

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

-----x	DOCKET NOS.	97-020-CMP-FB
In the Matter of	:	97-020-CMP-FBR
	:	97-020-CMP-FBS
SKANDINAVISKA ENSKILDA BANKEN	:	
Stockholm, Sweden	:	Order of Assessment of a Civil Money
	:	Penalty Issued Upon Consent Pursuant
SKANDINAVISKA ENSKILDA BANKEN	:	to the Federal Deposit Insurance Act, as
NEW YORK BRANCH	:	Amended, and the International Banking
New York, New York	:	Act of 1978, as Amended
	:	
and	:	
	:	
SKANDINAVISKA ENSKILDA BANKEN	:	
CORPORATION	:	
New York, New York	:	
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WHEREAS, pursuant to Section 8(i) of the Federal Deposit Insurance Act, as amended (12 U.S.C § 1818(i)) (the "FDI Act"), and Section 16(c) of the International Banking Act of 1978, as amended (12 U.S.C. § 3110(c)) (the "IB Act"), the Board of Governors of the Federal Reserve System (the "Board of Governors") issues this Order of Assessment of a Civil Money Penalty (the "Order") against Skandinaviska Enskilda Banken, Stockholm, Sweden ("SEB"), a foreign bank, SEB's uninsured state licensed branch in New York, New York (the "New York Branch"), and SEB's New York State chartered Article XII Corporation (the "Article XII Corporation"), for allegedly engaging in unsafe and unsound practices and violations of law and regulations related to the execution of allegedly false off-market intercompany transactions and the maintenance of an out-of-balance condition among intercompany accounts, and for the New York Branch's and Article XII Corporation's filing of allegedly inaccurate regulatory reports from at least 1993 through 1994 as a result of the off-market transactions and at least 1993 through mid-1996 as a result of the out-of-balance condition;

WHEREAS, the Board of Governors recognizes that the activities that form the bases of this Order occurred over a multi-year period and came to the attention of the Board of Governors in mid-1996, and that since mid-1996, SEB, the New York Branch, and the Article XII Corporation have cooperated with the Board of Governors and the Federal Reserve Bank of New York and have moved aggressively to take constructive actions to address the supervisory concerns of the Board of Governors, and that the enforcement action by the Board of Governors was mitigated by these constructive actions;

WHEREAS, SEB has agreed to pay the sum of \$2,500,000 to the People of the State of New York as a result of the same activities that are the bases of this Order; and

WHEREAS, on September 17, 1997, the boards of directors of SEB and the Article XII Corporation adopted resolutions: (1) authorizing and directing the appropriate executive officers of SEB, the New York Branch and the Article XII Corporation to enter into this Order on behalf of SEB, the New York Branch and the Article XII Corporation; (2) consenting on behalf of SEB, the New York Branch and the Article XII Corporation to comply with each and every provision of this Order; and (3) waiving any and all rights SEB, the New York Branch and the Article XII Corporation may have pursuant to Section 8 of the FDI Act and 12 C.F.R. Part 263 or otherwise to: (a) the issuance of a notice of assessment of a civil money penalty; (b) 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 manner the basis, issuance, validity, effectiveness, collectibility 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 herein, and without this Order constituting an admission 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 proceeding without protracted or extended hearings or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED, pursuant to Section 8(i) of the FDI Act and Section 16(c) of the IB Act, that:

1. SEB, the New York Branch and the Article XII Corporation are hereby assessed and shall jointly pay as hereinafter provided a civil money penalty in the sum of \$2,500,000.

2. The penalty assessed by this Order shall be remitted in full at the time of the execution of this Order by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. 021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The Federal Reserve Bank of New York, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to Section 8(i) of the FDI Act.

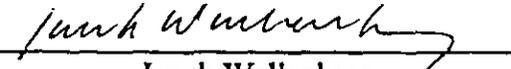
3. The provisions of this Order shall be binding upon SEB, the New York Branch, the Article XII Corporation and their successors and assigns.

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 SEB, the New York Branch, the Article XII Corporation or any of their current or former 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)), or any insider as defined in Part 11 of the General Regulations of the New York State Banking Board or their successors or assigns.

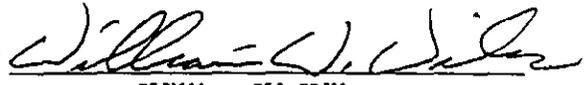
Notwithstanding the prior sentence, the Board of Governors shall not take any further action against SEB, the New York Branch and the Article XII Corporation based on any information presently known by the Board of Governors relating to the alleged violations referred to in this Order.

