

## Press Release

Paris, 03 February 2008

### **A summary of Société Générale's position in the "Sentier 2" affair**

The opening hearing of the "Sentier 2" affair is taking place in Paris on February 4<sup>th</sup>. 148 natural persons and four banks are appearing at the Criminal Court, for money laundering. The hearings concerning Société Générale will take place on 28<sup>th</sup> and 29<sup>th</sup> may. The events relevant to Société Générale on which this trial is based occurred between 1998 and 2001.

Société Générale, its Chairman and three bank officers have been summoned to appear at the Criminal Court by the investigating magistrate even though the public prosecutor in his summing-up on July 4<sup>th</sup>, 2006 specifically called for the case against them to be dismissed.

The affair concerns Société Générale's role in the network of cheques used by money-laundering networks and which were uncovered during the 'Sentier 1' affair when Société Générale, which joined the public prosecutor's office as an injured party, fell victim of fraud carried out by organized gangs in Paris' Sentier textile district.

Like other banks operating in France, Société Générale is now appearing at the Criminal Court, either because Société Générale paid these cheques between 1998 and 2001, or because the Group presented them for collection to other French banks on behalf of a foreign bank (correspondent banking).

Société Générale would like to restate its position in this affair:

- The bank has always rigorously complied with its legal obligations and market standards recognised by the supervisory authorities with regard to processing cheques. As such, its behaviour is identical to the other large French and international banks.

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- The fact that Société Générale did not systematically control the processed cheques and did not detect and refuse cheques which were considered to be fraudulent does not constitute a charge against the bank. At that time, there were no legal or regulatory obligations to check cheques as part of the fight against money laundering. Such controls by banks were only enacted in April 2002.
- The information at the bank's disposal did not allow it to detect most of the cheques that the investigating magistrate has qualified as fraudulent, nor *a fortiori* to identify the money-laundering networks using the cheques or the alleged money launderers. At no time did the investigators or the regulatory authorities provide any of such information, nor did they ask the bank to put in place any specific control procedures.
- Neither the bank, nor its employees have knowingly participated in any money-laundering transaction.

#### Supplementary data

- *The history of the "Sentier" affair*
- *Banking glossary*

#### **Société Générale**

Société Générale is one of the largest financial services groups in the euro-zone. The Group employs 120,000 people worldwide in three key businesses:

- Retail Banking & Financial Services: Société Générale serves 24,6 million individual customers worldwide.
- Global Investment Management & Services: Société Générale is one of the largest banks in the euro-zone in terms of assets under custody (EUR 2 585 billion, Sept 2007) and under management (EUR 450,1 billion, Sept 2007).
- Corporate & Investment Banking: Société Générale ranks among the leading banks worldwide in euro capital markets, derivatives and structured finance.
- Société Générale is included in the five major socially-responsible investment indexes.

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## Appendix 1: the history of the "Sentier" affair

**Sentier 1** (a case of fraud in which Société Générale was one of the victims)

- 1997** Several banks, including Société Générale, file a complaint for fraud against store owners in Paris' Sentier district.
- January 28th 2002** The Paris Criminal Court delivers prison sentences or suspended sentences to 88 of the 124 defendants, and pronounces 36 acquittals. The Paris Appeal Court confirmed 85 of these sentences in October 2004. The banks which were victims of the fraud, including Société Générale, are awarded compensation.

This first affair, called "Sentier 1" brought to light a second affair, called "Sentier 2", concerning money laundering.

**Sentier 2** (a money-laundering affair in which Société Générale and some of its employees are among the banks and natural persons are under accusation).

