through Spetsneftegaz NPOi, its main activity is the maintenance of gas and oil conduits around the world. Gazprom is the main Russian client, a firm they work with for over 20 years.

At the moment of opening the account, the whole process of due diligence *is carried out*. Report is requested to The Chamber of Commerce-Commercial *Crime Services,* and Kroll is also requested for information *for* an enhanced diligence. All comments are totally correct (attached Docs. as 17 and 18, page 433). Even on January 19, 2016, the Victor Kanaykin's *World Check* is correct and only aspects of tax evasion are mentioned (this report is attached as Doc. 19, page 459).

It is important to emphasize that Andrei Petrov, who generates the judicial action in Spain, has only had 2.5 million euros at the BPA, of which 1.5 million came via international transfers from England and one more million which comes from transfers from other banks in the Principality.

4. SINALOA CASE

The BPA does not have information related to this case mentioned in the FinCEN notice.

UNITED STATES WARNINGS

In August 2014, through the American consulate in Barcelona comes a note verbale from the Government of the United States to the Government of Andorra warning about the lack of cash regulations of the Andorran financial system in general. The response from the Government of Andorra did not match with what the American authorities expected. Following this response, the FinCEN notice against the BPA begins to take shape. It is suspected that the target was the whole Andorran financial system (attached Docs. as 20 note verbale received from the US Consulate General to the Government of Andorra and the answer given by Andorra, page 463).

During those same dates two significant events occurred which may explain why the attack is directed towards the BPA:

- The Venezuelans case was resolved when the Andorran Justice itself unblocked the funds after nearly two years of research without any result and without any formalized a charge of money laundering. This is when an information leakage related to the BPA from the Andorran authorities to the Spanish authorities and / or American begins. A clear example of it is the FinCEN notice against the BPA. There are a lot of biased information and today the company does not know where it came from.

- In July 2014, the press publishes the existence of cash deposits from the family of former Catalan president Jordi Pujol in Andorra. It is the beginning of the *Pujol Case*. The politician recognizes by issuing a statement, having money overseas product of an inheritance from his father Florenci received by his mother to assure the well-being of his son due to the instability that meant the political activity to which he was engaged. Immediately, after all, this it comes out that the family had approximately five million euros deposited at the BPA. That money arrived to the entity now intervened in December 2010 from Andbank. The judicial investigation open and still ongoing has speculated that the Pujol moved thousands of millions of pesetas since the early nineties. First to Banca Reig and then to Andbank. What would end up transferring to the BPA would be a very tiny part of all the movements between Reig and Andbank during twenty years.

There are, therefore, evidence pointing the international authorities discomfort in regards to the current regulation in Andorra in the struggle against money laundering and the financing of the terrorism. This discomfort is emphasized by the director of economic affairs of the consulate of the United States in Barcelona, Anton Smith, who explains that the reason for intervening the BPA - the hammer blow, which was being cooked in the negotiation of the share-out of the seized money and the not transcribed preliminary agreement that Andorrans and Americans would have made and the first ones in the end did not respect- is the absence of attention of the Andorran authorities to the American complaints, basically as for the regulation in the struggle against the Andorra money laundering, and especially for the absence of regulation in the cash control.

At the end of 2014, the UIFAND issued a notice to limit cash transactions (see Doc. 21, page 473) and as a result the industry complaints the UIFAND itself postpones its implementation(See Doc. 22) and ensures that the UIFAND, is not a report of systematic monitoring of cash transactions (see third point of the first page of the document attached as Doc. 22, page 477). This goes against what the American authorities are demanding. Not until the end of 2015 begins the cash control regulation caused by the note verbale sent from the American consulate in Barcelona to the Government of Andorra in August 2014 (Doc. 23, page 483).

