

UNITED STATES OF AMERICA

BEFORE

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

_____)	Docket No. 2008-048-E-I
In the Matter of)	
)	Order of Prohibition
DAVID LEE)	Issued Upon Consent
)	Pursuant to Section 8(e) of the
A former institution affiliated party of)	Federal Deposit Insurance Act,
the Chicago, Illinois, branch of)	as Amended.
)	
Bank of Montreal)	
Toronto, Canada)	
_____)	

WHEREAS, pursuant to Sections 8(e) and (i)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. 1818(e) and (i)(3)), the Board of Governors of the Federal Reserve System (the “Board of Governors”) issues this consent Order of Prohibition (the “Order”) against David Lee (“Lee”), former managing director of the Commodities Trading Group and an institution-affiliated party, as defined in Sections 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. § 1813(u) and § 1818(b)(4)), of the Chicago, Illinois, branch of the Bank of Montreal (“BMO”), a foreign bank headquartered in Toronto, Canada, which operates branches in the United States, relating to Lee’s violations of law, unsafe and unsound banking practices, and breaches of his fiduciary duty to BMO, in connection with his natural gas options trading activity;

WHEREAS, Lee allegedly compromised the independent price verification process the bank relied on to ascertain the true value of his trading book, and also executed and then mis-

valued exchange of options for options trades in order to conceal the true value of his book, which led to after-tax losses to the bank of at least C\$327,000,000;

WHEREAS, by affixing his signature hereunder, Lee has consented to the issuance of this Order by the Board of Governors and has agreed to comply with each and every provision of this Order, and has waived any and all rights he may have pursuant to 12 U.S.C. § 1818 or 12 C.F.R. Part 263, or otherwise (a) to the issuance of a notice of intent to prohibit on any matter set forth in this Order; (b) to a hearing for the purpose of taking evidence with respect to any matter implied or set forth in this Order; (c) to obtain judicial review of this Order or any provision hereof; and (d) to challenge or contest in any matter the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof;

NOW THEREFORE, prior to the taking of any testimony or adjudication of or finding on any issue of fact or law implied or set forth herein, and without this Order constituting an admission by Lee of any allegation made or implied by the Board of Governors in connection with this proceeding, and solely for the purpose of settlement of this matter without protracted or extended hearings or testimony:

IT IS HEREBY ORDERED, pursuant to Section 8(e) of the FDI Act (12 U.S.C. § 1818(e)), that:

1. Lee, without the prior written approval of the Board of Governors and, where necessary pursuant to Section 8(e)(7)(B) of the FDI Act (12 U.S.C. § 1818(e)(7)(B)), the appropriate Federal financial institutions regulatory agency, is hereby and henceforth prohibited:
 - a. from participating in any manner in the conduct of the affairs of any institution or agency specified in Section 8(e)(7)(A) of the FDI Act (12 U.S.C. § 1818(e)(7)(A)), including,

but not limited to, any insured depository institution, depository institution holding company or foreign bank;

b. from soliciting, procuring, transferring, attempting to transfer, voting or attempting to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in Section 8(e)(7)(A) of the FDI Act (12 U.S.C. § 1818(e)(7)(A));

c. from violating any voting agreement previously approved by any Federal banking agency; or

d. from voting for a director, or serving or acting as an institution-affiliated party, such as an officer, director or employee in any institution described in Section 8(e)(7)(A) of the FDI Act (12 U.S.C. 1818(e)(7)(A)).

2. All communications regarding this Order shall be addressed to:

(a) Richard M. Ashton, Esq.
Deputy General Counsel
Board of Governors of
the Federal Reserve System
20th & C Sts. N.W.
Washington, DC 20551

(b) David Lee
c/o Amy Walsh, Esq.
Kostelanetz & Fink, LLP
7 World Trade Center, 34th Fl.
250 Greenwich Street
New York, NY 10007

and

c/o Tim Kebbe, Esq.
Brunelle & Hadgikow, P.C
120 Broadway, Suite 1010
New York, NY 10271

3. Any violation of this Order shall separately subject Lee to appropriate civil or criminal penalties, or both, under sections 8(i) and (j) of the FDI Act, 12 U.S.C. §§ 1818(i) and (j).

4. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, or any Federal or state agency or department from taking any other action affecting Lee, provided, however, that the Board of Governors shall not take any further action against Lee based upon information presently known by the Board of Governors relating to the matters set forth herein.

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

By order of the Board of Governors of the Federal Reserve System, effective this 17th day of November 2008.



David Lee

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: 

Jennifer J. Johnson
Secretary of the Board