

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

March 10, 2017

Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Hensarling:

Consistent with your past practice of monitoring the Department of Justice's ("the Department") investigations, we write to request that the Committee conduct a formal assessment of the Department's investigation into Deutsche Bank's Russian money-laundering scheme, including a review of the new Attorney General's role in continuing the investigation.¹ We also urge the Committee to initiate its own investigation, using the full range of the Committee's oversight authorities, to determine the nature of the Russian money-laundering scheme, including who participated in the arrangement and whether violations of U.S. law, beyond the failure to maintain appropriate anti-money laundering controls, may have occurred.

Several weeks ago, Deutsche Bank was ordered to pay more than \$600 million in fines, including a \$425 million fine to New York's Department of Financial Services and a \$204 million fine to the U.K.'s Financial Conduct Authority for failing to have adequate anti-money laundering controls in place to prevent a group of corrupt traders from improperly and secretly transferring more than \$10 billion out of Russia.² While press reports indicate that the Department is investigating this matter, we are concerned about the integrity of this criminal probe and whether senior Bank officials will be held accountable given the President's ongoing conflicts of interest with Deutsche Bank and the recent firing of a Department official for expressing dissenting views.³ Moreover, the suspicious ties between President Trump's inner circle and the Russian government—including the latest revelation that Attorney General Sessions falsely denied under oath to having any contact with Russia during the presidential campaign—raise concerns that the Department may fail to implicate those who benefited from Deutsche Bank's trading scheme.⁴

¹ See Letter from Hon. Jeb Hensarling, Chairman, H. Comm. On Fin. Serv. To the Hon. Loretta Lynch, Att'y Gen., U.S. Dep't of Justice (September 1, 2016)

² N.Y. State Dept. of Financial Services, Press Release: "DFS Fines Deutsche Bank \$425 Million for Russian Mirror-Trading Scheme," Jan. 30, 2017, available at <http://www.dfs.ny.gov/about/press/pr1701301.htm>.

³ Michael Shear, Mark Landler, Matt Apuzzo & Eric Lightblau, *Trump Fires Acting Attorney General Who Defied Him*, The N.Y. Times. (Jan. 30, 2017), available at https://www.nytimes.com/2017/01/30/us/politics/trump-immigration-ban-memo.html?_r=0.

⁴ Adam Entous, Ellen Nakashima & Greg Miller, *Sessions met with Russian envoy twice last year, encounters he later did not disclose*, The Washington Post (Mar. 1, 2017), available at https://www.washingtonpost.com/world/national-security/sessions-spoke-twice-with-russian-ambassador-during-trumps-presidential-campaign-justice-officials-say/2017/03/01/77205eda-feac-11e6-99b4-9e613afeb09f_story.html?utm_term=.95c9299c00c3&wpisrc=al_alert-COMBO-politics%252Bnation.

While the recent fines imposed by the New York and U.K. regulators brought needed attention to Deutsche Bank's culture of greed and malfeasance, Deutsche Bank's recidivist pattern of compliance failures and misconduct demonstrate that the bank is not deterred by the mere imposition of financial penalties and independent monitors. For example, in January of this year, before Trump was sworn into office, Deutsche Bank paid the Department a record breaking \$7.2 billion fine for deliberately misleading investors in its sale of toxic mortgage backed securities.⁵ In December 2016, Deutsche Bank agreed to pay \$37 million in penalties for misleading clients about how their stock orders were sent for certain trades.⁶ In November 2015, Deutsche Bank paid a \$258 million penalty for processing payments valued at more than \$10 billion on behalf of Iranian, Libyan, Syrian, Burmese and Sudanese entities to evade U.S. sanctions.⁷ In April 2015, Deutsche Bank pled guilty to criminal charges and paid a \$2.5 billion penalty for manipulating the London Interbank Offered Rate, or LIBOR, a key benchmark interest rate.⁸ These repeated, record-breaking penalties appear to evidence a blatant disregard for U.S. law, requiring a more aggressive approach to hold Deutsche Bank accountable.

President Trump's conflict of interest with Deutsche Bank, however, may undermine the independence and impartiality of the Department's ongoing investigation and diminish the likelihood that Deutsche Bank and its senior leadership will be brought to justice. Of particular concern, is the fact that Deutsche Bank is one of Trump's top creditors with an estimated \$360 million in outstanding loans to his companies.⁹ Furthermore, President Trump has already shown his willingness to exert considerable pressure on the Department to achieve his own ends by firing then Acting Attorney General Sally Yates for failing to defend his controversial Executive Order.

