

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

NEW YORK STATE BANKING DEPARTMENT  
NEW YORK, NEW YORK

STATE OF FLORIDA  
OFFICE OF FINANCIAL REGULATION  
TALLAHASSEE, FLORIDA

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Written Agreement by and among	)	
BANCO INDUSTRIAL DE VENEZUELA, C.A.	)	Docket Nos. 06-017-WA/RB-FB
Caracas, Venezuela	)	06-017-WA/RB-FA1
	)	06-017-WA/RB-FA2
BANCO INDUSTRIAL DE VENEZUELA, C.A.	)	
NEW YORK AGENCY	)	
New York, New York	)	
	)	
BANCO INDUSTRIAL DE VENEZUELA, C.A.	)	
MIAMI AGENCY	)	
Miami, Florida	)	
	)	
FEDERAL RESERVE BANK	)	
OF NEW YORK	)	
New York, New York	)	
	)	
FEDERAL RESERVE BANK	)	
OF ATLANTA	)	
Atlanta, Georgia	)	
	)	
NEW YORK STATE BANKING DEPARTMENT	)	
New York, New York	)	
	)	
and	)	
	)	
STATE OF FLORIDA	)	
OFFICE OF FINANCIAL REGULATION	)	
Tallahassee, Florida	)	

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WHEREAS, Banco Industrial de Venezuela, C.A., Caracas, Venezuela (“BIV”) is a foreign bank, as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. 3101(7)), and operates agencies in the United States in New York, New York (the “New York Agency”) and in Miami, Florida (collectively, the “Agencies”);

WHEREAS, the Federal Reserve Bank of New York, the Federal Reserve Bank of Atlanta (together, the “Reserve Banks”), the New York State Banking Department (the “NYSBD”), the State of Florida Office of Financial Regulation (collectively the “Supervisors”), BIV, and the Agencies share the common goals to ensure that the Agencies comply with all applicable U. S. federal and state laws, rules and regulations; that BIV fosters a strong commitment to compliance and has adequate compliance systems in place to cover all activities involving the Agencies; and that BIV effectively manages the financial, operational, legal, reputational, and compliance risks of the Agencies;

WHEREAS, BIV and the Agencies entered into a Written Agreement, dated April 21, 2005 (the “2005 Written Agreement”), with the Supervisors that required specific steps be taken to enhance and improve BIV’s oversight of the Agencies, including credit risk management, the internal audit function, and the overall compliance program;

WHEREAS, in response to the 2005 Written Agreement, BIV has begun, but not completed, steps to enhance its overall compliance program for the Agencies;

WHEREAS, after execution of the 2005 Written Agreement, the Supervisors identified deficiencies at the Agencies relating to compliance with applicable anti-money laundering (“AML”) laws, rules and regulations, including the Bank Secrecy Act (the “BSA”), 31 U.S.C. 5311 *et seq.*; the rules and regulations issued pursuant thereto by the U.S. Department of the Treasury (31 C.F.R. Part 103); the suspicious activity reporting requirements of

Regulation K of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. 211.24(f)); and the regulations of the NYSBD (3 N.Y.C.R.R. Part 300);

WHEREAS, to address the deficiencies in the Agencies’ compliance programs, risk management processes, and policies, procedures, and internal controls, the Supervisors, BIV, and the Agencies have agreed to enter into this Written Agreement (the “Agreement”), which supersedes the 2005 Written Agreement; and

WHEREAS, on June 22, 2006, the board of directors of BIV, at a duly constituted meeting, adopted a resolution authorizing and directing Luis Quiaro, President of BIV, to enter into this Agreement on behalf of BIV and the Agencies, respectively, and consenting to compliance by BIV, the Agencies, and their institution-affiliated parties as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. 1813(u) and 1818(b)(4)), with each and every applicable provision of this Agreement. NOW, THEREFORE, BIV, the Agencies, and the Supervisors hereby agree as follows:

