



Management Alert: Lack of Agency Action Related to an OIG Enhanced Due Diligence Referral

OIG-O-24-10
May 10, 2024

Office of Inspector General
Export-Import Bank of the United States



MEMORANDUM

To: The Honorable Reta Jo Lewis, Esq.
President and Chair of the EXIM Board of Directors

From: Parisa Salehi
Inspector General *Parisa Salehi*

Subject: Issuance of Management Alert: Lack of Agency Action Related to an OIG Enhanced Due Diligence Referral (OIG-O-24-10)

Date: May 10, 2024

I am writing to inform you that OIG today issued its report titled, *Management Alert: Lack of Agency Action Related to an OIG Enhanced Due Diligence Referral* (OIG-O-24-10). Enclosed please find a copy of the subject report. Consistent with OIG's obligations under the Inspector General Act of 1978, as amended, copies of the report will be transmitted to congressional committees of jurisdiction and made available on OIG's website within three business days.¹

EXIM requested during its review of a draft of this report that OIG withhold information from release, citing an exemption under the Freedom of Information Act.² Specifically, EXIM cited exemption five³ related to the deliberative process privilege.

OIG is concerned about the extent of EXIM's requested redactions⁴ as well as EXIM's failure to identify any non-speculative harm to the deliberative process that would result if several exemptions highlighted by OIG were disclosed. Moreover, OIG believes the underlying information is necessary to understand OIG's report, particularly the above-disputed discretionary exemptions. In OIG's view, several of the proposed redactions relate to decisions made by the agency as opposed to opinions or recommendations offered as part of a deliberative process. Other proposed redactions relate to established agency processes that EXIM has already made public and, regardless, the report's mention of these processes would not create foreseeable harm.

¹ 5 U.S.C. app. § 8M(b)(1)(A).

² EXIM also requested to withhold information contained in the draft report, citing exemption four (5 U.S.C. § 552(b)(4)), which relates to confidential business and financial information. As noted in the final report, OIG limited the agency's proposed redactions related to exemption four. As described in this memorandum, OIG is not in a position to limit proposed redactions related to EXIM's claim of a deliberative process privilege because that privilege rests with the agency.

³ 5 U.S.C. § 552(b)(5).

⁴ The Freedom of Information Act requires that agencies "consider whether partial disclosure of information is possible" and "take reasonable steps necessary to segregate and release nonexempt information." 5 U.S.C. § 552(a)(8)(A)(ii).

OIG made EXIM aware of our concerns with the requested redactions and engaged the agency in an attempt to minimize the redactions; at the time of publication the agency had not concurred with OIG's proposals to reduce the number and scope of the requested redactions. OIG also offered EXIM the opportunity to make discretionary disclosures, consistent with the Department of Justice's *Freedom of Information Act Guidelines*,⁵ which strongly encourage agencies to consider making discretionary releases, when appropriate, even if requirements for withholding are met; the agency did not.

OIG is releasing this report with EXIM's requested deliberative process redactions because OIG is not able to waive the agency's privilege, and because OIG believes it would be imprudent to further delay publication of this report given its important subject matter related to fraud referrals. OIG favors release to the greatest extent possible and will continue to engage the agency in good faith to minimize withholding from the Congress and American public. OIG will update the version of this report posted to its public website should the agency disclose presently redacted material.

If you have any questions, please do not hesitate to contact me. Your staff may also contact Jason Metrick, Assistant Inspector General for Investigations, at (202) 565-3238 or Jason.Metrick@exim.gov.

Attachment

⁵ U.S. Department of Justice, [Freedom of Information Act Guidelines](#) (revised March 15, 2022).



