UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

In the Matter of: BANCOMER, S.A. Mexico City, Mexico BANCA SERFIN, S.A. Lomas de Sante Fe, Mexico	)	**ORDER** Determination Not To Conduct A Termination Proceeding

SUMMARY

Pursuant to section 7(i) of the International Banking Act ("IBA") (12 U.S.C. 3105(i)), the Board of Governors of the Federal Reserve System (the "Board") has determined that it is not necessary to conduct a proceeding to determine if the United States operations of Bancomer, S.A., Mexico City, Mexico ("Bancomer") and Banca Serfin, S.A., Lomas de Sante Fe, Mexico ("Serfin") foreign banks within the meaning of the IBA, should be terminated as a result of Bancomer and Serfin each having been found guilty of a money laundering offense in the United States.

BACKGROUND

In March 1999, pursuant to plea agreements, Bancomer and Serfin were each convicted of violations of the federal criminal money laundering statute. Specifically, each bank pled guilty to one count of laundering monetary instruments in violation of Title 18, United States Code,

Section 1956(a)(2)(B).[1] At the time of the convictions, Bancomer operated, and continues to operate, state-licensed agencies in California and New York and Serfin operated a state-licensed agency in New York.

The money laundering convictions of Bancomer and Serfin resulted from a U.S. Customs Service undercover operation.[2] U.S. Customs agents and informants, posing as money brokers for various drug cartels, requested employees at Mexican operations of Bancomer and Serfin, as well as several other financial institutions in Mexico and Venezuela, to launder funds that were represented to be the proceeds of criminal activity in the United States. The bank employees opened fictitious accounts at their banks or, in some cases, at affiliates, and accepted wire transfers into these accounts that were allegedly the proceeds of illicit drug sales in the United States. The bank employees then prepared bank drafts drawn on the fictitious accounts in names and amounts specified by the Customs agents, acting in their undercover capacities, which were delivered to the undercover agents in the United States.

The original charges against the banks alleged that three Bancomer employees and two Serfin employees had been involved in the money laundering activities. However, pursuant to the plea agreements, Bancomer and Serfin were only found guilty of money laundering related to the conduct of one of each of their employees. Under the terms of the plea agreements, each bank paid a $500,000 criminal penalty and forfeited funds that had been laundered through each

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[1] Section 1956(a)(2)(B) makes it unlawful for a person to transport, transmit, or transfer a monetary instrument into or from the United States knowing that the instrument represents the proceeds of some form of unlawful activity and knowing that the transfer is designed to conceal the nature, location, source, ownership, or control of such proceeds or to avoid reporting requirements that may identify the illicit proceeds.

[2] The undercover operation was code-named "Operation Casablanca."

of the banks.[3] Each bank also agreed to cooperate with related prosecutions and to develop and implement acceptable, comprehensive anti-money laundering programs.

In May 1998, when the criminal charges were first made public, the Board initiated formal enforcement proceedings against Bancomer and Serfin, alleging that certain of each of the bank's employees participated in laundering the proceeds of illegal conduct. The Board issued a Temporary Cease and Desist Order against each bank that required the banks to submit to the Board their existing anti-money laundering and Bank Secrecy Act policies and procedures, as well as revised anti-money laundering and Bank Secrecy Act policies and procedures that would be implemented to reasonably ensure that no such activity, as had already occurred, would occur in the future.[4] Bancomer and Serfin made the submissions required by the Temporary Cease and Desist Orders and have otherwise fully complied with the orders.

DISCUSSION

The IBA provides that if "the Board finds or receives written notice from the Attorney General that" a foreign bank that operates within the United States under the jurisdiction of the Board has been convicted of a money laundering offense, the Board must issue a notice to the

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[3] Bancomer forfeited $9.4 million to the United States and Serfin forfeited $4.1 million to the United States.

[4] The Board initiated similar enforcement actions against Banco Industrial de Venezuela, Banco Internacional, S.A., Banco Nacional de Mexico and Banco Santander, S.A. for actions of their employees in relation to laundering the proceeds of illegal activities in connection with Operation Casablanca. None of these four banks was indicted or convicted of any criminal offense. The banks have complied with Board orders and the Board has recently terminated the Temporary Cease and Desist Orders and Notices of Charges against Banco Internacional, S.A., Banco Nacional de Mexico and Banco Santander, S.A.

United States operation of the foreign bank of the Board's intention to commence a proceeding to determine if it is appropriate for the Board to terminate the United States operation of the foreign bank.[5] In March 1999, as the result of the guilty pleas of Bancomer and Serfin to money laundering charges, the Board was made aware that Bancomer and Serfin had been convicted of money laundering offenses. However, in light of information currently before the Board, including actions taken by Bancomer and Serfin at, and since, the time of their convictions, the Board has determined that there are no material facts in dispute and, therefore, a hearing to determine whether the United States operations of Bancomer and Serfin should be terminated is not necessary.

