



WHEREAS, on May 27, 1999, the board of directors of Banco, at a duly constituted meeting, after having reviewed the Order, will adopt a resolution ratifying in full the action taken by the Managing Director of Banco, to enter into this Order on behalf of Banco and the New York Agency consenting to compliance by Banco and the New York Agency and their institution-affiliated parties, as defined in sections 3 (u) and 8 (b) (4) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1813 (u) and 1818 (b) (4)), and their affiliates, as defined in General Regulations of the Banking Board Part 11 (3 N.Y.C.R.R. Part 11) (hereinafter institution-affiliated parties and affiliates collectively referred to as “institution-affiliated parties”): (1) to comply with each and every provision of this Order; (2) waiving the issuance of a notice of charges on any matter set forth in this Order; (3) waiving a hearing for the purpose of taking evidence on any matter set forth in this Order; (4) waiving any and all rights to contest the issuance of a cease and desist order by the Board of Governors pursuant to 12 U.S.C. 1818 or by the Banking Department pursuant to section 39 of the New York State Banking Law; (5) waiving any and all rights to judicial review of this Order; and (6) waiving any and all rights to challenge or contest the validity of the provisions of this Order; and

WHEREAS, the Secretary of the board of directors of Banco will formally certify the review, deliberation, and action taken by the board of directors ratifying the execution of the Order by the Managing Director, and will cause the same to be delivered promptly to the Federal Reserve Bank of New York (“Reserve Bank”) and to the Banking Department;

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors or the Banking Department in connection with this proceeding, and solely for the purpose of settlement of this proceeding without a protracted or extended hearing or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED that Banco, the New York Agency and their institution-affiliated parties cease and desist and take affirmative action as follows:

Management Review

1. Within 45 days of this Order, Banco shall engage a qualified independent consultant to perform a review of management and personnel responsible for all functional areas and business activities of the New York Agency. The review shall focus on an assessment of the organizational structure of the New York Agency, including reporting lines, duties performed by each officer and employee, and the ability of that person to perform competently his or her assigned duties. The primary purpose of this review shall be to aid the development of a management structure staffed by qualified and trained personnel suitable to the needs of the New York Agency. The scope of the review shall be approved by the Reserve Bank and the Banking Department. In this connection, in its engagement letter with Banco, the independent consultant will acknowledge that all substantive information, including work papers, programs and procedures related to the review will be provided to the Reserve Bank and the Banking Department upon request. Prior to the commencement of the engagement, the Reserve Bank and the Banking Department shall receive a copy of the engagement letter indicating its terms. The engagement letter shall, at a minimum, provide that the independent consultant will prepare a report to the board of directors of Banco containing its findings and recommendations and that the independent consultant will forward a copy of the report to the Reserve Bank and the Banking Department.

Compliance Program

2. Within 30 days of this Order, Banco and the New York Agency shall jointly complete a written compliance program for the New York Agency designed to ensure compliance with all applicable federal and state banking laws, regulations, and supervisory requirements including this Order, and shall submit the program to the Reserve Bank and the

Banking Department. This program shall include, at a minimum, the establishment of comprehensive compliance policies and procedures, a compliance training program for management and staff, and designation of a position or positions within the New York Agency responsible for the daily coordination and monitoring of compliance with all applicable rules and regulations by the New York Agency. The compliance program shall also provide for independent testing of compliance with all applicable rules and regulations to be conducted by qualified, trained, and experienced third parties, such as independent public accountants or specialists in this subject matter, who are not, in any manner, affiliated with Banco or the New York Agency.

#### Regulatory Reports

3. Within 30 days of this Order, Banco and the New York Agency shall jointly submit to the Reserve Bank and the Banking Department written policies and procedures designed to ensure that future regulatory reports submitted to the Board of Governors, the Reserve Bank and the Banking Department are filed in an accurate manner. The procedures shall include, without limitation, corrective steps to ensure that all required reports hereafter filed by Banco and the New York Agency accurately reflect the institution's financial condition on the dates for which such reports are filed, and that all records indicating how such reports are prepared are adequately maintained for subsequent supervisory review.

#### Statutory Compliance

4. The New York Agency shall implement comprehensive controls and procedures to address and correct violations of law and regulations noted in the Report of Examination as of June 30, 1998, and ensure compliance with section 322.1 (a) (2) and (3), and section 322.5 (b) and (c) of the Banking Department Superintendent's Regulations (3 N.Y.C.R.R. 322.1 (a) (2) and (3), 322.5 (b) and (c)); and section 51.3 of the General Regulations of the Banking Board (3 N.Y.C.R.R. 51.3).

### Internal Audit

5. Within 30 days of this Order, Banco and the New York Agency shall jointly submit to the Reserve Bank and the Banking Department a written audit program for the New York Agency that includes, at a minimum:

- (a) procedures that are consistent with generally accepted U.S. auditing standards;
- (b) procedures that are comprehensive in scope and frequency and provide for the submission of formal written reports to the audit committee of Banco;
- (c) procedures to ensure that the scope of the audit function is enhanced to include compliance with all applicable federal and state regulations;
- (d) risk assessments to ensure that audits of critical or high-risk areas are performed with reasonable frequency, and the assignment of ratings or expression of opinion as to the adequacy, effectiveness, and efficiency of the internal control environment of each function reviewed;
- (e) procedures for management to respond to audit findings and implementation of corrective actions; and
- (f) a requirement for the annual review of the audit program by the audit committee of Banco to ensure that the audit program is revised to reflect changes in the organizational and business environment, including the adoption of evolving industry best practices.

