

**Financial Intelligence Unit (FIU)****Case Closure Note**

Region/Country: South Africa Team: CI

April 2017

**Project**

Date of opening: 28 February 2017

Date of closure: 11 April 2017

This closure note provides an overview of the work completed by [REDACTED] HBZA FIU on Project [REDACTED]. This follows on from HBZA FIU inquiry [REDACTED], which sought to establish HSBC's exposure to individuals and entities associated with the Gupta family, an Indian-South African family who are regarded as controversial for their close relationship to South African President Jacob Zuma.

**Background**

An investigation into the Gupta family by the South African State Public Protector uncovered extensive corruption linked to the nexus between President Zuma and the Gupta family involving over USD520 million, including allegations of bribery, money laundering and political patronage.

The outcome of the initial FIU ZA report determined that while there was no client exposure to the family in HBZA, HBHK held accounts with three Gupta-owned entities, which transferred money onto a further 203 accounts. The FIU ZA report reviewed the top 20 beneficiaries.<sup>1</sup>

[REDACTED] incorporated analysis of the remaining 183 entities and their respective counterparties of the open HSBC accounts, with the aim of determining whether there is a wider Gupta-owned money laundering network operating in HSBC.

**Key findings:**

The accounts owned by the Guptas, allegedly used to receive bribery money, held CMB accounts with HBHK: Regiments Asia Ltd,<sup>2</sup> Morningstar International Trade<sup>3</sup> and Tequesta Group Ltd.<sup>4</sup> FIU assesses there is not an extended network of money laundering accounts controlled by the Guptas operating in HSBC, as the funds paid to the open HSBC accounts only made up 0.02% of the total credits, showing they are not the primary source of funds. We assess that the Gupta family likely made use of an established money laundering network,<sup>5</sup> rather than set up accounts for the purpose of laundering their funds.

- Over USD4.2 billion (50,339 transactions) were received by the 60 open HSBC accounts, with USD12.2 million originating from the Gupta linked accounts (96 transactions). FIU could not follow the Gupta funds as the money was mingled with non-Gupta payments before being paid out to over 5,500 counterparties.
- The Gupta accounts may have also been used for legitimate business purposes, such as payments to technology companies for imports/exports involving the Gupta family computer business in South Africa, Sahara Computers Ltd.
- A global exposure review did not identify any other HSBC account belonging to the Gupta family.

<sup>1</sup> Findings can be viewed in the Gupta Family FIU ZA report [REDACTED]

<sup>2</sup> HBHK Account: 652353533838. Transactions dated 01.04.2016 – 20.02.2017

<sup>3</sup> HBHK Account: [REDACTED] and 652417833838. Transactions dated 01.04.2016 – 20.02.2017

<sup>4</sup> HBHK Account: 652461963838. Transactions dated 01.04.2016 – 20.02.2017

<sup>5</sup> [REDACTED]

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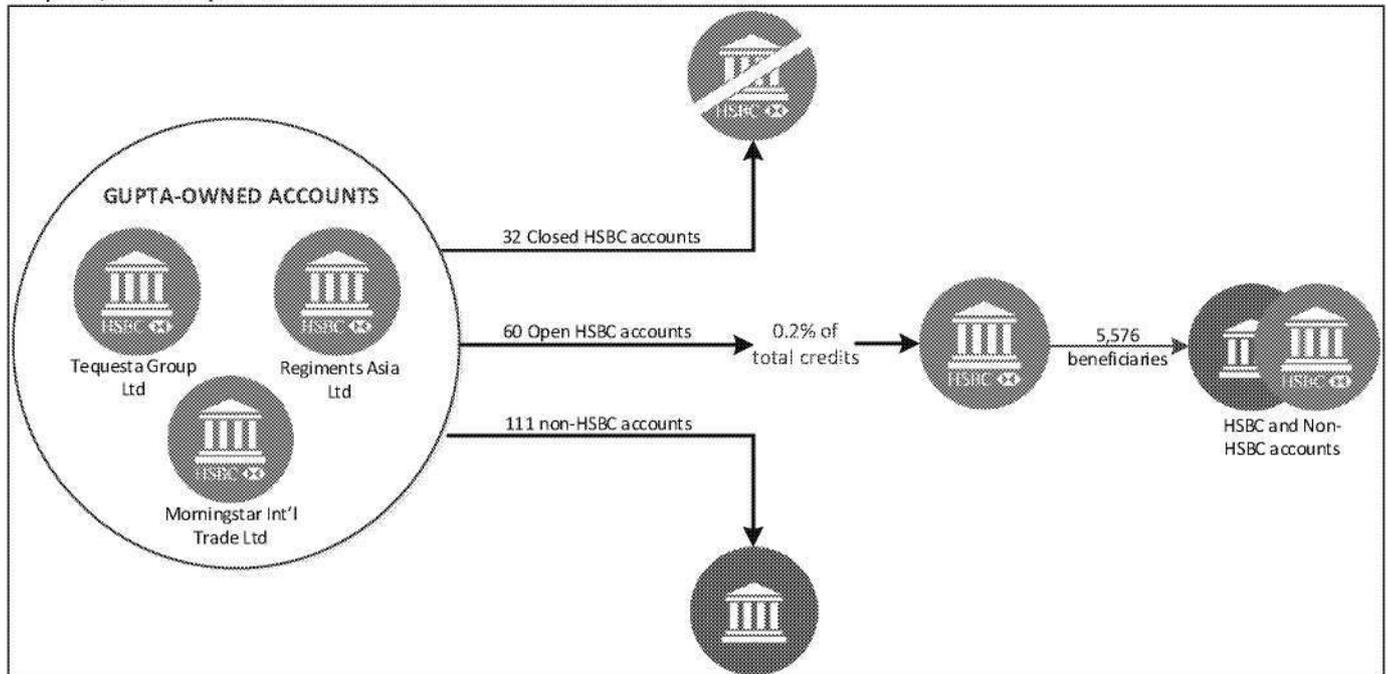
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Fig. 1 - The simplified diagram below visualizes the fund flows from the Gupta accounts to HSBC and non HSBC accounts. It demonstrates the low value of credits to the open HSBC accounts originating from the Guptas, as compared to the other credits to the accounts.



### Actions Taken

The 60 open HBHK accounts were referred to [REDACTED] in March 2017 for live financial crime risk mitigation, and [REDACTED] for follow up analysis.

### Reason for Closure

FIU assesses the financial crime concern around the Gupta Family accounts does not extend to a wider money laundering network controlled by the Guptas, so further analysis is not required related to [REDACTED].

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