

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

In the Matter of)	Docket Nos. 05-001-B-FR
)	05-001-B-FRB
BANCO DE CHILE)	
Santiago, Chile)	
)	Cease and Desist Order Issued
BANCO DE CHILE)	Upon Consent Pursuant to the
MIAMI BRANCH)	Federal Deposit Insurance Act,
Miami, Florida)	as Amended

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) issues this Cease and Desist Order (the “Order”) against Banco de Chile (the “Bank”), a foreign bank as defined in section 3101(7) of the International Banking Act (12 U.S.C. 3101(7)) and the Miami branch of the Bank (the “Miami Branch”);

WHEREAS, the Bank and the Miami Branch are taking steps to address deficiencies relating to compliance with applicable federal laws, rules, and regulations relating to anti-money laundering (“AML”) policies and procedures, including the Currency and Foreign Transactions Reporting Act, 31 U.S.C. 5311 et seq. (the Bank Secrecy Act or “BSA”), as amended by the USA PATRIOT Act; the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Part 103); and the suspicious activity reporting requirements of Regulation K of the Board of Governors (12 C.F.R. 211.24(f));

WHEREAS, to address the deficiencies in the Miami Branch’s policies, procedures, and internal controls relating to AML, the Bank and the Miami Branch are consenting to the issuance of this Order by the Board of Governors; and

WHEREAS, on February 1, 2005, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing the General Manager to enter into this Order on behalf of the Bank and the Managing Director of the International Area to enter into this Order on behalf of the Miami Branch, and consenting to compliance with each and every applicable provision of this Order by the Bank, the Miami Branch, 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 waiving any and all rights the Bank or the Miami Branch may have pursuant to section 8 of the FDI Act (12 U.S.C. 1818) to: (i) a hearing for the purpose of taking evidence on any matters set forth in this Order; (ii) judicial review of this Order; and (iii) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provisions hereof.

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 in connection with this proceeding;

IT IS HEREBY ORDERED that, pursuant to sections 8(b)(1) and (4) of the FDI Act (12 U.S.C. 1818(b)(1) and (4)), the Bank, the Miami Branch, and their institution-affiliated parties cease and desist and take the following affirmative actions:

Anti-Money Laundering Compliance

1. Within 90 days of this Order, the Bank and the Miami Branch shall jointly submit to the Federal Reserve Bank of Atlanta (the "Reserve Bank") an acceptable written AML program designed to ensure the Miami Branch's compliance with all applicable provisions of the BSA and the rules and regulations issued thereunder. The program shall include provisions for

updates on an ongoing basis as necessary to incorporate amendments to the BSA and the rules and regulations issued thereunder. The program shall at a minimum provide for:

(a) Enhanced internal controls, particularly in the area of account opening and transaction monitoring, to ensure compliance with all recordkeeping and reporting requirements;

(b) the independent testing of compliance with the BSA and the rules and regulations issued thereunder through regular comprehensive compliance audits that are fully documented and conducted by qualified parties who are independent of the Bank's and the Miami Branch's compliance function;

(c) the management of the Miami Branch's AML program by a qualified compliance officer, who is supported by adequate staffing levels, who is located at the Miami Branch, and who has responsibility for overseeing and monitoring the Miami Branch's compliance with all BSA-related laws and regulations and its adherence to internal policies and procedures; and

(d) effective training for all appropriate personnel at the Miami Branch in all aspects of regulatory and internal policies and procedures related to the BSA and the identification and reporting of suspicious transactions, and updating of training on a regular basis to reasonably ensure that all appropriate personnel are trained in the most current legal requirements, appropriate industry best practices, and internal policies and procedures.

Suspicious Activity Reporting and Customer Due Diligence

2. Within 90 days of this Order, the Bank and the Miami Branch shall jointly submit to the Reserve Bank 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 Miami Branch and suspicious transactions at

the Miami Branch to law enforcement and supervisory authorities as required by the suspicious activity reporting provisions of Regulation K of the Board of Governors (12 C.F.R. 211.24(f)).

At a minimum, the program shall include:

- (a) A methodology for assigning risk levels to the Miami Branch's customer base;
- (b) a risk focused assessment of the Miami Branch's 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 Miami Branch;
- (c) for each customer 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
 - (ii) understand the normal and expected transactions of the customer;and
- (d) procedures designed to ensure proper identification and 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; and
 - (ii) appropriate participation by Miami Branch senior management in the process of identifying, reviewing, and reporting potentially suspicious activity.

Accounts Related to Senior Foreign Political Figures

3. (a) Within 120 days of this Order, the Miami Branch shall complete a review of all account activity from January 1, 1999 to the date of this Order for the accounts of any former or current Miami Branch customer who has been identified by the Miami Branch as a senior foreign political figure, a member of a senior foreign political figure's immediate family, or a close associate of a senior foreign political figure (collectively, "Covered Persons") for suspicious activity. Upon completion of the account review, the Miami Branch shall ensure that all matters or transactions required to be reported pursuant to the rules of the Board of Governors and the BSA have been reported in accordance with applicable rules and regulations.

