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

In the Matter of Jean Peyrelevade, a former institution-affiliated party of Crédit Lyonnais Respondent	Docket Nos. 03-041-CMP-I 03-041-B-I 03-041-E-I Notice of Assessment of Civil Money Penalty Pursuant to section 8(b) of the Bank Holding Company Act of 1956, as Amended (the "BHC Act"), and section 8(i) of the Federal Deposit Insurance Act, as Amended (the "FDI Act"); Notice of Charges and of Hearing Issued Pursuant to section 8(b) of the FDI Act; and Notice of Intent to Prohibit Pursuant to section 8(e) of the FDI Act

The Board of Governors of the Federal Reserve System (the "Board of Governors" or the "Board") is of the opinion that:

Preliminary Statement

Jean Peyrelevade, a former institution-affiliated party of Crédit Lyonnais, S.A., Paris, France, a foreign bank ("Crédit Lyonnais"):

(A) participated in violations of section 4 of the BHC Act committed by Crédit Lyonnais, which, in connection with the rehabilitation of the insolvent Executive Life Insurance Company of California ("ELIC"), and without the prior approval of the Board of Governors indirectly acquired and retained control, through subsidiaries, nominees, and other arrangements, of more than five percent of the voting shares of New California Life Holdings, Inc. ("NCLH"), which in September 1993

acquired the Aurora National Life Assurance Co., which had acquired the remaining insurance business of ELIC;

(B) participated in the filing by Crédit Lyonnais of false Federal Reserve Forms Y-7 with the Board of Governors for the years 1993 at least through 1996 with respect to the acquisition and retention of control of the shares described above, and thereby violated section 5(c) of the BHC Act, 12 U.S.C. § 1844 (c), and section 225.5 of Regulation Y, 12 C.F.R. § 225.5;

(C) engaged in unsafe and unsound banking practices by participating in Crédit Lyonnais's failure to report to the Board of Governors suspected violations of section 4 of the BHC Act by its directors, officers, employees, agents or other institution-affiliated parties in a timely fashion;

(D) made false representations to the Board of Governors in 2001 and 2002 concerning the knowledge of and role of Crédit Lyonnais's then senior management (including Peyrelevade) in the matters set forth in this Notice, and thereby violated 18 U.S.C. § 1001.

Accordingly, the Board of Governors hereby institutes this proceeding by issuing this Notice of Assessment of Civil Money Penalty, Notice of Charges and of Hearing, and Notice of Intent to Prohibit (collectively, the "Notice"), for the purpose of determining whether appropriate orders should be issued:

(a) assessing a civil money penalty against Peyrelevade for violating the BHC Act, Regulation Y, and 18 U.S.C. § 1001, and engaging in unsafe and unsound practices;

(b) requiring Peyrelevade to cease and desist from violations of law and regulations, and to take other affirmative action pursuant to the provisions of section 8(b) of the FDI Act, 12 U.S.C § 1818(b); and

(c) permanently barring Peyrelevade from participating in any manner in the affairs of a United States depository institution, depository institution holding company, or foreign bank with branches, agencies or other offices in the United States.

In support of this Notice, the Board of Governors alleges the following:

JURISDICTION

1. Peyrelevade became Chairman and Chief Executive of Crédit Lyonnais in November 1993. He continued as Chairman continuously until at least on or about October 2, 2003, and as Chief Executive until about May 2001. By virtue of the positions described above, Peyrelevade was an institution-affiliated party of Crédit Lyonnais from November 1993 until October 2, 2003.

2. Crédit Lyonnais is a foreign bank existing and doing business under the laws of France. Crédit Lyonnais operates branches in New York, New York; Chicago, Illinois; and Los Angeles, California; an agency in Miami, Florida; and representative offices in New York, New York; Houston, Texas; and Dallas, Texas. Crédit Lyonnais also engages in various nonbanking activities in the United States.

3. By reason of its operation of branches and agencies in the United States, Crédit Lyonnais was, at all times pertinent to the charges herein, subject to the provisions of the International Banking Act (12 U.S.C. §3101 et seq.)(the "IB Act"), and section 8 of the FDI Act (12 U.S.C. §1818).

4. Pursuant to 12 U.S.C. § 3106(a), Crédit Lyonnais, and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)), are subject to the provisions of the BHC Act in the same manner and to the same extent that bank holding companies and their institution-affiliated parties are subject to such provisions.

5. Pursuant to section 3(q) of the FDI Act (12 U.S.C.§ 1813(q)) and section 8(a) of the IB Act (12 U.S.C. §3106(a)), the Board of Governors is the appropriate federal banking agency with jurisdiction over foreign banks with branches in the United States.

6. Altus Finance, S.A., during all relevant times, was a subsidiary of Crédit Lyonnais. In April l995, the Republic of France created the Consortium de Realisation ("CDR"), which acquired certain assets of Crédit Lyonnais. Altus became a subsidiary of CDR and was renamed CDR-Entreprises, S.A. ("CDR-Entreprises"). Crédit Lyonnais was the registered owner of all of the voting shares of CDR from April 1995 to December 1998.

APPLICABLE PROVISIONS OF THE BHC ACT

7. Sections 4(a)(1) and (2) of the BHC Act, 12 U.S.C. §§ 1843(a)(1) and (2), and section 225.21 *et seq.* of the Board's Regulation Y, 12 C.F.R. § 225.21 *et seq.* make it unlawful for a bank holding company, and, pursuant to the IB Act, a foreign bank, to acquire or retain direct or indirect ownership or control of the voting shares of any company that is not a bank, or for a bank holding company or foreign bank to engage in activities other than those specified in the BHC Act. There are several exceptions to these prohibitions, including:

a. under section 4(c)(6), 12 U.S.C. § 1843(c)(6), a bank holding company or foreign bank may acquire up to five percent of the voting shares of a nonbank company; and

b. under section 4(c)(8), 12 U.S.C. § 1843(c)(8), the Board had the authority to permit a bank holding company to hold shares of a company that engages in activities "determined ... to be so closely related to banking or managing or controlling banks to be a proper incident thereto." Until section 4(c)(8) was extensively redrafted in August 1999, section 4(c)(8) also expressly prohibited the Board (with certain exceptions) from finding that insurance was closely related to banking or managing or controlling banks. After the 1999 amendments, the Board is still precluded from authorizing insurance underwriting activities under section 4(c)(8).