Management Alert

To: James Coughlan
Senior Vice President and General Counsel

From: Jason Metrick *Jason Metrick*
Assistant Inspector General for Investigations

Subject: Management Alert (OIG-O-24-10): Lack of Agency Action Related to an OIG
Enhanced Due Diligence Referral

Date: May 10, 2024

Summary

The Office of Inspector General (OIG) identified an instance in which the Export-Import Bank of the United States (EXIM) appeared not to act on fraud-related information OIG provided concerning a program participant.¹ Specifically, OIG identified in 2022 that Trafigura, a Swiss commodities company, was the subject of corruption-related investigations by the United States and a foreign government. OIG referred this information to EXIM's Office of General Counsel, which is charged with (b) (5) [REDACTED],³ on November 1, 2022.⁴ EXIM's referral specifically noted that Trafigura was a participant in an application that had been filed for an EXIM insurance policy. Despite this referral, EXIM's Board of Directors approved two insurance policies involving Trafigura in July 2023, which created up to \$360 million in exposure. Trafigura plead guilty in U.S. District Court on March 28, 2024, for violations of the Foreign Corrupt Practices Act, specifically conspiracy to

¹ OIG provided EXIM a draft of this report for review prior to its issuance. During the agency's review of the draft report, EXIM took exception with OIG's conclusion and noted that EXIM acted appropriately in response to OIG's referral. EXIM's written response is reprinted in its entirety in Appendix A.

² When appropriate, OIG refers information to EXIM on program participants that may indicate a need for the agency to conduct enhanced due diligence on a program participant consistent with EXIM's Enhanced Due Diligence procedures and the OECD [Recommendation of the Council on Bribery and Officially Supported Export Credits](#).

³ During EXIM's review of a draft of this report, the agency requested that certain information be withheld from the public release, citing the deliberative process exemption contained in 5 U.S.C. § 552(b)(5). The deliberative process privilege rests with the agency. The Department of Justice's [Freedom of Information Act Guidelines](#) (revised March 15, 2022) strongly encourage agencies to consider making discretionary releases when appropriate even if requirements for withholding are met. OIG offered EXIM the opportunity to make a discretionary release of the information contained in this report, however, the agency did not.

⁴ EXIM stated in its management response that OIG's referral did not contain a press report indicating the existence of an investigation by the U.S. Department of Justice. OIG notes that one of the articles cited in OIG's referral indicated the existence of a Department of Justice investigation similar in scope to an investigation by the Commodities Future Trading Commission.

violate anti-bribery provisions in Brazil.⁵ Separate corruption charges are under consideration against Trafigura in Switzerland.⁶ OIG is making EXIM aware of the above facts and intends to initiate additional oversight related to EXIM’s due diligence and risk management practices in FY 2025.

Context

OIG routinely shares information with EXIM on fraud risks, including through referrals to EXIM’s Office of General Counsel, which is charged with (b) (5) on behalf of EXIM. This approach, which facilitates information sharing between EXIM and OIG, is consistent with the Government Accountability Office’s *Framework for Managing Fraud Risks in Federal Programs*.⁷ Specifically, the effort furthers the leading practice of agencies collaborating and communicating with OIG to improve the agency’s understanding of fraud risks and align efforts to address fraud.

OIG Referral to EXIM’s Office of General Counsel

OIG became aware of corruption-related investigations of Trafigura in 2022 and shared this information via a referral addressed to EXIM’s Office of General Counsel on November 1, 2022.⁸ OIG was unable to provide law enforcement sensitive information regarding the investigation in the referral and instead provided open-source information concerning the investigations. On July 13, 2023, EXIM’s Board of Directors approved two transactions involving Trafigura. Specifically, the Board approved two Financial Institution Buyer Credit⁹ (FIBC) policies that allowed Trafigura to purchase liquefied natural gas from U.S. exporters. Each FIBC policy had a payment limit of \$180 million, resulting in the potential for up to \$360 million in total exposure to EXIM. In announcing the approval, EXIM noted that the transactions would enable Trafigura to sell U.S. liquefied natural gas primarily to European buyers seeking to identify alternate sources of gas following Russia’s invasion of Ukraine.¹⁰

⁵ United States Attorney’s Office for the Southern District of Florida, [Swiss Commodities Trading Company Pleads Guilty to Foreign Bribery Scheme](#) (March 28, 2024).

⁶ Trafigura, [Statement Regarding Investigations by US, Swiss, and Brazilian Authorities](#) (December 6, 2023).