### Action Plan

6. Within 60 days of this Order, Banco and the New York Agency shall jointly submit to the Reserve Bank and the Banking Department an enhanced written action plan designed to ensure that the necessary steps are being taken to improve the internal controls and risk management functions at the New York Agency and to address all criticisms of the New York Agency set forth in the Report of Examination as of June 30, 1998. The written plan,

which shall include target completion dates, shall describe, at a minimum, the actions that will be taken to:

- (a) enhance management information systems to ensure the integrity of data;
- (b) strengthen internal recordkeeping and internal control functions,

including, but not limited to, corrective steps to maintain segregation of duties in the New York Agency and full implementation of corrective measures concerning the chart of accounts, suspense liability accounts, proxies for transaction accounts, improper posting of assets, improper creation of time deposit accounts, general ledger imbalances and unfunded accounts, non-performing and non-accrual loans, data input access to historical records, security administration and systems access, funds transfers, deal tape-recording system, deal resolutions, telex test keys and S.W.I.F.T. agreements, physical vault security and inventory, return mail, dormant and inactive accounts, Bank Secrecy Act documentation and training, and screening for compliance with the regulations of the Office of Foreign Assets Control;

- (c) upgrade the management information reports submitted to senior management at Banco and the New York Agency to ensure that management is receiving appropriate information that enables it to manage the business risks of the activities of the New York Agency and to correct any weaknesses and deficiencies;

- (d) update and test the New York Agency's recovery plan and test all portions of the disaster recovery plan;

- (e) review procedures at the New York Agency for documenting credit analyses and ensure that such documentation is complete; and

- (f) develop or enhance written policies and procedures to reflect current or improved operating practices for critical departments of the New York Agency.

7. Within 15 days after the end of each month following the issuance of this Order, Banco and the New York Agency shall jointly furnish to the Reserve Bank and the Banking

Department written progress reports detailing the form and manner of all actions taken to ensure compliance with this Order, and the results thereof.

8. Banco shall, and shall cause the New York Agency to, comply with each and every provision of Part 5 of the General Regulations of the Banking Board titled “Internal and External Audits at Branches and Agencies of Foreign Banking Corporations.”

### Communications

9. All communications regarding this Order shall be sent to:

- (a) Mr. Christopher J. McCurdy  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045
- (b) Mr. Robert H. McCormick  
Deputy Superintendent of Banks  
New York State Banking Department  
2 Rector Street  
New York, NY 10006
- (c) Mr. Aldulmohsen Y. Al-Hunaif  
Chairman of the Board  
Banco Atlántico, S.A.  
Avenida Diagonal, 407 bis  
08008 Barcelona, Spain
- (d) Mr. Antonio Sanchez-Pedreño Martinez  
Managing Director  
Banco Atlántico, S.A.  
Gran Via 48  
28013 Madrid, Spain
- (e) Mr. Olimpio Fernandez Feliz  
International General Manager  
Banco Atlántico, S.A.  
Gran Via 48  
28013 Madrid, Spain

(f) Ms. Sheila M. Donovan  
Senior Vice President and General Manager  
Banco Atlántico, S.A. - New York Agency  
62 William Street  
New York, NY 10005

10. The provisions of this Order shall be binding on Banco and the New York Agency and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

11. Each provision of this Order shall remain effective until such time as any provision of this Order shall have been stayed, modified, terminated, suspended, or set aside by the Board of Governors and the Banking Department.

12. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Banking Department, or any federal or state agency or department, from taking any other action affecting Banco or the New York Agency, or any of their current or former institution-affiliated parties, or their successors or assigns.

13. Notwithstanding any provision of this Order to the contrary, the Reserve Bank and the Banking Department may, in their sole discretion, acting jointly, grant written extensions of time to Banco and the New York Agency to comply with any provision of this Order.

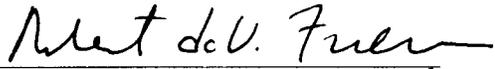
By order of the Board of Governors of the Federal Reserve System and the New York State Banking Department, effective this 3 day of June, 1999.

Banco Atlántico, S.A.  
Barcelona, Spain

By:   
Antonio Sanchez-Pedreño Martinez  
Managing Director

Date: May 19, 1999

Board of Governors of the  
Federal Reserve System

By:   
~~Jennifer J. Johnson~~ Robert T. deV. Fiacerson  
Acting Secretary to the Board

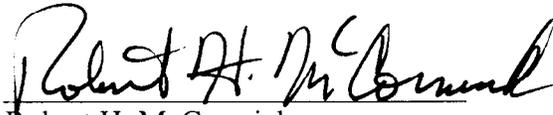
Date: June 3, 1999

Banco Atlántico, S.A.

By:   
Sheila M. Donovan  
Senior Vice President and  
General Manager, New York

Date: May 17, 1999

New York State Banking Department

By:   
Robert H. McCormick  
Deputy Superintendent of Banks

Date: May 21, 1999