8. Shares owned or controlled by a subsidiary of a bank holding company or foreign bank are deemed to be indirectly owned or controlled by such bank holding company or foreign bank treated as a bank holding company. 12 U.S.C. ' 1841(g)(1). A company is a subsidiary of a bank holding company or foreign bank if, among other things, the bank holding company or foreign bank owns or controls 25 percent or more of that company's shares. 12 U.S.C. ' 1841(d).

FACTUAL ALLEGATIONS

Ownership of Crédit Lyonnais

9. From 1946 until 1999, Crédit Lyonnais, a large French-based international bank, was owned by the Republic of France. In June 1999, shares representing 90 percent of the ownership of Crédit Lyonnais were sold to other financial institutions and to the public.

Crédit Lyonnais's Acquisition of Altus and Altus's Business Plans: the Black–Hannan Relationship

10. In February 1990, Crédit Lyonnais acquired a majority of the voting shares of Thomson C.S.F. Finance, a subsidiary of the large French conglomerate, Thomson C.S.F., which itself was owned by the Republic of France. Thomson C.S.F. Finance was then renamed Altus Finance, S.A. The Managing Director (the French equivalent of Chief Executive Officer) of Altus was Jean Francois Hénin ("Hénin"), and four of the seven seats on Altus's board of directors were selected by Crédit Lyonnais. Hénin reported directly to Jean-Yves Haberer ("Haberer"), the Chairman of Crédit Lyonnais at the time.

11. As a general matter, Crédit Lyonnais intended for Altus to engage in merchant banking, and invest in equity securities, real estate, and other financial instruments. In the spring of 1990, Crédit Lyonnais began negotiating to establish a business relationship with Leon Black ("Black") and John Hannan ("Hannan"), former officers in the New York office of Drexel Burnham Lambert, Inc., a defunct firm that specialized in junk bonds.

The Executive Life Insurance Company Failure and Rehabilitation Process

12. In 1991, at Hénin's request, Black and Hannan began searching for a large junk bond portfolio for Altus and Crédit Lyonnais to acquire. This search eventually led them to the financially troubled California-based ELIC. ELIC had invested heavily in junk bonds and was in financial trouble because the value of this portfolio had declined substantially following the collapse of Drexel Burnham Lambert and other problems in the junk bond market. In March and early April 1991, Altus, represented by Hénin and associates of Black and Hannan, approached the California Insurance Commissioner (the "Commissioner") and his staff about making a proposal to recapitalize ELIC.

13. Before any transaction could be negotiated, on April 11, l991, the Commissioner determined ELIC was statutorily insolvent and seized it. On the same day, the Commissioner commenced a proceeding in the Superior Court for Los Angeles County to rehabilitate ELIC and was appointed conservator and liquidator of ELIC. In this role, by operation of California law, the Commissioner became the trustee of all of ELIC's assets, including its portfolio of junk bonds, which at that time had a face value of approximately $6 billion.

14. In the weeks following his seizure of ELIC, the Commissioner devised a rehabilitation plan to rescue the ELIC insurance business that included the proposed restructuring of the ELIC liabilities and the transfer of ELIC assets, including the junk bond portfolio, to a successor insurance company. Altus, represented primarily by Black, Hannan and others working with them, expressed Altus's interest in the acquisition of the junk bond portfolio.

15. The Commissioner insisted that the acquisition of the ELIC junk bond portfolio be coupled with the creation of an entity with sufficient capital and expertise to manage an insurance company that would acquire the operations of the former ELIC, including its existing book of insurance and other liabilities. During the summer of 1991, the Commissioner negotiated with Altus, principally through Hénin, Black and Hannan, under these conditions. It was understood by all involved, including Hénin, that the BHC Act prohibited Altus from owning or controlling, directly or indirectly, a voting interest of more than five percent in the resulting insurance company. To a similar effect, California state law prohibited an entity owned by a foreign government (such as Crédit Lyonnais and Altus) from controlling a California-based insurance company without specific authorization from the Commissioner. It was also stated publicly that any agreement reached with Altus would thereafter be subject to a bidding process.

16. On August 7, l991, the Commissioner announced that he had negotiated a "Definitive Agreement" with Altus and a group of European investors. The European investor group, which had been recruited by Altus, was ostensibly led by a French mutual insurance company named Mutuelle Assurances Artisanale de France, S.A. ("MAAF" or, collectively, the "MAAF Group"). Other members of the European investor group had not been finally determined at the time. Under the Definitive Agreement, (a) Altus agreed to pay approximately $2.7 billion in cash for most of the ELIC junk bond portfolio; (b) the MAAF Group, through a new holding company called New California Life Holdings ("NCLH"), would form and manage the insurance company to be renamed "Aurora," to which the restructured ELIC assets, including the

proceeds from the sale of the junk bond portfolio and the restructured ELIC liabilities, would be transferred; and (c) Aurora, the new insurance company, would be funded with $100 million in equity from the MAAF Group and a $200 million loan from Crédit Lyonnais.

17. The MAAF Group ultimately included: (a) affiliates of MAAF, including MAAF Vie, S.A., and Chauray Valeurs S.A.; (b) Financiere du Pacifique, S.N.C. ("Finapaci"), a French firm owned by another French company called Fimalac, S.A., which in turn was controlled by Marc Ladreit De Lacherriere, then a director of Crédit Lyonnais; (c) S.D.I. Vendome, S.A., a newly formed French company controlled by Alain Mallart, a French businessman and substantial customer of Crédit Lyonnais and Altus; and (d) Omnium Genève, S.A., a company controlled by Herve Dubois.

18. Throughout the rehabilitation process, Crédit Lyonnais, Altus and their advisors represented publicly to the Superior Court and to the Commissioner, and privately to the Board of Governors that the MAAF Group was acting on its own behalf, that all relationships between the MAAF Group members and Crédit Lyonnais (including Altus) had been fully and accurately disclosed, and that Crédit Lyonnais's and Altus's involvement in the acquisition of the ELIC insurance business and in the purchase of ELIC's junk bonds had been fully and accurately disclosed and had been structured to comply with the BHC Act.