⁷ Government Accountability Office, [A Framework for Managing Fraud Risks in Federal Programs](#) (GAO-15-593SP, July 2015) (Fraud Risk Framework). GAO recently discussed the 2015 Fraud Risk Framework in a *Fraud Risk Management Report* (“Federal agencies must do a better job assessing and preventing fraud risk and they should more completely and consistently apply GAO’s Fraud Risk Framework to their programs to ensure that fraud risks are properly assessed, mitigated, and monitored on an ongoing basis”) (April 2024, GAO-24-105833 at 40).

⁸ OIG’s practice is to share such referrals with the Litigation, Fraud and Compliance Group within the Office of General Counsel.

⁹ Financial Institution Buyer Credit policies are held by financial institutions. For the Buyer Credit policies held by these financial institutions, EXIM guarantees the related revolving line of credit of a single foreign buyer, allowing the foreign buyer to make purchases from multiple U.S. exporters and suppliers.

¹⁰ Export-Import Bank of the United States, [Export-Import Bank of the United States Board of Directors Approves Two Financial Institution Buyer Credit Policies](#) (July 13, 2023).

(b) (5), the memorandum to EXIM's Board of Directors that served as the basis for the Board's approval of the July 2023 transactions (b) (5). The memorandum's discussion of (b) (5). However, the memorandum went on to conclude that (b) (5). The memorandum further stated that (b) (5). The memorandum made (b) (5). In addition, agency records indicate that EXIM is currently processing an application for (b) (4) ¹² \$500 million.¹³

During EXIM's review of a draft of this report, the agency noted in its technical comments that EXIM's Office of General Counsel is not required to forward referrals from OIG to other divisions within EXIM, particularly when the referrals consist of negative news regarding allegations about EXIM transaction participants. EXIM's Office of General Counsel further remarked that EXIM's loan officers are primarily responsible for conducting due diligence on transaction participants. OIG acknowledges that EXIM has discretion on what action, if any, it should take on the basis of an OIG referral. However, EXIM's response implies that OIG had an obligation to restate the contents of OIG's referral to additional EXIM employees in February 2023. As previously, noted OIG provided its referral to EXIM in writing on November 1, 2022. EXIM's response to this report is reprinted in its entirety in Appendix A.¹⁴

Trafigura Pleads Guilty to Foreign Corrupt Practices Act Violations

On March 28, 2024, Trafigura plead guilty in U.S. District Court for violations of the Foreign Corrupt Practices Act, specifically conspiracy to violate anti-bribery provisions in Brazil. In connection with the guilty plea, Trafigura agreed to pay \$126 million, which includes a criminal fine of \$80,488,040 and forfeiture of \$46,510,257. This development occurred while Trafigura remained an active participant in EXIM programs; the previously approved FIBC policies were valid for one year from the date of issuance—until July 2024—and will require Board authorization if either lender requests to renew their policy.

¹¹ (b) (5)

¹² This information is being withheld pursuant to the exemption contained in 5 U.S.C. § 552(b)(4). EXIM requested that OIG withhold additional information on the basis of the exemption, however, OIG limited the agency's proposed redactions.

¹³ The agency informed OIG during EXIM's review of a draft of this report that it was aware of no pending applications. OIG notes, however, that EXIM's Electronic Reporting System shows such an application as pending as of the date of this report's issuance.

¹⁴ All redactions applied to EXIM's management response were made at the request of EXIM.

OIG is making EXIM aware of this development because it impacts a current program participant and because the facts may indicate that OIG referrals are not being used to address fraud risks related to agency programs and operations. OIG intends to initiate further work in the area of participant due diligence and risk management in our FY 2025 oversight plan. In the interim, we look forward to continuing our work with EXIM to minimize fraud risk, consistent with Government Accountability Office best practices.

Thank you in advance for your attention to these matters and your continued support of efficient governance in EXIM. If you have any additional questions, please contact me at (202) 565-3238 or Jason.Metrick@exim.gov.