A. Serfin

As of December 31, 1999, Serfin closed its agency office in New York, thereby ceasing all operations in the United States. Since the closure of its agency office, Serfin has settled all liabilities of the agency office and surrendered the agency's license to the New York State Banking Department. Accordingly, there is no existing operation of Serfin to terminate in the United States and, therefore, a proceeding to determine the appropriateness of terminating Serfin's United States operations is not necessary.[6] In the event that Serfin would contemplate opening a new office in the United States at a future date, under the IBA, Serfin would be

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[5] 12 U.S.C. 3105(i).

[6] Because Serfin no longer has operations in the United States under the jurisdiction of the Board, the Temporary Cease and Desist Order and the Notice of Charges seeking a permanent Cease and Desist Order issued against Serfin on May 18, 1998, are hereby terminated.

required to obtain the prior approval of the Board, as well as the approval of the appropriate licensing authority.

B. Bancomer

As a result of Bancomer's conviction for money laundering, section 7(i) of the IBA requires that the Board issue a notice to Bancomer of the Board's intention to commence a termination proceeding under section 7(e) of the IBA (12 U.S.C. 3105(e)).
Section 7(e) sets forth the determining criteria for terminating a foreign bank's operations in the United States. One such determining factor is that as a result of the violations, the continued operation of the foreign bank's United States operations would not be consistent with the public interest or with the various laws as contained within, among others, the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. 1811 et seq.).[7]

While the IBA does not contain factors to be used for determinations of terminations related specifically to money laundering convictions, there are such specific factors contained within the FDI Act. For example, section 8(w) of the FDI Act (12 U.S.C. 1818(w)(2)) sets forth factors to be used in determining whether an insured state depository institution's Federal deposit insurance should be terminated as a result of a money laundering conviction.[8] Because the IBA requires that the Board consider factors such as whether the continued operation of the foreign bank in the United States would be inconsistent with various laws, including the FDI Act, it is appropriate for the Board to consider the factors set forth in section 8(w) of the FDI Act when

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[7] 12 U.S.C. 3105(e)(1)(B)(ii).

[8] Consideration of these same factors, upon a conviction for money laundering, is required with regard to the termination of a national bank charter (12 U.S.C. 93(c)), a federal savings and loan charter (12 U.S.C. 1464(w)), or a credit union charter (12 U.S.C. 1772d).

reviewing the Bancomer matter. These factors are: the extent to which directors or senior executive officers of the institution knew of, or were involved in, the commission of the money laundering offense of which the institution was found guilty; the extent to which the offense occurred despite the existence of policies and procedures within the institution that were designed to prevent the occurrence of any such offense; the extent to which the institution has fully cooperated with law enforcement authorities with respect to the investigation of the money laundering offense of which the institution was found guilty; and the extent to which the institution has implemented additional internal controls (since the commission of the offense of which the institution was found guilty) to prevent the occurrence of any other money laundering offense.[9]

Since the time that the allegations of money laundering were first made known to Bancomer, the Board has assembled extensive information relating to the nature and extent of Bancomer's violation and the corrective measures undertaken by Bancomer. Bancomer has made detailed submissions, including those required by the Temporary Cease and Desist Order, describing its anti-money laundering policies and procedures. Moreover, Bancomer has now been examined on several occasions by Federal Reserve examiners, as well as state bank examiners from California and New York, to ensure Bancomer's continued development and implementation of new and revised policies and procedures. Most, if not all, of the information

[9] A final factor, the extent to which the interest of the local community in having adequate deposit and credit services available would be threatened by a termination of the institution is not applicable to Bancomer as Bancomer does not offer these types of services in the local community where its United States operations are located, to any material extent.

now available to the Board bears directly on the factors that the Board must consider in making a determination of the appropriateness of terminating the United States operations of Bancomer.

1. The extent to which directors or senior executive officers of the institution knew of, or were involved in, the commission of the money laundering offense of which the institution was found guilty.

By a letter dated March 31, 1999, the United States Attorney for the Central District of California (the Federal prosecution office for Operation Casablanca) informed Board staff that the government was not aware of any evidence that suggested that Bancomer's senior management or any member of its board of directors had knowledge of, or was involved in, the illegal money laundering activity of the Bancomer employees that laundered the narcotics proceeds. Moreover, at the time of Bancomer's plea of guilty to the money laundering offense, the government and the Court agreed that there was no evidence to suggest the involvement by or knowledge of directors or senior executive officers in the illicit activities. The evidence indicates that the illegal activity was perpetrated by three branch managers, all of whom were charged with money laundering along with other criminal offenses. These individuals were not considered senior employees of the bank.[10]

2. The extent to which the offense occurred despite the existence of policies and procedures within the institution that were designed to prevent the occurrence of any such offense.