19. Contrary to the explicit and repeated representations described in the Paragraph immediately above, each of the members of the MAAF Group entered into secret "portage" agreements and had other arrangements with Altus that had the combined effect of granting Altus control of the shares of NCLH nominally owned by the

members of the MAAF Group. The first set of these written agreements was between Altus and MAAF, and was dated August 6, 1991, the day before the "Definitive Agreement" was announced. The August 6, 1991 MAAF-Altus agreements, among other terms, stated:

a. Altus agrees irrevocably to purchase or have a designee purchase all of the shares MAAF holds in "ELIC". The price will be the cost of shares, plus an interest factor, plus 3 percent per year. Altus will be liable to pay this amount even if it cannot purchase the shares. Correspondingly, MAAF will not transfer any of the ELIC shares;

b. Altus would release MAAF from all responsibility in connection with the management of ELIC from the day MAAF becomes owner of the shares that are subject to the present *portage* agreement;

c. MAAF will only act at Altus's request and as its legal representative on its behalf to facilitate implementation of Altus's strategy; and

d. Altus and MAAF agree to keep the agreements secret from third-parties, except their counsel and Crédit Lyonnais.

20. Subsequently, secret agreements were entered into with each of the other members of the MAAF Group. Although the terms of agreements between Altus and the four MAAF Group members varied in detail, were put into written form at different times, and were modified on various occasions, the "portage" arrangements

contained the same basic provisions. The MAAF Group members were obligated to sell the shares of NCLH held in their names to Altus or its designee, and obligated Altus (or its designee) to buy the shares of NCLH at a set price (typically the original acquisition price plus the financing costs during the term of the portage contract and a fee for holding the shares, minus any dividends received by the porteur). The agreements typically specified a time period in which these forward contracts to purchase and sell could be completed. The agreements or related correspondence included language allocating to Altus the risk of loss resulting from a decrease in the value of the NCLH shares while they were held by the porteurs and providing for Altus's indemnification of the MAAF Group members for any liabilities associated with carrying the shares. The MAAF Group members also were precluded from selling the NCLH shares to anyone else without Altus's approval. Further, after Artémis and Altus agreed that Artémis would acquire Altus's rights to the NCLH shares, Altus arranged to have Artémis and the MAAF Group members enter into contracts containing virtually identical terms.

21. With the exception of MAAF's investment, all or a substantial part of the funds used to acquire the NCLH shares were advanced by Altus, one of its subsidiaries or a banking subsidiary of Crédit Lyonnais, with the intent that the loan would be repaid with the proceeds of the sale of the shares to Altus or its designee.

The Overbid and Approval Process in California

22. After entering into the Definitive Agreement, the Commissioner conducted an "overbid process" whereby bidders were invited to submit proposals for the rehabilitation of ELIC that would increase the return to the ELIC estate so that ELIC

policyholders would receive a greater percentage of their policy balances than what was provided for by the terms of the Definitive Agreement.

23. On November 14, l991, the Commissioner selected a revised Altus/MAAF Group proposal, which was structured substantially the same as the Definitive Agreement. On the next day, Altus and MAAF modified the August 6, 1991 agreements by entering into the agreements described below. These agreements solidified Altus's control over NCLH's shares and reaffirmed that MAAF was effectively acting as Altus's nominee with respect to MAAF's involvement in the acquisition of NCLH shares:

a. in a "Memorandum of Understanding," MAAF undertook to transfer to Altus, which undertook to purchase, MAAF's shares of NCLH. The transfer was to take place between September 30, 1994 and December 31, 1994. The price was MAAF's original purchase price, less any dividends received in the interim, plus an interest cost and the same 3 percent per annum fee as had been agreed to in August. Moreover, Altus was obligated to pay this amount to MAAF, even if the transfer could not be accomplished, including if NCLH had become insolvent. Further, if U.S. regulations prohibited Altus from holding NCLH shares, Altus could designate a purchaser, subject to MAAF's approval, which it could not withhold without reasonable grounds; and

b. an accompanying "Management Agreement" reiterated that "MAAF will only act, either in its capacity as shareholder or as one of the managing groups in NCLH, upon the request, as a representative, and on behalf of Altus Finance in order to help Altus put its strategy into place ...." MAAF was also prohibited from transferring any NCLH shares to anyone other than Altus, unless "it became an impossibility for MAAF to keep its NCLH shares" or the price of retaining them became too burdensome due to new U.S., European, or French regulations. Altus also undertook to cover any damages, whatever their nature or sum, caused to MAAF in its capacity as shareholder or manger, although only temporarily, of NCLH.

24. In November 1991, NCLH issued 100 percent of its voting shares to MAAF, the ostensible leader of the MAAF Group.

Altus Acquires the ELIC Junk Bonds

25. On February 18, 1992, the Superior Court authorized the Commissioner to proceed with the sale of the junk bonds to Altus prior to finalization and implementation of the remainder of the rehabilitation plan. Although the Superior Court had approved the Altus/MAAF proposal, it had not completed hearings on all aspects of the rehabilitation plan at this time, and, as a consequence, the acquisition of the ELIC insurance business by the MAAF Group through NCLH/Aurora could not be closed.

In early March l992, Altus closed on its purchase of the ELIC junk bond portfolio; Altus paid approximately $2.9 billion for the junk bonds.

Subsequent Events in the ELIC Rehabilitation Proceeding

26. On July 31, 1992, the Superior Court approved the remainder of the rehabilitation plan. Several policyholder groups and other creditors of ELIC filed appeals. As a consequence of the pending appeals and various stay orders issued by the California Court of Appeal, the MAAF Group's acquisition of the ELIC insurance business through NCLH/Aurora was delayed.