By order of the Board of Governors, this 17th day of September, 1997.

SKANDINAVISKA ENSKILDA BANKEN
Stockholm, Sweden

By: 
Jacob Wallenberg
Managing Director and
Group Chief Executive

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: 
William W. Wiles
Secretary of the Board

SKANDINAVISKA ENSKILDA BANKEN
CORPORATION
New York, New York

By: 
Milton Brady
President

SKANDINAVISKA ENSKILDA BANKEN
New York Branch
New York, New York

By: 
Milton Brady
General Manager

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.
and
THE SUPERINTENDENT OF BANKS OF THE STATE OF NEW YORK
NEW YORK, NEW YORK

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In the Matter of	: 97-020-B-FBR
	: 97-020-B-FBS
SKANDINAVISKA ENSKILDA BANKEN	:
Stockholm, Sweden	:
	: Consent Order Issued Pursuant to
SKANDINAVISKA ENSKILDA BANKEN	: Section 8 of the Federal Deposit
NEW YORK BRANCH	: Insurance Act, as Amended, and
New York, New York	: Section 39.2 of the New York
	: Banking Law
SKANDINAVISKA ENSKILDA BANKEN	:
CORPORATION	:
New York, New York	:
-----X	

WHEREAS, the Board of Governors of the Federal Reserve System (the "Board of Governors"), the Superintendent of Banks of the State of New York (the "Superintendent"), Skandinaviska Enskilda Banken, Stockholm, Sweden ("SEB"), a foreign bank, SEB's uninsured state licensed branch in New York, New York (the "New York Branch"), and SEB's New York State chartered Article XII corporation (the "Article XII Corporation") have mutually agreed to the provisions of this Consent Order in recognition of their common goal to ensure that SEB's,

the New York Branch's and the Article XII Corporation's activities in the United States will be conducted in a safe and sound manner and in conformity with all applicable federal and state laws, rules and regulations;

WHEREAS, the Board of Governors, the Federal Reserve Bank of New York (the "Reserve Bank") and the Superintendent recognize that current management of SEB, the New York Branch and the Article XII Corporation have acknowledged problems at the New York Branch and the Article XII Corporation that require corrective action, have cooperated with the Reserve Bank and the Superintendent in their review of these matters, have moved aggressively to take the necessary steps to correct these problems prior to the issuance of this Consent Order, and have submitted to the Reserve Bank and the Superintendent a detailed action plan, which was designed, *inter alia*, to enhance the internal control environment and risk management infra-structure, recordkeeping systems, regulatory reporting process, internal audit program, and compliance function at the New York Branch and the Article XII Corporation; and

WHEREAS, on September 17, 1997, the boards of directors of SEB and the Article XII Corporation adopted resolutions: (1) authorizing and directing the appropriate executive officers of SEB, the New York Branch and the Article XII Corporation to enter into this Consent Order on behalf of SEB, the New York Branch and the Article XII Corporation, and consenting to compliance with each and every provision of this Consent Order by SEB and, where applicable, the New York Branch and the Article XII Corporation, and their institution-affiliated parties, as such term is 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)), and their

insiders, as such term is defined in Part 11 of the General Regulations of the New York State Banking Board, (2) waiving the issuance of a notice of charges and of hearing on any matter set forth in this Consent Order, (3) waiving a hearing for the purpose of taking evidence on any matter set forth in this Consent Order, (4) waiving any and all rights to contest the issuance of an order by the Board of Governors and the Superintendent, (5) waiving any and all rights to judicial review of this Consent Order, and (6) waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of this Consent Order and any of its provisions.

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

IT IS HEREBY ORDERED, pursuant to Section 8(b) of the FDI Act (12 U.S.C. 1818(b)) and Section 39.2 of the New York Banking Law, that SEB and, where applicable, the New York Branch and the Article XII Corporation, shall take the following actions:

Management Review

1. Within 45 days of this Consent Order, SEB shall expand its review of the management and personnel responsible for all functional areas and business activities of the New York Branch and the Article XII Corporation and shall forward to the Reserve Bank and the Superintendent written findings and conclusions of the management review along with any

changes that may be proposed as a result of the review. The review shall focus on an assessment of the organizational structure of the New York Branch and the Article XII Corporation, including reporting lines, duties performed by each officer and employee, other than clerical staff, and the ability of that person to perform competently his or her assigned duties. The primary purpose of this review shall be to aid in the development of a management structure staffed by qualified and trained personnel suitable to the needs of the New York Branch and the Article XII Corporation.