APPENDIX A: MANAGEMENT RESPONSE¹⁵



Helping American Businesses Win the Future

MEMORANDUM

DATE: May 8, 2024

TO: Jason Metrick
Assistant Inspector General for Investigations

FROM: James Coughlan
Senior Vice President and General Counsel

SUBJECT: Response to OIG Draft Management Alert (OIG-O-24-09)

James
Coughlan

Digitally signed by James
Coughlan
Date: 2024.05.08
15:23:05 -04'00'

This memorandum references OIG's email dated May 1, 2024 attaching the EXIM OIG Draft Management Alert: Lack of Agency Action Related to an OIG Enhanced Due Diligence Referral (OIG-O-24-09) ("Draft Alert").¹ Based on our review of this matter, we understand that the corruption related information identified in the OIG referral on November 1, 2022 ("Referral") was considered and acted on by EXIM staff.

Specifically, EXIM acted appropriately in response to the Referral by reviewing the Referral, corresponding with OIG, and including relevant information in the Board Memorandum.

We set forth our views more fully below.

I. OIG's Referral to OGC

On November 1, 2022, in an email with the subject line "Watchlist OIG Investigation 23-0001-PRO", OIG notified OGC of the information that they had learned about Trafigura. The Referral referenced two news articles reporting that Trafigura had been implicated in Brazil's "Operation

¹ "Enhanced due diligence" is a term that OGC uses per EXIM's Enhanced Due Diligence procedures and the OECD Council Recommendation on Bribery and Officially Supported Export Credits. (b) (5)

¹⁵ All redactions applied to EXIM's management response were made at the request of EXIM.



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Car Wash”² investigation.³ While the Referral stated that Trafigura was the “target of numerous investigations by agencies around the world, including the US Department of Justice,” the news articles cited to in the Referral do not mention an investigation by the US Department of Justice; they only mention an investigation by the Commodity Futures Trading Commission into Trafigura in relation to Operation Car Wash.⁴

II. EXIM’s Responses to Draft Alert

A. OGC Reviewed the Referral Pursuant to its Procedures

In its Referral, OIG stated that “[t]his information is being provided to OGC for whatever action deemed appropriate.” Upon receipt of the Referral, OGC reviewed the Referral and the information contained in the articles cited therein. OGC (b) (5)

(b) (5). However, OGC determined (b) (5)

(b) (5). OGC also

(b) (5)

(b) (5). Based on its review, OGC determined (b) (5)

(b) (5)

(b) (5).⁵

² Brazil’s Operation Car Wash refers to a Brazilian criminal investigation that began in 2014 into allegations that executives at Petrobras accepted bribes from firms that supplied goods and services to Petrobras in return for awarding them contracts at inflated prices. The inflated margin from these contracts were allegedly used for the personal gain of the scheme’s operations and for the benefit of the Brazil’s ruling Workers’ Party and its allies in government.

³ Sabrina Valle, Brazil Pursues Criminal Probe of Top Trafigura Executives - Sources, Reuters (December 15, 2020), <https://www.reuters.com/business/finance/exclusive-brazil-pursues-criminal-probe-top-trafigura-executives-sources-2020-12-15/>;

Rob Davies, Trafigura Investigated for Alleged Corruption, Market Manipulation, The Guardian (May 31, 2020), <https://www.theguardian.com/world/2020/may/31/trafigura-investigated-for-alleged-corruption-market-manipulation>.

⁴ Dom Phillips, Brazil Charges Former Trafigura Executives with Corruption, The Guardian (December 14, 2018), <https://www.theguardian.com/world/2018/dec/14/brazil-charges-former-trafigura-executives-with-corruption> reporting on corruption charges filed by Brazilian prosecutors against two former Trafigura executives).

⁵ Shortly after DOJ’s March 28, 2024 announcement of the Trafigura plea agreement, (b) (5)



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B. EXIM Staff Responded to OIG Regarding Their Inquiry on Trafigura

On February 22, 2023, OIG emailed a loan officer working on the Trafigura transaction, regarding the Trafigura transaction. In response, the loan officer asked the OIG (b) (5)

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] OIG did not respond to loan officer.

