

Statement 23.08.2024

Statement by Hypo Vorarlberg on the disclosure by the FMA of its imposition of a penalty (23.08.2024).

Hypo Vorarlberg has issued the following statement on the announcement by the FMA on 23 August of the imposition of a fine of EUR 791,000 on account of a “breach of the duty of care to prevent money laundering and terrorist financing in a correspondent banking relationship (execution of payments) and with regard to trustee accounts”.

The FMA’s allegation relates solely to the appropriateness of the audit procedures. The FMA did not identify any criminal offences relating to money laundering and terrorist financing. The imposition of an administrative penalty resulted from an onsite inspection carried out by the Austrian Financial Market Authority (FMA) at the premises of Hypo Vorarlberg in February 2020. The Hypo Vorarlberg correspondent bank in question is an EEA bank, which for both trustee and payment accounts must comply with the same high standards and regulations for preventing and combating money laundering and terrorist financing as are also applicable to Austrian banks. On the basis of this, Hypo Vorarlberg conducted an ongoing review of compliance with the due diligence obligations to prevent money laundering and terrorist financing in the correspondent banking relationship (execution of payments) and with regard to trustee accounts (relating to 4 accounts with a total investment volume of EUR 1.2 million).

According to the FMA’s interpretation, Hypo Vorarlberg should furthermore have put in place additional audit arrangements to identify whether, compared with the pattern of transactions, or the transactions themselves, to be expected on the basis of the existing KYC information, the transactions which were executed on the accounts exhibited changes that were indicative of unusual activities or possible deviations from the agreed purpose of the correspondent banking relationship.

The penalty is not legally binding. The Managing Board of Hypo Vorarlberg takes the view that the bank complied sufficiently with all the measures required by law, and for this reason will lodge a complaint with the Federal Administrative Court requesting the cancellation of the penalty order (similarly to the FMA penalty which resulted from the audit in relation to the Panama Papers, which was cancelled and the proceedings suspended following a complaint by Hypo Vorarlberg in September 2021).

The Managing Board further expressly states that the correspondent banking relationship referred to (in relation to the payment transactions) was completely terminated at the end of 2019 – and thus before the audit was performed. There were not, and still are not, any further correspondent banking relationships in which Hypo Vorarlberg undertook payment transactions.

Update: Hypo Vorarlberg lodged a complaint with the authority on 16 September.