Artémis's December 1992 Acquisition of ELIC and Other Junk Bonds from Altus, and Option to Acquire Shares of NCLH from the MAAF Group; Crédit Lyonnais/Altus Control of Artémis

27. In the fall of l992, Crédit Lyonnais and Altus became aware that a growing number of distressed issues in the ELIC junk bond portfolio would be converting to greater-than-five percent voting interests of individual companies, which could directly raise issues under section 4 of the BHC Act for Crédit Lyonnais. Also, Crédit Lyonnais was facing catastrophic losses in l992, due in large measure to a substantial impairment in its loan and real estate portfolio. Thus, Crédit Lyonnais was looking for ways to avoid a problem under the BHC Act that would become visible, and to shore up its balance sheet and income statement by realizing capital gains. In the several months since the ELIC junk bond portfolio had been acquired by Altus, its value had increased substantially and a sale of these securities would enable Crédit Lyonnais to realize the gains on its income statement and balance sheet.

28. After exploring several other alternatives, Altus commenced negotiations with Francois Pinault ("Pinault"), a French entrepreneur with substantial ties

to Crédit Lyonnais, concerning the sale of ELIC and other junk bonds. As part of this process, in November 1992, Crédit Lyonnais sold a shell company to Financière Pinault, a French partnership in which Pinault and Crédit Lyonnais were investors. This company was renamed Artémis, S.A. ("Artémis"). Artémis was to be the mechanism for holding the junk bonds and greater than five percent equity interests in U.S. nonbanking companies that would arise from conversion of junk bonds into voting shares due to workout or other corporate reorganizations.

29. In a December 24, 1992 Memorandum of Understanding (the "December 24 MOU"), Crédit Lyonnais, Altus and Financière Pinault agreed, among other provisions, that:

a. Artémis would acquire junk bonds and the related equity securities held by Altus for approximately $2 billion;

b. a banking subsidiary of Altus would grant a $2 billion line of credit to Artémis to finance the acquisition of these securities;

c. any modification of the purpose, charter, by-laws, or shareholdings of Artémis must be agreed to between Financière Pinault and Altus;

d. Hénin, the managing director (i.e., the CEO) of Altus would also devote a significant portion of his time to the management of Artémis; and

e. Artémis had "the right to acquire from Altus Finance, its clients and/or those having the right, at the present cost price,

> the totality of rights acquired by Altus Finance, its clients and/or those having the right … to the Aurora Assurance Company (formerly Executive Life)." Altus and Crédit Lyonnais granted this option with respect to the NCLH shares to be held by the members of the MAAF Group, notwithstanding their private representations to the Board of Governors and public representations to the Commissioner and to the California Superior Court that they had no such ability to control those shares.

30. The junk bonds were transferred to Artémis later in December 1992 and in mid-1993.

31. At the time of the December 1992 transactions, Altus owned approximately 24.5 percent of the voting shares of Artémis.

32. Through various portage arrangements with Artemis and Financière Pinault shareholders, by the end of January 1993, Crédit Lyonnais, directly or indirectly, owned or controlled more than 25.0 percent of the voting shares of Artemis. In addition to having legal control under the BHC Act, Crédit Lyonnais had a combined overall indirect beneficial equity interest of approximately 43 percent in Artémis.

Implementation of the Remainder of the ELIC Rehabilitation Plan

33. In March 1993, the California Court of Appeal for the Second District overturned the Superior Court's July 31, 1992 order approving the rehabilitation plan on three grounds, none of which involved the validity of the Commissioner's selection of the MAAF Group to acquire the ELIC insurance business. The Court of

Appeal remanded the matter to the Superior Court with the expectation that a modified rehabilitation plan could resolve the defects that it had found.

34. During this period, Altus and its advisors (principally Black, Hannan and their associates) agreed to allow SunAmerica, a California insurance company, to subscribe to 33 percent of NCLH's shares. After SunAmerica agreed to become a shareholder of NCLH, shareholder agreements were entered into among the members of the MAAF Group and SunAmerica that limited the ability of the shareholders to sell their shares under certain circumstances.

35. The Superior Court, on August 13, 1993, approved the Commissioner's Modified Rehabilitation Plan. The modifications to the rehabilitation plan did not affect the Commissioner's previously approved selection of the MAAF Group to acquire the ELIC insurance business.

36. The Commissioner granted all the regulatory approvals necessary for Aurora to acquire the ELIC insurance business.

37. On September 3, 1993, Aurora acquired the restructured ELIC insurance business and began operation of its insurance business.

Nominal Ownership and Capitalization of NCLH

38. In preparation for the acquisition of the restructured ELIC insurance business, pursuant to subscription agreements, NCLH issued additional shares in July 1993, reducing MAAF's registered shares from 100 percent. NCLH's registered

holders of voting shares were as follows at the time of the September 3, 1993 acquisition:

a.	MAAF affiliates:	23.59%
b.	Finapaci:	16.68%
c.	SDI Vendome:	16.68%
d.	Omnium:	10.05%
e.	SunAmerica:	33.00%

39. The September 1993 acquisition of the ELIC insurance business and augmentation of the capital of Aurora was funded: (a) via payment for the subscription to the shares issued by NCLH in July 1993, resulting in equity capital of $100 million, and (b) via a $200 million loan from Altus to NCLH. All of the funds to satisfy the subscriptions of Finapaci, SDI Vendome, and Omnium Genève were provided by banking subsidiaries of Crédit Lyonnais and Altus in the form of advances or loans.

40. Prior to the September 1993 acquisition of the ELIC insurance business by Aurora, Artémis had indicated an interest in exercising its option to acquire the NCLH shares, but had not formally exercised the option. The Commissioner had been informed that Artémis might ultimately acquire the NCLH shares held by the MAAF Group, but no formal approval was sought. In the fall of 1993, the December 24, 1992 MOU was replaced by a version backdated to December 16, 1992, that was purportedly signed in New York. In addition, the language in the original December 24, 1992 MOU granting Artémis an "option" to acquire Altus's rights in "Aurora" (i.e., NCLH) was changed to require only that Altus use its "best efforts" to enable Artémis to acquire these shares. This alteration was made to further conceal Altus's control over the shares of NCLH.