C. EXIM Staff Addressed the Corruption Allegations Against Trafigura in the Board Memo

EXIM staff conducted CRTI and due diligence on all participants (including Trafigura) prior to the transaction going to the Board on July 13, 2023. CRTI on the transaction was cleared. Further, on November 7, 2022, the State Department wrote that (b) (5)

[REDACTED]

As acknowledged by the Draft Alert, EXIM staff wrote in the Board Memo (b) (5)

[REDACTED]

EXIM Staff went on to write in the Board Memo (b) (5)

[REDACTED]

[REDACTED] On July 13, 2023, the Board approved the Trafigura transaction. It was not until March 28, 2024, almost a year after the Board's approval of the Trafigura transaction, that the DOJ publicly announced its investigation into Trafigura for violation of the Foreign Corrupt Practices Act in relation to bribery of Brazilian officials.

D. Conclusion

In light of the points noted above, EXIM is of the view that the Draft Alert should be retracted. Short of retraction, the Draft Alert needs to be modified significantly to comport with the facts set out in this Memorandum. To that end, please find enclosed a Word version of the Draft Alert with factual edits for your consideration.

* * *

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Export-Import Bank of the United States

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If you fear reprisal, contact EXIM OIG's Whistleblower Protection Coordinator at
oig.whistleblower@exim.gov

For additional resources and information about whistleblower protections and unlawful retaliation, please visit [the whistleblower's resource page](#) at oversight.gov.



Disclaimer

The following three (3) pages contain a response by Trafigura Group Pte. Ltd., which it provided in response to OIG notification pursuant to Section 5274 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263. Trafigura Group Pte. Ltd.'s response is distinct from OIG's report and does not represent OIG's views. OIG has not amended the report as a result of Trafigura Group Pte. Ltd.'s comments. OIG's report remains unchanged.



Jason Metrick
Assistant Inspector General for Investigations
Export-Import Bank of the United States
Office of Inspector General
811 Vermont Ave, NW
Washington, DC 20571

**Re: Response to Management Alert: Lack of Agency Action Related to an
OIG Enhanced Due Diligence Referral (OIG-O-24-10)**

BY E-MAIL to OIGNotifications@exim.gov

28 May 2024

Dear Mr. Metrick:

Trafigura Group Pte. Ltd. ("**Trafigura**" or the "**Company**") respectfully submits this letter in response to *Management Alert: Lack of Agency Action Related to an OIG Enhanced Due Diligence Referral (OIG-O-24-10)* ("**Management Alert OIG-O-24-10**"), which the Export-Import Bank of the United States ("**EXIM**"), Office of Inspector General ("**OIG**") published to its website on May 10, 2024. The report identifies Trafigura, and the Inspector General Act provides the Company with an opportunity to submit this written response to clarify or provide additional context to be attached to the final published report.


Trafigura's recent resolution with the U.S. Department of Justice ("**DOJ**")—which formed part of a wider DOJ investigation into a number of US and international commodities trading companies—and its ongoing matter with Switzerland's Office of the Attorney General (collectively, the "**OIG Referral Matters**") should not have negatively impacted EXIM's due diligence on Trafigura or EXIM's evaluation of the Company for two reasons.

First, the OIG Referral Matters involve conduct of former employees and third parties that occurred more than 10 years ago and does not reflect the Company as it exists and operates today.

Second, in more than a decade that elapsed since the conduct at issue, Trafigura has additionally made significant enhancements to its compliance program and proactively discontinued the use of third-party agents for business origination. DOJ specifically commended these steps taken by Trafigura in its resolution with the Company in March

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Company Registration Number: 201017488D



2024, deciding against imposition of third-party oversight on Trafigura's compliance program.

For these reasons, as further detailed below, the matters at issue in the Management Alert OIG-O-24-10 do not present a current fraud risk related to Trafigura's participation in EXIM programs and operations, nor did they at the time EXIM concluded its due diligence and approved the original transaction.