Internal Audit

2. Within 120 days of this Consent Order, SEB, the New York Branch and the Article XII Corporation shall jointly submit to the Reserve Bank and the Superintendent a written audit program for the New York Branch and the Article XII Corporation 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 committees of SEB, the New York Branch and the Article XII Corporation;
- (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 some frequency;
- (e) guidelines and the designation of resources to ensure that internal audits are completed as scheduled;

(f) procedures for management response to audit findings and implementation of corrective actions; and

(g) a requirement for the annual review of the audit program by the audit committees of SEB, the New York Branch and the Article XII Corporation 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.

Compliance Program

3. Within 60 days of this Consent Order, SEB, the New York Branch and the Article XII Corporation shall jointly complete development of a written compliance program for the New York Branch and the Article XII Corporation designed to ensure compliance with all applicable federal and state banking laws, regulations, and supervisory requirements and this Consent Order, and shall submit to the Reserve Bank and the Superintendent a written description of the program. This program shall include, at a minimum, the establishment of comprehensive compliance policies and procedures and a compliance training program for management and staff.

Regulatory Reports

4. Within 45 days of this Consent Order, SEB, the New York Branch and the Article XII Corporation shall jointly submit to the Reserve Bank and the Superintendent written policies and procedures designed to ensure that future regulatory reports submitted to the Board of Governors, the Reserve Bank and the Superintendent are filed in an accurate manner. The procedures shall include, without limitation, corrective steps to ensure that all regulatory reports hereafter filed by SEB, the New York Branch and the Article XII Corporation with the Board of

Governors, the Reserve Bank and the Superintendent accurately reflect each 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.

Internal Controls and Risk Management

5. (a) SEB, the New York Branch and the Article XII Corporation shall jointly take such steps as are necessary to ensure that the independent public accountant that has been retained to conduct a full scope audit, conducts comprehensive, agreed upon procedures with respect to the internal controls and risk management processes at the New York Branch and the Article XII Corporation, including, at a minimum, a comprehensive review of trading systems and back office processing systems, encompassing an assessment of logistical and physical controls, data integrity and systems functionality. The scope of the independent public accountant's engagement shall be set forth in an engagement letter, acceptable to the Reserve Bank and the Superintendent, which shall be submitted to the Reserve Bank and the Superintendent within 30 days of this Consent Order. The engagement letter shall, at a minimum, provide that the independent public accountant will prepare a report to the board of directors of SEB containing its findings of the audit and, where appropriate, recommendations for improving the internal controls and risk management functions at the New York Branch and the Article XII Corporation.

(b) Within 15 days of the receipt of the independent public accountant's report required by paragraph 5(a) hereof, SEB, the New York Branch and the Article XII Corporation shall submit the report to the Reserve Bank and the Superintendent, together with their proposed actions in response to such recommendations. SEB, the New York Branch and the Article XII

Corporation shall thereafter take all necessary steps to implement these proposed actions, except to the extent that the Reserve Bank and the Superintendent require otherwise.

6. Within 60 days of this Consent Order, SEB, the New York Branch and the Article XII Corporation shall jointly submit to the Reserve Bank and the Superintendent 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 Branch and the Article XII Corporation. 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 prepared through the use of manual adjustments and personal computer spreadsheets;

(b) strengthen internal recordkeeping and internal control functions, including, but not limited to, corrective steps to maintain segregation of duties in the New York Branch and the Article XII Corporation and full implementation of corrective measures concerning chart of accounts, manual entry control, security administration, general ledger accounts, facsimile instructions, securities held in trading accounts, and dormant accounts;

(c) upgrade the management information reports submitted to senior management at SEB, the New York Branch and the Article XII Corporation to ensure that management is receiving information that enables it to manage the business risks of the activities of the New York Branch and the Article XII Corporation and to correct any weaknesses and deficiencies;

(d) increase the effectiveness of the existing methodologies for trading limit positions, including systems used to capture and report credit and market exposures, line approval and allocation, excess reporting, and margin/collateral requirements for corporate clients, hedge and mutual funds, and containing procedures for SEB and the New York Branch to calculate and approve limits, exposures and line approvals;

(e) update and test the New York Branch's and the Article XII Corporation's recovery plan and test for all portions of the disaster recovery plan;

(f) review procedures at the New York Branch for documenting its credit analysis and ensure that such documentation is complete;

(g) develop or enhance written policies and procedures to reflect current or improved operating practices for critical departments of the New York Branch and the Article XII Corporation.