(b) For the purposes of this Order, the terms "senior foreign political figure", "member of a senior foreign political figure's immediate family", and "close associate of a senior foreign political figure" shall be defined as set forth in the interagency Guidance on Enhanced Scrutiny for Transactions that May Involve the Proceeds of Foreign Official Corruption, dated January 2001, and referenced in the Board of Governors's SR Letter 01-03 (the "Interagency Guidance").

4. Within 90 days of this Order, the Bank and the Miami Branch shall jointly submit to the Reserve Bank acceptable written policies and procedures governing accounts and transactions involving Covered Persons. At a minimum, the policies and procedures shall address, consider, and include:

- (a) Procedures for:
 - (i) ensuring the identification of accounts in which Covered Persons have an interest, including accounts for which Covered Persons are beneficial owners;

- (ii) assigning risk levels to Covered Persons' accounts; and
- (iii) determining the appropriate level of enhanced due diligence necessary for the accounts of Covered Persons that pose a heightened risk of conducting potentially illicit activities at or through the Miami Branch; and

(b) the guidance to banking organizations regarding Covered Persons contained in the Interagency Guidance.

Coordination Between U.S. Branches

5. Within 90 days of this Order, the Bank and the Miami Branch shall submit to the Reserve Bank acceptable procedures for information sharing and coordination, as appropriate, between the Miami Branch and the Bank's New York Branch, a federally-chartered branch supervised by the Office of the Comptroller of the Currency, to ensure full compliance by the Bank's U.S. operations with all applicable provisions of the BSA and the rules and regulations issued thereunder and consistent adherence to applicable internal policies and procedures.

OFAC Compliance

6. Within 90 days of this Order, the Bank and the Miami Branch shall jointly submit to the Reserve Bank an acceptable written plan designed to ensure the Miami Branch's compliance with the regulations of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") (31 C.F.R. 500 et seq.), as well as any guidelines issued or administered by OFAC. The plan shall include, at a minimum, 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.

Cooperation with Regulatory Authorities

7. Within 90 days of this Order, the Bank and the Miami Branch shall jointly submit to the Reserve Bank acceptable written policies and procedures that govern the conduct of Miami Branch personnel, and where applicable, Bank personnel, in all regulatory matters, including, but not limited to interaction with and information requests by the Reserve Bank. The policies and procedures shall, at a minimum: (a) emphasize the importance of full cooperation with banking regulators; (b) ensure that all Miami Branch personnel provide prompt, complete, and accurate information to banking regulators; and (c) ensure that all Bank personnel provide prompt, complete, and accurate information in all communications with the Reserve Bank or the Board.

Approval and Progress Reports

8. The programs, policies, procedures, and plan required by paragraphs 1, 2, 4, 5, 6, and 7 of this Order shall be submitted to the Reserve Bank for review and approval. Acceptable programs, policies, and procedures, and an acceptable plan shall be submitted to the Reserve Bank within the time periods set forth in this Order. The Bank and the Miami Branch shall adopt the approved programs, policies, procedures, and plan within 10 days of approval by the Reserve Bank and then shall take all actions necessary to fully comply with them. During the term of this Order, the approved programs, policies, procedures, and plan shall not be amended or rescinded without the prior written approval of the Reserve Bank.

9. Within 10 days after the end of each calendar quarter following the date of this Order, the Bank and the Miami Branch shall jointly submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Order, and the results thereof. Management's responses to any audit reports covering AML matters prepared by internal and external auditors shall be included with the

progress report. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

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

- (a) Mr. Robert M. Schenck
Vice President
Federal Reserve Bank of Atlanta
9100 NW 36th Street
Miami, Florida 33178

- (b) Mr. Pablo Granifo
Banco de Chile
Ahumada 251
Santiago, Chile

- (c) Mr. Patricio Nazal
Managing Director, International Area
Banco de Chile Miami Branch
Suite 2700
200 South Biscayne Boulevard
Miami, Florida 33131

Miscellaneous

11. The provisions of this Order shall be binding on the Bank, the Miami Branch, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

12. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Board of Governors.

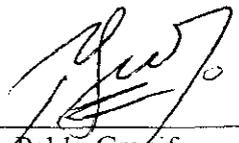
13. Notwithstanding any provision of this Order, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank and the Miami Branch to comply with any provision of this Order.

14. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank or any federal or state agency from taking any further or other

action affecting the Bank, the Miami Branch, or any of their current or former institution-affiliated parties or their successors or assigns.

By order of the Board of Governors of the Federal Reserve System, effective this 1st day of February, 2005.

Banco de Chile

By: 
Pablo Granifo
General Manager

Board of Governors of the
Federal Reserve System

By: 
Jennifer J. Johnson
Secretary of the Board

Banco de Chile
Miami Branch

By: _____
Patricio Nazal
Managing Director, International Area

action affecting the Bank, the Miami Branch, or any of their current or former institution-affiliated parties or their successors or assigns.

By order of the Board of Governors of the Federal Reserve System, effective this 15th day of February, 2005.

Banco de Chile

Board of Governors of the
Federal Reserve System

By: _____
Pablo Granifo
General Manager

By: _____
Jennifer J. Johnson
Secretary of the Board

Banco de Chile
Miami Branch

By: _____
Patricio Nazal
Managing Director, International Area