THE FINE THAT NEVER HAPPENED

At the beginning of the crisis, one of the issues that provoked much debate and, even stopped the possibility to establish some kind of dialogue to try to find an agreed solution to the debacle leading to the FinCEN notice, was the fact that the aforementioned decision of the American agency would lead to a millionaire sanction against the BPA . This meant, as the Minister of Finance itself, Jordi Cinca, publicly recognized on more than one occasion a large slap that neither the administration nor any other bank of the country couldn't afford to take. The question regarding the economic fine generated such a noise, that finally, on April 1, 2015, the American consulate in Barcelona sent the Andorran and Spanish media a press release in which they literally said: "The FinCEN of the US Treasury Department published the Notice of Proposed Rulemaking (announcement) in relation to the BPA on March 10, 2015, in accordance with Section 311 of the Patriot Act. The Treasury De

partment has made this proposed rule because the BPA has been identified as an entity subject to major concern regarding money laundering. The proposed rule, if carried out, would prohibit US financial institutions from opening or maintaining accounts with the BPA. **There is no 'penalty' associated with this economic rule.**" The "bold" was highlighted in the statement. Since that day, nothing more was heard of the substantial penalty that threatened the intervened bank and was overhanging seeking possible solutions through dialogue.

It is incomprehensible that in a matter of this magnitude the Government feed the danger of a huge fine against the BPA.

Ignorance is no excuse for doing statements of this nature, and since these actions are being taken by the Executive, it is presupposed that it should be duly informed and documented.

The fourth round of the onsite trip to Andorra was from 20th to the 26th March 2011. Moneyval approved the Andorra mutual evaluation report (MER) of the fourth round in its 38th plenary session (March 2012).

The evaluation fourth round once again revealed the lack of a systematic report system of cash transactions and therefore recommendation 19 was considered as non-compliance (NC). This fact coincides at the same time as the claim made by the American authorities for the regulatory non-compliances made, as they understand, by the Andorran jurisdiction.

The recommendations obtained
the following results:

4 compliance (C)
22 largely compliance (LC)
18 partially compliance (PC)
4 non-compliance (NC)
1 not applies (NA)

Andorra shows a regular monitoring report in the 44th plenary session from 31st March to 4th April 2014 that considers Andorra is making satisfactory progress but still needs more time to come out of the regular monitoring process and will have to present a report to be seen during the plenary session of April 2015.

Andorra requested to delay the monitoring report until the end of December 2015, but due to the fifth round visit being programmed for the third quarter of 2016, the Moneyval authorities did not accept that.

Andorra sent the monitoring report in February 2015 and the Moneyval secretary responded with an analysis of the significant areas that were pending progress. But considering that three years had already passed from the approval of the fourth round of the mutual evaluation report and Andorra could request the elimination of the regular monitoring, it was agreed to allow up to the end of September to present a new report with the key points to resolve in selected areas (typical of money-laundering and the supervision and surveillance system of financial institutions and other liable parties) and it was required to present a provisional report for the 48th Moneyval plenary session.

Andorra presented their third provisional monitoring report on 20th July 2015 with the changes made since

February 2015, together with a request to come out of the regular monitoring of the process because all the critical recommendations are in C or LC.
The next Moneyval visit to Andorra is foreseen for the third quarter of 2016.

Recommendation 19: Other forms of reporting (rated NC in the 3rd round evaluation report). There is no system whereby financial institutions could report all cash transactions above a certain amount to a national central agency with a computerised database. Consideration of the feasibility and utility of implementing a system for reporting cash transactions above a certain amount (C.19.1)
The Andorran authorities indicated that they had considered the feasibility and utility of such a system in the context of the study conducted prior to the promulgation of Act No. 2/2008 of 8 April 2008 on foreign investments.

The authorities finally decided not to apply a system for reporting all such transactions to a central agency.
Effectiveness and efficiency - R.19

Although it would seem that a study of the feasibility and utility of implementing such a system whereby financial institutions would report all cash transactions above a certain amount was performed during the work to prepare for the promulgation of Act 2/2008, ***the conclusions of that study, and in particular the reasons why such a system was rejected, were not transmitted to the evaluators.***

The evaluators were all the more interested in these explanations since there is no system for monitoring cross-border transportations of currency (cf. SR.IX) and the threshold beyond which sellers of high value objects, such as precious stones or metals, are subject to the LCPI where payment is made in cash has been raised from € 15 000 to € 30 000.

Unfortunately, there is no element attesting to the performance of a study concerning the introduction of a reporting obligation concerning all transactions in excess of a certain amount.