41. In November 1993, the French Republic replaced Haberer as chief executive of Crédit Lyonnais with Peyrelevade. Shortly after Peyrelevade arrived, Hénin left Altus. By December 1993, Claude Eric Paquin ("Paquin") was running Altus.

42. In early December 1993, Paquin received several memorandums describing the Artémis – Altus relationship from a subordinate. Among other topics, the memorandums explained the NCLH transaction, setting out the existence and terms of the portage agreements pursuant to which the members of the MAAF Group were holding 67 percent of NCLH's voting shares for the benefit of Altus and the fact that U.S. law prohibited Crédit Lyonnais or Altus from holding title to the shares of insurance companies. The memorandums detailed the commitment by Altus to repurchase the NCLH shares or designate a purchaser, and the not-yet-formally exercised option granted to Artémis in December 1992 to acquire these shares. One of the memorandums stated that Artémis was willing to exercise the option to purchase the NCLH shares held by the MAAF Group, but only on the condition that Crédit Lyonnais (or Altus) provide 100 percent financing. This memorandum noted, however, that "[b]ecause of American regulations, it is not desirable/appropriate to agree to this request directly, but rather to finance the acquisition of Chateau Latour, for example." Chateau Latour is a French vineyard that Artémis had acquired earlier in 1993.

43. The memorandums were prepared for the benefit of senior management of Crédit Lyonnais. On the early evening of December 10, 1993, these memorandums were faxed from Altus's offices to the "secretary of M. Peyrelevade," at Crédit Lyonnais's executive offices. Peyrelevade read the memorandums and made notations on pages and paragraphs that referred to the portage agreements, their

problematic status under U.S. law, Artémis's requirement that its purchase of the NCLH shares be 100 percent financed, and the fact that U.S. regulations did not make it appropriate/desirable to finance the acquisition directly, but instead indirectly through Chateau Latour. The memorandums were also reviewed by Francois Gille, the number two executive at Crédit Lyonnais, and by Dominique Bazy ("Bazy"), another high ranking executive who reported directly to Peyrelevade and who had recently joined Crédit Lyonnais, and others. The memorandums were to be used for a meeting of Crédit Lyonnais's Executive Committee on Monday, December 13, 1993, at which Crédit Lyonnais's exposure to Artémis and other Pinault-related enterprises was to be reviewed in the context of additional loans that Artémis was seeking. At the meeting, chaired by Peyrelevade, there was a discussion of Crédit Lyonnais's relationship with Artémis and a "Fed Problem," as well as issues relating to extending additional credit to Pinault-related enterprises, including Artémis.

44. The next day, Peyrelevade met with Pinault. At that meeting, Pinault agreed in principal to pledge Chateau Latour to secure the new credits being discussed. At a meeting the following week, Bazy and Patricia Barbizet ("Barbizet"), Pinault's representative, met and discussed Artémis's formal exercise of the option that had been granted to Artémis for the NCLH shares. In a letter bearing a date of December 9, 1993, Artémis notified Altus in writing that it was formally exercising the option. Paquin, on behalf of Altus, countersigned the exercising letter, but it bears a date of December 21, 1993, indicating that "December 9" was a backdated date, and that the option had not been exercised until after Peyrelevade and Pinault had agreed that Crédit

Lyonnais would finance the acquisition, with Artémis pledging Chateau Latour as security for the loan.

45. Beginning in December 1993 and continuing through at least July 1994, while Peyrelevade was Chairman of Crédit Lyonnais, Altus, Artémis and the members of the MAAF Group executed additional documents under the portage arrangements to provide for the transfer of NCLH shares from registration in the names of the members of the MAAF Group to Artémis. In several cases, duplicate agreements were signed, with one version referring to Altus's role in the transaction and the other version – later filed with the Commissioner – omitting any mention of Altus.

46. In March 1994, Peyrelevade participated in the deliberations of Crédit Lyonnais's loan committee with respect to a loan to Artémis secured by the shares of Delor, S.A., the parent company of Chateau Latour. Peyrelevade gave his assent to its approval, notwithstanding Peyrelevade's concern that Crédit Lyonnais's existing credit exposure to Artémis and other Pinault-related enterprises was too large. Crédit Lyonnais had declined to explicitly finance Artémis's acquisition of the NCLH shares, but agreed to do so "unofficially," so that it would not be revealed that Crédit Lyonnais was financing Artémis's NCLH acquisition.

47. In March 1994, Artémis sought regulatory approval from the Commissioner to acquire the shares of NCLH held by SDI Vendome, one of the members of the MAAF Group. In mid-1994, Artémis sought approval from the Commissioner to acquire the shares held by Finapaci, Omnium Genève, and a portion of the shares of the MAAF affiliates. In August 1994, the Commissioner approved Artémis's acquisition, with certain conditions, to acquire up to 50 percent of NCLH. On August 31, 1994,

Artémis acquired these shares directly or, in the case of Finapaci's shares, by acquiring Finapaci, itself. Artémis's consideration for the acquisition of the shares held by the MAAF Group was the original cost price of the shares, plus an interest factor, plus a fee, adjusted for prior payments that had been made to the porteurs by Altus, just as the "portage" agreements between Altus and the members of the MAAF Group contemplated, and as set forth in the original December 24, 1992 MOU among Altus, Crédit Lyonnais and Financière Pinault that established Artémis's business structure and relationships with the Crédit Lyonnais group.

48. Artémis's acquisition of these shares was financed in large part, if not completely, by a 450 million FF line of credit granted by Crédit Lyonnais to Artémis, secured by the shares of Delor, S.A., the parent of Chateau Latour.

49. In April 1995, Crédit Lyonnais's shares of Altus were transferred to the newly constituted CDR, as part of the French Republic's plan to rescue Crédit Lyonnais, although Crédit Lyonnais owned CDR's voting shares until 1998. In the formal transfer documents executed by Peyrelevade and initialed by him on each page, CDR agreed to assume various liabilities, including Altus's obligation to acquire the remaining 17 percent of NCLH stock under the portage agreement with MAAF.