Quarterly Reports

7. Within 30 days after the end of each calendar quarter (September 30, December 31, March 31 and June 30) following the date of this Consent Order, SEB, the New York Branch and the Article XII Corporation shall jointly furnish to the Reserve Bank and the Superintendent written progress reports detailing the form and manner of all actions taken to secure compliance with this Consent Order, and the results thereof.

Approval of Submissions

8. The written plans, policies, procedures, programs, and the engagement letter required by paragraphs 2, 3, 4, 5(a) and 6 hereof shall be submitted to the Reserve Bank and the Superintendent for review and approval. Acceptable plans, policies, procedures, programs, and

an acceptable engagement letter shall be submitted to the Reserve Bank and the Superintendent within the required time periods set forth in this Consent Order. SEB, the New York Branch and the Article XII Corporation shall adopt the approved plans, policies, procedures, programs, and engagement letter within 10 days of receipt of approval by the Reserve Bank and the Superintendent, and then shall fully comply with them. The approved plans, policies, procedures, programs, and engagement letter shall not be amended or rescinded in any material respect without the prior written approval of the Reserve Bank and the Superintendent. The Reserve Bank and the Superintendent shall be given prior written notice of any proposed amendment or rescission, irrespective of materiality.

Notices

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

- (a) Mr. Chester B. Feldberg
Executive 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
Two Rector Street
New York, NY 10006
- (c) Mr. Jacob Wallenberg
Managing Director & Group Chief Executive
Skandinaviska Enskilda Banken
Kungstradgardsgatan 8
S-106 40 Stockholm, Sweden

(d) Mr. Milton Brady
General Manager
Skandinaviska Enskilda Banken
New York Branch
245 Park Avenue
New York, NY 10017

(e) Mr. Milton Brady
President
Skandinaviska Enskilda Banken Corporation
245 Park Avenue
New York, NY 10017

Miscellaneous

10. SEB shall take such actions as are necessary to ensure the New York Branch's and the Article XII Corporation's full compliance with the provisions of this Consent Order.

11. The provisions of this Consent Order shall be binding on SEB and, where applicable, the New York Branch and the Article XII Corporation, and each of their institution-affiliated parties and, where applicable, their affiliates, including their officers, directors, employees and agents, in their capacities as such, and their successors and assigns.

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

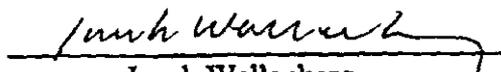
13. Notwithstanding any provision of this Consent Order to the contrary, the Board of Governors and the Superintendent may, at their sole discretion, grant written extensions of time to SEB, the New York Branch and the Article XII Corporation to comply with any

provision of this Consent Order. The Board of Governors delegates to the Reserve Bank its authority to grant, in its sole discretion, written extensions of time to comply with the provisions of this Consent Order.

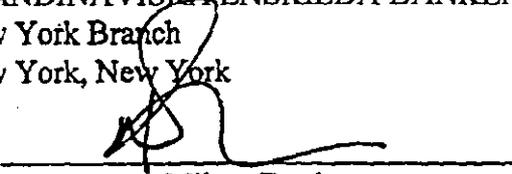
14. The provisions of this Consent Order shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, the Superintendent or any federal or state agency from taking any other action affecting SEB, the New York Branch, the Article XII Corporation, or any of their current or former institution-affiliated parties and, where applicable, their affiliates, or their successors or assigns, including, but not limited to, the actions and penalties authorized for violations or noncompliance with this Consent Order under applicable federal law or Sections 40, 44 and 606 of the New York Banking Law.

By order of the Board of Governors of the Federal Reserve System and the Superintendent of Banks of the State of New York, effective this 17th day of September, 1997.

SKANDINAVISKA ENSKILDA BANKEN
Stockholm, Sweden

By: 
Jacob Wallenberg
Managing Director and
Group Chief Executive

SKANDINAVISKA ENSKILDA BANKEN
New York Branch
New York, New York

By: 
Milton Brady
General Manager

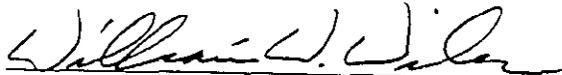
SKANDINAVISKA ENSKILDA BANKEN
CORPORATION
New York, New York

By: _____


Milton Brady
President

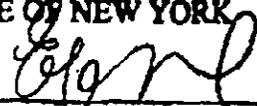
BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: _____


William W. Wiles
Secretary of the Board

THE SUPERINTENDENT OF BANKS OF
THE STATE OF NEW YORK

By: _____


Elizabeth McCaul
Acting Superintendent of Banks