The verbal note of August 2014 from the United States Government talked about the cash that is not regulated and mentions the case of some Dutch citizens that had introduced 16 million Euros in cash into the Andorran financial sector originating from illegal drug trafficking. That money would have never passed through BPA.

In the Valora case -that became known at the beginning of 2007 and its criminal investigation is still open- has its own money-laundering structure where funds are obtained in Spain and that capital ends up in the Principality. Once in Andorra it is managed by Valora. There would never have been any transporting funds in BPA and BPA does not intervene in compensations among clients (annex Doc. 24, page 491).

OTHER FINCEN CASES

We can find similar affairs to those that happened in Andorra with BPA. In the case of the FBME bank in Cyprus, where warnings were given against a jurisdiction in their facility and finally action was taken against a specific subject of the same (a printout of tress release as Doc. 25, page 495).

Beyond that which has continued appearing in the claim made by the FBME against FinCEN, different personalities have referred to this case. Professor William H. Byrnes, associate dean of the *Texas A&M University School of Law*, has analysed, the intervention of the agency dependant on the Treasury Department (annexed as Doc. 26, page 499), and regrets the constant legal violations, which in his opinion, FinCEN would perform when taking decisions and adopting sanctions. Now, he also criticizes that fact that the agency is still very aggressive with small banks that have no effect on the highly globalized financial world and, to the contrary, is still very permissive with the large banking groups although the evidence, many times, is still very abundant and solid.

The ex-governor of the Central Bank of Cyprus also refers to the case of the FBME when explaining that the actuation against the bank originally from Tanzania had been conspired between the Cyprian authorities and the FinCEN to warn against the entire jurisdiction and clarify that the financial sector of the country had to do their homework in regulatory matters.

That similarity between the cases leads us to establish a route map where FinCEN can attack the financial entity that could significantly affect their jurisdiction and that could have little or no incidence on an international level.

With these actuations, he wants to suggest tightening at all times the international financial system regarding the fight against money laundering and financing of terrorism.

SANCTIONS

A list of the sanctions imposed on financial entities of the Principality in the 2012-2013 period is attached (see Doc. 27, page 505) BPA does not appear as having received any sanction.

Even so, below is a list from the Magistrates Court related to cases of money laundering in which Andorran financial entities appear as implicated and among which BPA never appears.

- Sentence of MC-101-4/10 dated 17/07/12, with an absolution of the clients due to a procedural error of Batllia.
- Sentence of MC-060-5/10 dated 12/02/13, condemning clients for money laundering.
- Sentence of MC-009-4/14, condemning clients for money laundering
- Sentence of MC-009-4/12, condemning clients for money laundering
- Sentence of MC-039-3/14, with an absolution of the clients (case of BPA Venezuelan clients)
- Sentence of MC-110-5/12, with an absolution of the clients and execution of mortgage
- Sentence of MC-169-3/03, condemning clients

INTERVENTION OPACITY

Since March 10th, the actuation of public powers has revealed a significant lack of transparency. Beyond the difficulties that the general counsellors have had to obtain the information that had become scarce and necessary to carry out their constitutionally re-Ocognized task of Government control, the majority shareholders of the Banca Privat d'Andorra have never been able to obtain any documentation not even to evaluate the decision taken against them. At this time, nearly a year after the intervention, there has not even been any communication by the INAF with the charges contained in the sanction dossier, which separated all members of the board of directors and the main executive company managers from their functions.

Neither has any of the work done by Price Waterhouse Coopers been published. Nor the first report prepared about six hundred accounts that the minister of Finances and Government Spokes person, Jordi Cinca, repeatedly assured that would be made public and provide to the parliamentary groups; and nothing has been officially said of the results derived from the analysis of clients and accounts that was prepared by the same consulting company and would be in the hands of the INAF and the AREB. The improvised changing of the actuations calendar to be carried out by the administration has been constant, at all times slowing the process.

During the months of the intervention, and all the efforts and offers made from the BPA owners, maintaining any type of official contact has not been able with the executive authorities of the Principality in order to find a solution to the crisis or, at least, to interchange information about the situation.