50. In or about July or August, 1995, Artémis sought approval from the Commissioner to acquire the remaining 17 percent of NCLH held by MAAF. In August 1995, the Commissioner approved this acquisition, and, later that month, Artémis acquired these shares as well, bringing its total ownership of NCLH shares to 67 percent. As of the date of this Notice, Artémis continues to control, indirectly, 67 percent of NCLH's shares, and the 450 million FF line of credit from Crédit Lyonnais to Artémis,

secured by the shares of Delor, S.A., the parent of Chateau Latour, remains outstanding, as subsequently refinanced and redenominated in euros.

Crédit Lyonnais's Disclosures to the Federal Reserve of the Portage Arrangements and the Board's Investigation

51. On or about January 7, 1999, Crédit Lyonnais's outside counsel informed the Federal Reserve Bank of New York that information had come to light indicating that Crédit Lyonnais and Altus had a qualitatively greater role in NCLH than had been previously represented to the Board of Governors. Crédit Lyonnais came forward only when it was informed by Artémis that it had been contacted by the Commissioner's office about the circumstances surrounding the acquisition of NCLH by the MAAF Group. Artémis also informed Crédit Lyonnais that the Commissioner's office stated that it had received information several months earlier that Altus had owned an interest in NCLH through portage agreements with members of the MAAF Group. The existence of these "portage" agreements had been kept hidden within Crédit Lyonnais, Altus, CDR and CDR-Entreprises to this time and not disclosed to the Board of Governors. The secret agreements were not disclosed despite the knowledge of senior officials of these organizations, repeated mention of the portage agreements in audit and other reports generated in France, and reference to the portage arrangements in the protocol transferring responsibility for Altus's and Crédit Lyonnais's liabilities to CDR, which had been signed by Peyrelevade.

52. The Board of Governors then conducted an investigation to determine, among other things, whether then current senior management of Crédit Lyonnais, including Peyrelevade, its Chairman, knew of or participated in the portage agreements and had concealed their existence from the appropriate U.S. authorities. This

issue was relevant to a determination by the Board of Governors as to whether Crédit Lyonnais's banking activities in the United States should be terminated. In connection with that focus of the investigation, Peyrelevade submitted to two voluntary interviews on February 14, 2001 and April 12, 2002. At those interviews, Peyrelevade stated emphatically that he had not read the memorandums faxed to the attention of his secretary on December 10, 1993, as described in Paragraphs 42 and 43, above, generally denied any recollection of the ELIC matter, and denied any knowledge of the relationship of the "Chateau Latour" loan to the acquisition by Artémis of NCLH shares. He also stated that had he read the memorandums he would have notified the Board of Governors. However, in September 2003, another copy of the December 10, 1993 memorandums was provided, which had not been previously produced to the Board of Governors. This copy, unlike the versions available at the time of Peyrelevade's interviews, contained the initials of and other handwriting by Peyrelevade, indicating that he had read the memorandums and made notations on them, contrary to his prior interview statements.

Effects of the Violations

53. Crédit Lyonnais received substantial financial benefits (in the hundreds of millions of dollars) from the acquisition of the ELIC junk bonds, its interest in NCLH shares, and otherwise as a result of its activities with respect to the rehabilitation of ELIC and its investments in the junk bonds, all of which were predicated on violations of the BHC Act and false statements to the Board of Governors.

54. As a result of the concealment of the violations by Peyrelevade and other members of Crédit Lyonnais's management during the period between December

1993 and January 1999, Crédit Lyonnais has suffered or will probably suffer damage with respect to the Executive Life matter. Specifically, Crédit Lyonnais has suffered or will probably suffer damage due to Peyrelevade's failure to cause Crédit Lyonnais to file a criminal referral report pursuant to 12 C.F.R. §§ 208.20 & 211.24(f)(1994).

Acts or Practices Outside the United States

55. With respect to any acts or practices set forth above that occurred outside the United States, such acts or practices have been carried out in connection with or in furtherance of acts and practices within the United States which, in and of themselves, constitute an appropriate basis for action by the Board of Governors.

VIOLATIONS OF LAW AND REGULATION AND UNSAFE AND UNSOUND PRACTICES

Count I: Peyrelevade Participated in Crédit Lyonnais's Violations of Section 4 of the BHC Act Resulting from Crédit Lyonnais's Control of More than Five Percent of the Voting Shares of NCLH

56. With exceptions not relevant here, sections 4(a) and 4(c)(6) of the BHC Act, 12 U.S.C. §§ 1843(a) & (c), and Regulation Y, 12 C.F.R. §§ 225.21 & 225.22 (5), prohibit a bank holding company (including a foreign bank subject to the BHC Act) from acquiring or retaining direct or indirect ownership or control of more than five percent of the shares of any company which is not a bank.

57. NCLH is a company that is not a bank. It became a company within the meaning of the BHC Act no later than September 3, 1993, when it indirectly acquired the ELIC insurance business as set forth in Paragraph 37, above.

58. As set forth in Paragraphs 12 through 50, above, pursuant to the portage agreements and other arrangements with the members of the MAAF Group,

Crédit Lyonnais, indirectly owned or controlled more than five percent of the shares of NCLH at least from September 3, 1993 through at least September 30, 1996, in violation of section 4 of the BHC Act, 12 U.S.C. § 1843.

59. From on or about August 31, 1995, through at least September 30, 1996, Crédit Lyonnais indirectly retained ownership or control of more than five percent of the shares of NCLH by virtue of the provisions of section 2(g)(3) of the BHC Act, 12 U.S.C. § 1841(g)(3)(repealed effective September 30, 1996), notwithstanding the transfer of the shares to Artémis.