**Anti-Money Laundering Compliance**

1. (a) Within 10 days of this Agreement, BIV and the Agencies shall jointly engage a qualified independent consultant (the “Consultant”) acceptable to the Supervisors to conduct a comprehensive review of the Agencies’ BSA/AML compliance programs and make recommendations, as appropriate, for policies and procedures to be adopted and implemented by the Agencies. The terms of engagement shall be submitted to the Supervisors for approval within 30 days of the date of this Agreement. The terms of engagement shall, at a minimum, provide for the Consultant to:

(i) Conduct a comprehensive review of the Agencies’ programs, policies, and procedures for: (A) compliance with the BSA, the rules and regulations issued

thereunder, and sections 211.24(f) and (j) of Regulation K of the Board of Governors (12 C.F.R. 211.24(f) and (j)); (B) customer due diligence and customer identification; and (C) customer risk rating;

(ii) assist BIV and the Agencies in establishing the BSA/AML compliance programs described in this Agreement; and

(iii) provide workpapers to the Supervisors upon request.

(b) The review described in paragraph 1(a)(i) shall be completed within 60 days of the date the Supervisors approve the terms of engagement.

(c) Immediately upon completion of the review described in paragraph 1(a)(i), the Consultant shall provide to the Supervisors a written report (the “Consultant’s Report”) detailing the findings, conclusions, and recommendations of the review.

2. Within 30 days of the completion of the Consultant’s Report, BIV and the Agencies shall jointly submit to the Supervisors acceptable written BSA/AML programs designed to ensure the Agencies’ compliance with all applicable provisions of the BSA and the rules and regulations issued pursuant thereto, as required by section 211.24(j) of Regulation K of the Board of Governors. The programs shall include procedures to identify and incorporate, on an ongoing basis, any amendments to the BSA and the rules and regulations issued pursuant thereto. At a minimum, the programs shall provide for:

(a) Adequate internal controls designed to ensure compliance with the BSA and the rules and regulations issued pursuant thereto;

(b) management of each of the Agencies’ BSA/AML programs by a qualified compliance officer who is supported by adequate staffing levels and resources, and who has

responsibility for overseeing and monitoring each of the Agencies' compliance with all applicable BSA/AML requirements and BIV's internal AML policies and procedures; and

(c) effective training for all appropriate personnel at the Agencies in all aspects of AML legal and regulatory requirements and internal policies and procedures; the training must be updated on a regular basis to reasonably ensure that all relevant personnel are trained in the most current legal requirements and BIV's internal policies and procedures.

### **Independent Testing of the BSA/AML Compliance Function**

3. Within 30 days of the completion of the Consultant's Report, BIV and the Agencies shall jointly submit to the Supervisors an acceptable written plan for independent testing of the Agencies' compliance with the BSA and the rules and regulations issued pursuant thereto. The plan, at a minimum, shall provide for and include:

- (a) Compliance testing for all appropriate business lines conducted by qualified staff who are independent of BIV's and the Agencies' compliance functions;
- (b) formal, documented work programs, including adequately detailed reports to management, written management responses thereto, and maintenance of workpapers;
- (c) the review of independent testing results by senior management;
- (d) procedures to ensure that senior management institutes timely and effective action, where appropriate, in response to independent testing results; and
- (e) direct lines of reporting between the independent testing function and BIV's board of directors or its designee.

### **Suspicious Activity Reporting and Customer Due Diligence**

4. Within 30 days of the completion of the Consultant's Report, BIV and the Agencies shall jointly submit to the Supervisors an acceptable written customer due diligence

program designed to reasonably ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law against or involving the Agencies, and suspicious transactions at the Agencies, to law enforcement and supervisory authorities as required by the BSA, the rules and regulations issued pursuant thereto, section 211.24(f) of Regulation K of the Board of Governors, and the regulations of the NYSBD (3 N.Y.C.R.R. 300).