DIFFERENT CRITERIA FOR BPA AUDIT

The data room to which the eight entities have had access -the four banks of the Principality and four foreign entities- participating in the bridging bank auctioning process draws a general dimensioning of the Vall Banc. According to this data and considering that which has been appearing in the media, we could consider in round figures that:

Of the 1,500 million Euros that BPA had in deposits before the intervention,

- 800 million had been validated and authorized for transfer to the bridging bank
- 400 million have received approval and, at the moment, remain in the BPA
- 300 million would have been withdrawn since the intervention and up to now

According to the available data from sources owned by the INAF and UIFAND regulators and, also, from BPA information, the work to be carried out by Price Waterhouse Coopers (PwC) based on the criteria approved by FinCEN and that has nothing to do with the current regulation in the Andorra Principality or in the current situation or the date in which account was opened, the following approximate result would be: 95% of the clients could be willing to pass to the good bank. While only 5% of the clients are undecided. And this includes accounts designated as red and those considered as grey, among which there are different levels. Overall, at the moment of the BPA intervention, it had 29,200 clients.

Neither the clients or accounts indicated as no apt and marked in red nor, above all, the grey accounts or clients do not mean they contemplate deposits originating from money laundering or money from illegal origin. It is all to the contrary. There is an important volume of these accounts or clients that have not passed the established bureaucratic procedures, -presenting passports, providing accountable documentation- or directly, their owners have not responded to the calls made by the bank managers and the PwC consultants. And there is still a more numerous amount of clients and accounts that are situated at the edge of those that, for now, will not be transferred to Vall Banc because they are among the groups considered as high risk identified by the regulating bodies after agreement with FinCEN about which are the most sensitive subjects of the one that are most worrying. It is also worth highlighting that many of the clients considered as doubtful are due to not being fiscally regulated in their origin countries. If this criteria were applied to

the other entities, many red or grey accounts would become known all over.

WHAT PREMISES HAVE BEEN USED?

Since the beginning of the revision of accounts and clients, and following the instructions given by the regulators (INAF and UIF), hundreds of accounts have been identified based on the criteria that has nothing to do with the current regulation in the Principality. And that, somehow, could be qualified as 'FinCEN risk'. Under those same premises, for analysing the accounts and clients of the other banks in the Andorra jurisdiction, the same or more deposits as BPA appear with a situation of not being able to pass the imposed KYC. It is worth highlighting that currently, and in an attempt to clarify situations where they do not pass the required exam, they are managing to demand bank movements that some clients will see when the entity was still not BPA. That is to say, in certain cases the revision goes back to the beginning of the nineties.

Whatever the case, between the grey and red accounts the auditors and regulators have situated hundreds of deposits based on what could be considered as large risk groups:

1. Accounts directly subject to cases under judicial control

The clients and accounts referred to in the cases 'Petroleum' (Venezuelans); 'Emperor' (Chinese); and 'Clotilde' (Russians) are among these. And some of lesser entities like that of Norman Puerta, also Venezuelan. All those accounts are blocked by judicial order.

2. Accounts of persons that have had links with those blocked by judicial order.

There is a wide range of account and clients types in this situation. All the clients that have received any transfer, for whatever reason, from any of the accounts of the three cases mentioned by FinCEN are in this situation. The clients that made some type of monetary compensation with Rafael Pallardó are also included in this analytical type. Not all those accounts have any blockage order.

3. Accounts with jurisdictions considered as high risk by the United States.

These are clients mainly from Mexico, but also from Uruguay or Panama, among others. In all these cases there is a blockage placed by the regulating authorities.
4.- Accounts fed by exchange cases

Exchange cases are an operational mode that the United States does not like. These accounts are also subject to special surveillance by the regulators. The largest volume affects two cases of Argentina exchanges, that alone move about 800 clients -many of them savers that want to avoid taxes and, above all, not to suffer another 'corralito' in their country- and mean about 250 million Euros in deposit, 30 of which are invested in preference stocks.

5. Accounts linked to activities regulated in Europe but legally badly considered in USA.

Basically, these are clients and accounts that receive funds from companies with activities that are directly or indirectly related to gambling. Those deposits are also subject to specific control by the regulators.