60. Peyrelevade (from December 13, 1993) participated in the violations set forth in Paragraphs 58 and 59, above.

Count II: Peyrelevade Participated in Crédit Lyonnais's Filing of False Reports

61. Pursuant to section 5(c) of the BHC Act, 12 U.S.C. § 1844(c), and Regulation Y, 12 C.F.R. § 225.5(b), the Board requires foreign banking organizations (such as Crédit Lyonnais) to file annual reports (Form Y-7 through 1994, and Form Y-7 and Y-7A for the years 1995-2000). The Form Y-7 and (later, Y-7A) required that foreign banking organizations disclose:

a. financial statements "for each U.S. company that the foreign banking organization owns, controls, or holds with power to vote 25 percent or more of the shares or otherwise controls;"

b. an organization chart showing "all related U.S. companies (banking and nonbanking), and foreign companies that engage in business in the U.S. in which 25 percent or more of

the voting securities are directly or indirectly, owned, controlled or held with power to vote, or which are otherwise controlled by the foreign banking organization." The organization chart was required to show "... the percentage ownership (by the direct shareholder) of each class of voting stock or other form of control of each related company;" and

c. (i) each U.S. company that the foreign banking organization directly, or indirectly through a subsidiary, owns, controls, or has the power to vote more than 5 percent of, or otherwise controls its shares or their equivalent; and (ii) each foreign company that directly or indirectly engages in business in the U.S. and which the foreign banking organization directly, or indirectly owns through a subsidiary, owns, controls or has the power to vote more than 5 percent of, or otherwise controls its shares or their equivalent.

62. The Form Y-7 Report, filed on May 4, 1994, that Crédit Lyonnais filed for the year ending December 31, 1993, failed to disclose that Crédit Lyonnais indirectly controlled more than 5 percent of the shares of NCLH, failed to include references to NCLH in the organization chart, and failed to include a financial statement for NCLH.

63. The Form Y-7 Report, filed on May 29, 1995, that Crédit Lyonnais filed for the year ending December 31, 1994, failed to disclose that Crédit Lyonnais indirectly controlled more than 5 percent of the shares of NCLH, failed to include

references to NCLH in the organization chart, and failed to include a financial statement for NCLH.

64. The Form Y-7 and Y-7A Reports, filed on April 30**,** 1996, that Crédit Lyonnais filed for the year ending December 31, 1995, failed to disclose that Crédit Lyonnais indirectly controlled more than 5 percent of the shares of NCLH, failed to include references to NCLH in the organization chart, and failed to include a financial statement for NCLH.

65. The Form Y-7 and Y-7A Reports, filed on April 30**,** 1997, that Crédit Lyonnais filed for the year ending December 31, 1996, failed to disclose that Crédit Lyonnais had indirectly controlled more than 5 percent of the shares of NCLH.

66. As a consequence of the failures to disclose Crédit Lyonnais's indirect interest in NCLH in the Form Y-7 filings for the years 1993, 1994, 1995, and 1996, Crédit Lyonnais violated section 5(c) of the BHC Act, 12 U.S.C. § 1844(c) and Regulation Y.

67. Peyrelevade participated in the violations set forth in Paragraph 62-66 as follows:

a. with respect to the 1993 Form Y-7 filing, from May 4, 1994 to at least January 7, 1999;

b. with respect to the 1994 Form Y-7 filing, from May 29, 1995 to at least January 7, 1999;

c. with respect to the 1995 Form Y-7 and Y-7A filing, from April 30, 1996 to at least January 7, 1999; and

d. with respect to the 1996 Form Y-7 and Y-7A filing, from April 30, 1997 to at least January 7, 1999.

Count III: Peyrelevade Engaged in an Unsafe and Unsound Banking Practice by Failing to Report to the Board of Governors Suspected Violations of Section 4 of the BHC Act

68. Senior management of Crédit Lyonnais, including Peyrelevade, by mid-December 1993, had sufficient information to suspect that Crédit Lyonnais and at least one of Crédit Lyonnais's directors, officers, employees, agents, or other institution-affiliated parties committed or aided in the commission of violations of section 4 of the BHC Act pertaining to Crédit Lyonnais's indirect acquisition and retention of control of more than five percent of the shares of NCLH, and the related reporting violations.

69. Crédit Lyonnais failed to report these violations promptly to the Board of Governors. Peyrelevade participated in the failure to report the violations.

70. The failure to report known violations to the Board of Governors promptly is an unsafe and unsound banking practice.

71. The unsafe and unsound practice set forth above continued from December 13, 1993 until January 7, 1999.

Count IV: Peyrelevade Violated 18 U.S.C. § 1001 as a Result of False Statements Made by Peyrelevade During the Board's Investigation

72. At all relevant times, 18 U.S.C. § 1001 provided that, whoever, in any matter within the jurisdiction of any department or agency of the United States, knowingly and willfully falsifies, conceals or covers up by a trick, scheme or device, a material fact, or makes any false, fictitious or fraudulent statements or representations, or

makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than $10,000 or imprisoned not more than five years or both.

73. Peyrelevade, appearing as the Chairman of Crédit Lyonnais, falsely represented at his interviews by the Board of Governors staff in February 2001 and April 2002, that he had not read the memorandums faxed to the attention of his secretary on December 10, 1993, as set forth in Paragraph 52.

74. With these representations, Peyrelevade knowingly and willfully falsified, concealed or covered up by a trick, scheme or device, material facts, or made false, fictitious or fraudulent statements or representations knowing the same to contain false, fictitious or fraudulent statements, as set forth in Paragraph 52.

75. The facts and concealments set forth above in Paragraph 73 related to the overall supervision of the activities of Crédit Lyonnais in the United States by the Board of Governors, which is a matter within the jurisdiction of the Board of Governors.

76. The violations of 18 U.S.C. § 1001 with respect to Peyrelevade's false statements continued from February 14, 2001 until September 15, 2003.

REQUESTED RELIEF

CEASE AND DESIST AND PROHIBITION ACTIONS

77. Notice is hereby given that a hearing will be held on February 15, 2004, at the Federal Reserve Bank of New York for the purpose of taking evidence on the charges hereinbefore specified in order to determine:

a. whether an appropriate order should be issued under section 8(e) of the FDI Act to prohibit the future participation of

Peyrelevade in the affairs of, inter alia, any insured depository institution, holding company thereof, or in activities in the United States of a foreign bank with a United States branch or agency. As set forth above, by reason of the violations of law and regulation and unsafe and unsound practices, Crédit Lyonnais has suffered or will probably suffer damage, or the interests of its depositors have been or could be prejudiced; and the violations of law and regulation and unsafe and unsound practices involved personal dishonesty or continuing or willful disregard for the safety and soundness of Crédit Lyonnais on Peyrelevade's part;

b. whether an appropriate order to cease and desist should be issued under section 8(b) of the FDI Act to require Peyrelevade to cease and desist from the violations herein specified, and to take other affirmative action. Appropriate affirmative action may include the issuance of a cease and desist order:

   i. requiring Peyrelevade to cease and desist from any further violations of any federal banking statute and regulation; and

   ii. requiring limitations on the activities or functions of Peyrelevade in the United States with respect to banking.