OIG Referral Matters Involve Historical Conduct That Occurred More Than Ten Years Ago

Trafigura's March 28, 2024 resolution with DOJ was part of a broader DOJ investigation into US and international commodities trading companies, which resulted in six corporate resolutions and 20 convictions of individuals, none of them affiliated with Trafigura.¹ The parent company of the Trafigura Group, Trafigura Beheer B.V. ("TBBV"), entered into a plea agreement with DOJ to conclude DOJ's investigation into conduct of former employees or agents in Brazil that violated the U.S. Foreign Corrupt Practices Act ("FCPA").² The resolution related to payments made more than ten years ago by former employees or third parties to certain Brazilian government officials in connection with business opportunities with Brazil's state-owned oil company, Petróleo Brasileiro S.A.

On December 5, 2023, Switzerland's Office of the Attorney General charged TBBV in connection with allegations of improper payments made to a government official in Angola between 2009 and 2011.³ TBBV is alleged to have failed to take all reasonable and necessary measures to prevent the alleged offenses, which are stated to have occurred 13 or more years ago.

Trafigura Has Made Significant Investments and Enhancements to Its Compliance Program Since the Conduct at Issue

The historic conduct at issue in the OIG Referral Matters does not reflect the current risk profile of the Company, particularly in light of the significant enhancements and investments the Company has made in its compliance program.

Trafigura's efforts to enhance its compliance program have included: (i) developing and implementing enhanced, risk-based policies and procedures relating to, among other things, anti-corruption, use of intermediaries and consultants, third party payments, and joint venture and equity investment risk assessment; (ii) enhancing processes and controls around high-risk transactions; (iii) investment of additional resources in employee training

¹ DOJ Press Release, *Justice Department's Investigation into International Commodities Trading Companies' Foreign Bribery Schemes Results in Six Corporate Resolutions and 20 Individuals Convicted* (Mar. 28, 2024), <https://www.justice.gov/opa/pr/justice-departments-investigation-international-commodities-trading-companies-foreign>.

² Trafigura Press Release, *Trafigura reaches agreement on U.S. DOJ Investigation* (Mar. 28, 2024), <https://www.trafigura.com/news-and-insights/press-releases/2024/trafigura-reaches-agreement-on-us-doj-investigation/>.

³ See, e.g., Trafigura Press Release, *Statement regarding investigations by US, Swiss and Brazilian authorities* (Dec. 6, 2023), <https://www.trafigura.com/news-and-insights/press-releases/2023/statement-regarding-investigations-by-us-swiss-and-brazilian-authorities/>.

and compliance testing; (iv) enhancing ongoing compliance monitoring and controls testing processes; and (v) proactively discontinuing the use of third-party agents for business origination in 2019.⁴

In connection with its resolution with Trafigura, DOJ specifically recognized these and other steps taken by Trafigura to enhance its compliance program and decided that an imposition of an independent compliance monitor was not necessary as part of the resolution. DOJ also credited Trafigura's commitment to continuing to enhance its compliance program and internal controls.⁵ As part of the resolution, Trafigura committed to ensure that its compliance program meets the extensive requirements set out in its agreement with DOJ, and to report to DOJ about its progress in fulfilling those requirements over the course of a three-year period.⁶

For the foregoing reasons, the historic conduct at issue in the OIG Referral Matters does not present a current fraud risk related to Trafigura's participation in EXIM programs and operations, nor did they at the time EXIM concluded its due diligence and approved the original transaction. Rather, Trafigura's mature compliance program and commitment to continue to implement further enhancements—as confirmed and credited by DOJ in the recent resolution—illustrate the Company's commitment to compliance in line with OIG and EXIM's efforts "to minimize fraud risk, consistent with Government Accountability Office best practices."⁷

Accordingly, we respectfully submit that the OIG Referral Matters should not negatively impact EXIM's due diligence of the Company or its posture vis-à-vis the Company.

Thank you for the opportunity to provide this response and comment. Please reach out if you require any further information.

Respectfully,



C. DIVVER
Global Head Corporate Affairs

⁴ Plea Agreement ¶ 7(e), *United States v. Trafigura Beheer B.V.*, 23-cr-20476-KMW (S.D. Fla. Mar. 29, 2024), <https://www.justice.gov/media/1345976/dl?inline>.

⁵ *Id.* at ¶ 7(f).

⁶ *Id.* at ¶ 7(g).

⁷ Management Alert OIG-O-24-10 at 6.