6. Politically exposed persons (or PEPs)

These are clients with public activities that include performing a stronger analysis of the operation. There is no control or blockage by the authorities.

Some of the clients and accounts forming part of the previously described groups and that, therefore, have directly qualified as grey or red accounts as long as their funds are completely legal and perfectly adapted to the Andorran regulations and accepted by external auditors for prevention of money-laundering, even though they already were the object of the report required from BPA, they have deposits not only in the balance. Now, and especially in the list of PEPs, this will depend on an accurate analysis of those mentioned.

WITHDRAWAL OF NOTICE

The judicial actions taken by BPA major shareholders before the American judicial authorities against the FinCEN finally lead to the agency dependant of the American Treasury department to remove the 10th March 2015 notice that originated the crisis. The FinCEN published the decision of 19th February 2016, just after presenting the backing to their allegations in the framework of the civil procedures initiated by the Cierco family before the district court of Columbia in the United States The FinCEN opted for leaving the March 2015 Notice without effect before risking a negative judicial decision that would have obliged providing all the information on which the accusations against the BPA are based.

The American agency issued a communication (see annex in Doc. 28, page 509) where, apparently, they show great collusion with the Andorran administrative authorities, the same collusion that would have been throughout the entire process. The FinCEN that wanted to wanted to avoid all responsibility in the situation and derive it to the Andorran public authorities, left in their hands the final and definite resolution of the situation. In no case, neither the FinCEN or the Government in the evaluation of the communication issued by the American agency on 19th February, neither justify why either the 10th March 2015 the Notice was imposed or why after eleven long months it was left without any effect. Neither the FinCEN or the Government can prove any of the cases that supposedly meant that BPA was a money-laundering machine and that it was already under judicial control much before the 10th of March of 2015 but that in the majority of cases it was the bank itself that had reported the acts causing the start of the opportune investigation (Doc. 29 is annexed as a report prepared by the judicial and strategic counsel of the Cierco Group explaining the complete list of key process elements and acts, page 517).

CONCLUSIONS

- BPA has always complied with control and regulation bodies and the current Andorran regulations.

- The Andorran financial sector is not correctly regulated and there are mechanisms that international institutions do not accept. The claims date back from one year until now. Responsibilities will have to be demanded from the affected Andorran institutions.

- The cases where FinCEN reveal that BPA would be like a 'money-laundering machine' were already under judicial control, and nearly always due to reports made by the entity itself, and do not mean any risk for the system. Even so, one case is mentioned, that of Sinaloa, about which even now its origin and supply is still unknown. In the case of the Venezuelan clients, Justice unblocked the funds because they could not find any elements to confirm the initial suspicion of money laundering.

- BPA always acted with transparency, providing all the information that the control and regulation bodies required of them. Even acting on their own initiative in many cases. And passing all the regulated auditing processes that frequently were beyond the minimums required by the regulation.

- Article 311 of the Patriot Act applied to only one entity (BPA) instead of being applicable to a complete jurisdiction. The Andorra Government accepts the imposition of the special measure against the BPA to avoid, in fact, that the entire jurisdiction is sanctioned and all that related to BPA is isolated.

- The FinCEN method of actuation is systematically repeated, issuing warnings against an entire jurisdiction on which there are reasonable doubts regarding their general actuation to then act against a specific subject as an example measure. That working method is evidenced in the case of the Tanzanian bank located in Cyprus FBME and in the case of BPA.

- The revision of accounts and clients carried out by Price Waterhouse Coopers was done taking into account criteria that have nothing to do with the current regulation in the Principality of Andorra. The Andorran regulators, following the decision of the FinCEN, have imposed premises that, if applied to the entire financial sector in the country, would mean that many deposits would not pass the test.

- The legal action of the BPA majority shareholders in the United Sates leads the FinCEN, on 19th February of 2016, to issue another notice, which announces that the Notice of 10th March 2015 is without effect, and explains that it will not impose any of the sanctioning measures foreseen in section 311 of the Patriot Act. The FinCEN announces the removal of the Notice before the more than evident risk of a negative judicial decision that would oblige it, more than probably, to provide all the information and the communications that justify the notice that derived into the intervention of BPA.

Andorra la Vella, March 2016