At a minimum, the program shall include:

- (a) A methodology for assigning risk levels to the Agencies' customer base;
- (b) a risk-focused assessment of the Agencies' customer base to:
  - (i) identify the categories of customers whose transactions and banking activities are routine and usual; and
  - (ii) determine the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the Agencies;
- (c) for those customers whose transactions require enhanced due diligence, procedures to:
  - (i) determine the appropriate documentation necessary to verify the identity and business activities of the customer, and to understand the normal and expected transactions of the customer; and
  - (ii) designate staff responsible for gathering and updating customer file documentation;
- (d) for foreign correspondent accounts established, maintained, administered, or managed by the Agencies, procedures that are designed to ensure compliance with applicable

due diligence and other requirements (including the provisions of 31 C.F.R. 103.176, 177, and 181), and that, at minimum, provide for :

(i) obtaining appropriate information about the respondent, its business operations, markets served, customer base, and its AML procedures, particularly with regard to its customer relationships that may present a heightened risk of money laundering;

(ii) ensuring that correspondent banking services provided by the Agencies are reviewed and approved by appropriate levels of management, and are subject to appropriate on-going review; and

(iii) correcting violations of law and regulation that were cited in the most recent report of the examination of the New York Agency, conducted jointly by the Federal Reserve Bank of New York and the NYSBD;

(e) procedures designed to ensure proper identification and timely reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:

(i) effective monitoring of customer accounts and transactions, including, but not limited to, funds transfer transactions conducted through the Agencies' clearing operations, consistent with industry sound practices;

(ii) appropriate oversight by senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;

(iii) adequate escalation of information about potentially suspicious activity through appropriate levels of management, including a policy for determining action to be taken in the event of multiple filings of Suspicious Activity Reports on the same customer or

where a customer fails to provide necessary due diligence information within a specified timeframe; and

(iv) maintenance of sufficient documentation by the Agencies with respect to their investigation and analysis of suspicious activity, including the resolution and escalation of concerns.

### **OFAC Compliance**

5. Within 30 days of the completion of the Consultant's Report, BIV and the Agencies shall jointly submit to the Supervisors an acceptable written plan for the Agencies that includes:

(a) Procedures designed to ensure compliance with OFAC regulations (31 C.F.R. 500 et seq.), as well as any guidelines issued or administered by OFAC, including procedures to ensure that customer transactions and assets are treated in accordance with OFAC requirements and in accordance with a regularly updated list of entities and individuals whose transactions or assets are required to be blocked, frozen, or monitored;

(b) procedures to ensure that the Agencies' OFAC compliance function is adequately staffed and funded; and

(c) training of the Agencies' employees in OFAC requirements appropriate to their job responsibilities on an on-going basis.

### **Compliance Program**

6. Within 60 days of this Agreement, BIV and the Agencies shall jointly submit to the Supervisors an acceptable revised general compliance program designed to ensure the Agencies' compliance with all applicable federal and state laws, regulations, and supervisory



requirements, to the extent not otherwise addressed by any other provision of this Agreement.

The revised program shall include, without limitation, the following:

- (a) A process for resolving or escalating outstanding issues;
- (b) documentation standards for compliance reviews;
- (c) compliance training program for the Agencies' staff; and
- (d) internal control procedures that address, consider, and include:
  - (i) appropriate segregation of duties;
  - (ii) guidelines designed to ensure prompt and complete responses to administrative summonses, subpoenas, and law enforcement requests; and
  - (iii) a review of security systems access to ensure that proper controls

are in place.

### **Management Plan**

7. Within 45 days of this Agreement, consistent with the findings of the management review conducted pursuant to the 2005 Written Agreement, BIV shall submit to the Supervisors a revised written plan to aid in the development of an effective management oversight structure and control environment for compliance purposes. The management plan shall, at a minimum, include:

- (a) Policies and procedures to ensure the effectiveness of the control infrastructure, corporate governance and organizational structure of each of the Agencies, including management supervision, internal controls, reporting lines, duties performed by each officer and employee, and the ability of those officers and employees to perform competently their assigned duties;

(b) procedures to recruit, hire, or appoint additional or replacement personnel at the Agencies with the requisite qualifications and experience required to effectively perform their assigned duties; and

(c) policies to ensure that sufficient resources are devoted to attracting and retaining qualified personnel at the Agencies, particularly in the compliance function.

### **Head Office Oversight**

8. BIV shall continue to strengthen the head office oversight of the Agencies' management and operations by implementing and adhering to the revised plan submitted to the Supervisors on November 10, 2005.