CIVIL MONEY PENALTY ASSESSMENT ACTION

78. The violations set forth in Count I permit the assessment of civil money penalties under section 8(b) of the BHC Act, 12 U.S.C. 1847(b), in the amount of $25,000 per day ($27,500 per day after October 24, 1996 pursuant to 12 C.F.R. § 263.65(b)(4)).

79. Peyrelevade committed 1022 daily violations of section 4 of the BHC Act, as set out in Count I.

80. The violations set forth in Count II permit the assessment of civil money penalties against Peyrelevade under section 8(b) of the BHC Act, 12 U.S.C. § 1847(b).

81. Peyrelevade committed 4623 daily violations with respect to Count II, of which 3216 violations occurred on or after October 24, 1996.

82. The violations set forth in Counts III and IV permit the assessment of civil money penalties under section 8(i)(2)(B) of the FDI Act, 12 U.S.C. § 1818(i)(2)(C), in a daily amount not to exceed the lesser of $25,000 (or $27,500 after October 24, 1996 pursuant to 12 C.F.R. § 263.65(b)(2)(ii)).

83. Peyrelevade recklessly engaged in unsafe and unsound practices over 1860 days, as set forth in Count III, 804 of which occurred on or after October 24, 1996. Peyrelevade's unsafe and unsound practices as set forth in Count III were part of a pattern of misconduct.

84. Peyrelevade committed 943 daily violations of 18 U.S.C. § 1001, as set forth in Count VII. Peyrelevade's violations set forth in Count VII are part of a pattern of misconduct.

85. After taking into account the size of Peyrelevade's financial resources, his good faith, the gravity of the violations, the history of previous violations, and such other matters as justice may require, the Board of Governors hereby assesses a civil money penalty of $500,000 against Peyrelevade for his violations of the BHC Act and Regulation Y, 18 U.S.C. §1001, and for engaging in unsafe and unsound practices as set forth in this Notice. Peyrelevade shall forfeit and pay the penalty as hereinafter provided.

86. The penalties set forth in this Notice are assessed by the Board of Governors pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), section 8(b) of the BHC Act, 12 U.S.C. §1847 (b), and subparts A and B of the Board of Governors' Rules of Practice for Hearings ("Rules of Practice"), 12 C.F.R.§ 253.1-263.29. Remittance of the penalties set forth herein shall be made within 60 days of the date of this Notice, in immediately available funds, payable to the order of the Secretary of the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States.

87. Notice is hereby given, pursuant to section 8(i)(2) of the FDI Act, 12 U.S.C.§ 1818(i)(2), made applicable to these proceedings by section 8(b)(2) of the BHC Act, 12 U.S.C. §1847(b)(2), and section 263.23 of the Rules of Practice, 12 C.F.R.§ 263.23, that Peyrelevade is afforded an opportunity for a formal hearing before the Board of Governors concerning this assessment. Any request for such a hearing must be filed with the Office of Financial Institution Adjudication ("OFIA"), 1700 G Street, N.W., Washington, D.C. 20552, and with the Secretary of the Board of Governors, Washington, D.C. 20551, within 20 days after the issuance and service of this

Notice on Peyrelevade, with regard to the civil money penalty proceedings against Peyrelevade. A hearing, if requested, will be public, unless the Board of Governors shall determine that a public hearing would be contrary to the public interest, and in all other aspects will be conducted in compliance within the provisions of the FDI Act and the Rules of Practice before an administrative law judge to be designated pursuant to applicable law as in effect at the time of such hearing. The hearing described above may, in the discretion of the Board of Governors, be combined with any other hearing to be held on the matters set forth in this Notice.

PROCEDURES GENERALLY

88. The hearings referred to in Paragraphs 77 and 87 hereof shall be held before an administrative law judge to be appointed from the OFIA, pursuant to section 263.54 of the Rules of Practice, 12 C.F.R. § 263.54. The hearing shall be public, unless the Board of Governors determines that a public hearing would be contrary to the public interest, and in all other aspects shall be conducted in compliance with the provisions of the FDI Act and the Rules of Practice.

89. Peyrelevade is hereby directed to file an answer to this Notice within 20 days of the service of this Notice, as provided by section 19 of the Rules of Practice, 12 C.F.R. § 263.19, with the OFIA. Pursuant to section 263.11(a) of the Rules of Practice, 12 C.F.R. § 263.11(a), any answer filed with the OFIA shall also be served on the Secretary of the Board of Governors. As provided in section 263.19(c)(1) of the Rules of Practice, 12 C.F.R. § 263.19(c)(1), the failure of Peyrelevade to file an answer required by this Notice within the time provided herein shall constitute a waiver of its right to appear and contest the allegations of this Notice in which case the presiding

officer is authorized, upon proper motion, to find the facts to be as alleged in the Notice and to file with the Secretary of the Board of Governors a recommended decision containing such findings and appropriate conclusions. Any final order issued by the Board based upon a failure to answer is deemed to be an order issued by consent.

90. Peyrelevade may submit to the Secretary of the Board of Governors, within 20 days of the service of this Notice, a written statement detailing the reasons why the hearings described herein should not be public. The failure to submit such a statement within the aforesaid period shall constitute a waiver of any objection to a public hearing.

91. Authority is hereby delegated to the Secretary of the Board of Governors to designate the time and place and presiding officer for any hearing that may be conducted on this Notice and to take any and all actions that the presiding officer would be authorized to take under the Board's Rules of Practice for Hearings with respect to this Notice and any hearing to be conducted hereon, until such time as a presiding officer shall be designated.

Dated at Washington, D.C., this 18th day of December, 2003.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

(signed)

By _____
Jennifer J. Johnson
Secretary of the Board