- Between 1999 and 2002:** Seven banks as well as several of their senior managers, former senior managers and executives are indicted for money laundering.
- Dec. 2001 / Jan. 2002:** Société Générale employees and managers are indicted for aggravated money laundering.
- March 12th 2002:** Société Générale is indicted for aggravated money laundering.
- October 2nd 2003:** The investigating magistrate refers Société Générale, its CEO, Deputy CEO and six executives to appear before the Criminal Court.
- October 7th 2003:** The State prosecutor requests that referral against Société Générale and its representatives is overturned for non-respect of criminal procedural time limits by the investigating magistrate.
- June 18th 2004:** The investigating chamber of the Paris court of appeal overturns the referral in accordance with the request by the Prosecutor's office.
- The case is given to a new investigating magistrate.
- July 4th 2006:** The State prosecutor demands an acquittal for Société Générale, its Chairman, other managers and executives who have been summoned to appear before the Paris Criminal Court.
- July 20th 2006:** The investigating magistrate refers Société Générale, its CEO and three executives to appear before the Paris Criminal Court. The other employees and manager are acquitted.

## Appendix 2: banking glossary

### **Money laundering**

Definition under Article 324-1 of the French Penal Code (extracts):

*"Money laundering is facilitating by any means the false justification of the origin of the property or income of the perpetrator of a felony or misdemeanour which has brought him a direct or indirect benefit.*

*Money laundering also comprises assistance in investing, concealing or converting the direct or indirect products of a felony or misdemeanour.."*

### **Aggravated money laundering:**

Definition under Article 324-2 1° of the French Penal Code (extracts):

Money laundering is considered to be "aggravated" *"where it was committed habitually or by using the facilities offered by the exercise of a professional activity."*

### **Cheque:**

A cheque is a standardised means of payment which an accountholder (the issuer of the cheque) uses to give his banker the order to pay the beneficiary of the cheque the sum written upon it.

### **Correspondent banking:**

- The correspondent banking system enables foreign banks to make cross-border payments. This is a paid service.
- A correspondent bank is an **intermediary** that enables a customer foreign bank to forward payment orders received from its own customers to beneficiary banks with which it is not in direct contact, since it does not have an account with them, or is not a participant in the clearing systems that allow it to reach them.
- This principle, valid for transfers, also applies to the collection of cheques, commercial paper or direct debits that require access to a specific clearing house or exchange centre.  
**The collection of cheques drawn on a French bank is therefore one of the services rendered by correspondent banks. In practice, a foreign bank presenting a cheque drawn on a French bank, forwards it to a French financial institution which is its correspondent. The latter is responsible for presenting the cheque for payment.**
- As a result, close to three million cheques and travellers cheques were processed by Société Générale in 2002 for all foreign banks and 3.4 million cheques and travellers cheques in 2007 for all its customer banks.
- Note that only the purely formal elements of a cheque are known to the correspondent bank. All cheques processed by Société Générale are subjected to individual verification of the form of the cheque.
- The correspondent bank acts as an intermediary between the drawer's bank (the drawee) and the beneficiary's bank. The foreign beneficiary's bank which presents the cheque for payment exclusively and solely knows the correspondent bank. Neither the drawer (known solely by its bank) nor the beneficiary are known to the correspondent bank. Fight against money laundering is based on the "know your customer" principle and the sole client of the correspondent bank is the beneficiary's bank. This beneficiary's bank has also the same anti-money laundering obligations. Nonetheless, apart from verifying the form of a cheque, Société Générale also makes the verifications specified by CRBF (Banking and Financial Regulation Committee) Regulation 2002-01 covering the endorsements and any intellectual anomalies of certain cheques, according to the country of the customer bank which remitted these cheques for collection.

### **Endorsement:**

An operation whereby a person (the endorser) transmits the ownership of an instrument to another person (the endorsee) by writing the name and address of the beneficiary on the back and adding the signature of the endorser. A bill of exchange, for example, can be endorsed. An instrument to

order is transmitted by adding a mention and the holder's signature to the back of the instrument.

**Drawee:**

A person that is ordered to pay a designated sum to a person according to the terms of a draft or a cheque.

In the case of a cheque, the drawee is the bank from which the cheque is issued.

**Drawer:**

A party instructing the drawee to pay someone else by writing or drawing a cheque or a draft.