### **Internal Audit**

9. BIV and the Agencies shall continue to develop and improve the internal audit programs for the Agencies. Within 30 days of this Agreement, BIV and the Agencies shall jointly submit to the Supervisors an acceptable implementation schedule for the following procedures described in the enhanced written internal audit policies and procedures submitted to the Supervisors on October 31, 2005:

(a) Establishment of adequate staffing levels and resources to ensure that internal audits are completed with appropriate frequency and as scheduled, and that audits are performed in all areas that have been designated as warranting attention;

(b) the timely issuance of audit reports, supported by well-documented workpapers;

(c) management's written response to criticisms in audit reports, and implementation and monitoring of corrective actions that are responsive to the audit findings;

(d) tracking of audit findings until they are resolved; and

(e) effective training for all audit personnel in all aspects of the Agencies' businesses and operations.

### **Compliance with Agreement**

10. Within 20 calendar days after the end of each month following the date of this Agreement, BIV and the Agencies shall jointly submit to the Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports shall simultaneously be submitted to BIV's board of directors for approval. Should the board of directors revise or disapprove such reports or any portions thereof, BIV and the Agencies shall notify the Supervisors immediately. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Supervisors have, in writing, released BIV and the Agencies from making further reports.

### **Approval of Programs, Plans, and Schedule**

11. (a) BIV and the Agencies shall jointly submit written programs, plans, a schedule, and an engagement letter that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 1(a), 2, 3, 4, 5, 6, and 9 of this Agreement. An independent consultant acceptable to the Supervisors shall be retained by BIV and the Agencies within the time period set forth in paragraph 1(a) of this Agreement. BIV and the Agencies shall adopt the approved programs, plans, schedule, and engagement letter within 10 days of approval by the Supervisors. During the term of this Agreement, the approved programs, plans, schedule, and engagement letter shall not be amended or rescinded without the prior written approval of the Supervisors.

(b) Upon notice of the Supervisors' approval, the BIV and the Agencies shall immediately implement the approved programs, plans, and schedule, and thereafter fully comply with them.

### **Communications**

12. All communications regarding this Agreement shall be sent to:

- (a) Ms. Sarah Dahlgren  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
- (b) Mr. Robert Schenck  
Vice President  
Federal Reserve Bank of Bank of Atlanta  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309
- (c) Mr. David S. Fredsall  
Deputy Superintendent of Banks  
Foreign and Wholesale Banks Division  
New York State Banking Department  
One State Street  
New York, New York 10004
- (d) Ms. Linda B. Charity  
Director  
Office of Financial Regulation  
200 E. Gaines Street  
Tallahassee, Florida 32399
- (e) Mr. Luis Quiaro  
President  
Banco Industrial de Venezuela, C.A.  
Tercera Avenida de Las Delicias de Sabana Grande  
Cruce con Avenida Francisco Solano  
Torre Financiera, Piso 18  
Caracas, Venezuela

- (f) Ms. Alexandra Bermeo  
General Manager  
Banco Industrial de Venezuela, C.A.  
New York Agency  
900 Third Avenue 14<sup>th</sup> Floor  
New York, New York 10022
  
- (g) Ms. Sandra Mallot  
General Manager  
Banco Industrial de Venezuela, C.A.  
Miami Agency  
1101 Brickell Avenue  
Miami, Florida 33131

**Miscellaneous**

13. The 2005 Written Agreement is hereby superseded by this Agreement and, therefore, terminated to the extent that the provisions of the 2005 Written Agreement are not incorporated in this Agreement.

14. Notwithstanding any provision of this Agreement to the contrary, the Supervisors may, in their discretion, grant written extensions of time to BIV and the Agencies to comply with any provision of this Agreement.

15. The provisions of this Agreement shall be binding upon BIV and the Agencies, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

16. Each provision of this Agreement shall remain effective and enforceable until jointly stayed, modified, terminated or suspended in writing by the Supervisors.

17. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Supervisors, or any other federal or state agency from taking any other action affecting BIV, the Agencies, or any of their current or former institution-affiliated parties and their successors and assigns.