More significantly, the extensive ties of President Trump and his advisors to Russian government officials and oligarchs raise serious concerns about whether the President and his inner circle will direct the Department to steer clear of issues that could implicate those who benefited from Deutsche Bank's trading scheme. For example, if Trump, his advisors, or his associates with connections to Russia are implicated in the Deutsche Bank trading scheme, would the Department expose or protect them? Moreover, if he does not recuse himself from the Deutsche Bank investigation or resign, will Attorney General Sessions vigorously pursue action against the Bank if it could expose even more ties between the Trump Administration and individuals in Russia?

⁵ Dept. of Justice, "Deutsche Bank Agrees to Pay \$7.2 Billion for Misleading Investors in its Sale of Residential Mortgage-Backed Securities," Jan. 17, 2017, available at <https://www.justice.gov/opa/pr/deutsche-bank-agrees-pay-72-billion-misleading-investors-its-sale-residential-mortgage-backed>.

⁶ U.S. Securities and Exchange Commission, Press release: "Deutsche Bank Settles Charges of Misleading Clients About Order Router," Dec. 16, 2016, available at <https://www.sec.gov/news/pressrelease/2016-264.html>.

⁷ N.Y. State Dept. of Financial Services, Press Release: "NYDFS Announces Deutsche Bank to Pay \$ 258 Million, Install Independent Monitor, Terminate Employees for Transactions on Behalf of Iran, Syria, Sudan, Other Sanctioned Entities," Nov. 4, 2015, available at <http://www.dfs.ny.gov/about/press/pr1511041.htm>.

⁸ Dept. of Justice, Press Release: "Deutsche Bank's London Subsidiary Agrees to Plead Guilty in Connection with Long-Running Manipulation of LIBOR," April 23, 2015, available at <https://www.justice.gov/opa/pr/deutsche-banks-london-subsidiary-agrees-plead-guilty-connection-long-running-manipulation>.

⁹ Drew Harwell, *Trump's Unusual Conflict: Millions in Debts to German Bank now Facing Federal Fines*, The Washington Post (Sept. 30, 2016), available at https://www.washingtonpost.com/news/wonk/wp/2016/09/30/trumps-unthinkable-conflict-millions-in-debts-to-german-bank-now-facing-federal-fines/?utm_term=.3ffd8a8e8a01.

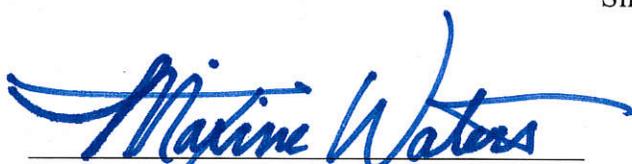
Honorable Jeb Hensarling

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The potential magnitude of Deutsche Bank's Russian money-laundering scheme should not be downplayed in the same manner in which this Administration has attempted to downplay its Kremlin connections. The threat to our democracy that could result from the seemingly endless, complex web of business dealings woven among Trump, his advisors, and Russia should not be ignored. It is incumbent upon this Committee to conduct a thorough, objective investigation into the Deutsche Bank money-laundering scheme given the Bank's atrocious history of lax compliance and, more importantly, the mounting evidence surrounding the new Administration's ties to Russia. We therefore urge the Committee to conduct a formal assessment of the Department's most recent investigation and initiate its own bipartisan investigation to more fully understand the nature of the scheme and to prevent such activity from taking place in the future.

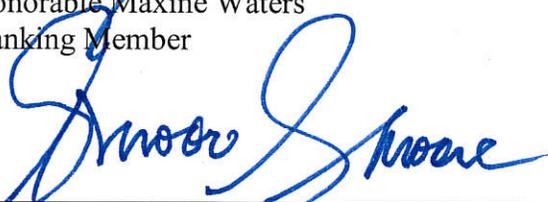
Sincerely,



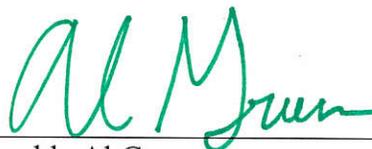
Honorable Maxine Waters
Ranking Member



Honorable Daniel Kildee
Vice Ranking Member



Honorable Gwen Moore
Ranking Member, Subcommittee on
Monetary Policy and Trade



Honorable Al Green
Ranking Member, Subcommittee on
Oversight and Investigations



Honorable Ed Perlmutter
Ranking Member, Subcommittee on
Terrorism and Illicit Finance

cc: The Honorable Patrick T. McHenry, Vice Chairman
The Honorable Andy Barr, Chairman, Subcommittee on Monetary Policy and Trade
The Honorable Ann Wagner, Chair, Subcommittee on Oversight and Investigations
The Honorable Stevan Pearce, Chairman, Subcommittee on Terrorism and Illicit Finance