Throughout the period during which the money laundering activity took place at Bancomer, Bancomer had internal controls and procedures, relative to money laundering, in place in its U.S. operations. The Bancomer operations in the United States had a "Know Your

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[10] This is evidenced, for example, by their annual compensation, which was less than $20,000 each.

Customer" policy with regard to prospective customers that required employees to, among other things, verify bank references, analyze the experience, ability, and integrity of corporate customers' management, and visit the customer's place of business in certain circumstances, and to understand the nature of the customer's business. The Know Your Customer policy also required employees regularly to monitor the account activity of existing customers. The internal policies and procedures for the United States operations included procedures for reporting large currency transactions and retaining records of wire transfers, as required by the Bank Secrecy Act, and procedures for the reporting of suspicious transactions, as required by the Board.

In addition to policies and procedures for the United States operations of Bancomer, Bancomer had anti-money laundering policies and procedures in place throughout its worldwide operations. As an example, in 1997, Bancomer prepared an Operations Manual for Preventing and Detecting Operations Conducted with Illegally Obtained Funds and distributed it to all branch employees.[11] Bancomer then advised approximately 6 million customers by letter that new procedures related to the prevention of money laundering were being implemented and described the new documentation and identification requirements applicable to all accounts. Also in 1997, Bancomer began an extensive education and training program for its employees regarding the new policies and procedures, set up a Communications and Control Committee comprised of senior bank managers whose specific duties included reviewing and, if warranted, reporting suspicious activities, and established a confidential e-mail system for employees to report unusual or suspicious activities. Although Bancomer's policies and procedures, as implemented at the time, were not effective in preventing the misconduct that resulted in the

[11] The Mexican bank regulators approved the manual in November 1997.

criminal violation, the fact that the bank had an established anti-money laundering program when the misconduct occurred demonstrates that it had made some tangible effort to deter money laundering at its U.S. offices.

3. The extent to which the institution has fully cooperated with law enforcement authorities with respect to the investigation of the money laundering offense of which the institution was found guilty.

By the letter dated March 31, 1999, the United States Attorney for the Central District of California informed Board staff that as part of the government's plea agreement with Bancomer, Bancomer had accepted responsibility for the illegal conduct of its employees and had agreed to cooperate fully in the continuing investigations and prosecutions related to Operation Casablanca. Since the time of the plea agreement, Board staff has been informed by the United States Attorney's Office that Bancomer has provided cooperation in the form of documents and witnesses as required by the plea agreement. This cooperation assisted the government in its further investigations and prosecutions resulting from Operation Casablanca.

4. The extent to which the institution has implemented additional internal controls (since the commission of the offense of which the institution was found guilty) to prevent the occurrence of any other money laundering offense.

Immediately after the money laundering charges were made known to Bancomer, Bancomer began a process of reviewing, analyzing and implementing changes in order to ensure that there would be no recurrence of money laundering through the bank. Bancomer engaged the services of nationally recognized accountants, lawyers and consultants to assist in this process.

Bancomer has established an International Compliance Committee, chaired by a senior executive of the bank and comprised of representatives from Bancomer operations in the United States, London, the Cayman Islands, and Mexico. The committee has provided a forum for

discussing compliance issues and ensuring that Bancomer's compliance policies, procedures, and training adequately address all regulatory requirements. In addition, as part of a systems upgrade that commenced over three years ago, Bancomer installed a new teller system in the majority of its domestic branches that has improved the monitoring capability for all deposit accounts and payment services transactions. Furthermore, Bancomer has reduced the number of branch offices permitted to originate accounts and handle transactions for its international business units, which has enhanced Bancomer's ability to monitor and control such transactions.

In compliance with the existing Temporary Cease and Desist Order, as well as recommendations from Bancomer's consultants, Bancomer has implemented several changes to its policies and procedures that will assist in ensuring that similar violations do not occur in the future. Bancomer has developed new procedures to analyze risks for new products and services; established certain minimum account opening and average balance requirements; limited certain retail customer accounts in the United States; enhanced account opening documentation requirements; and centralized in Mexico City all source documents for international accounts to improve quality control and to facilitate timely retrieval.

Bancomer has consented to the issuance of a Cease and Desist Order that will ensure the bank's continued implementation of new and revised policies and procedures. The Order requires Bancomer to continue to develop and implement appropriate policies and procedures to comply with the Bank Secrecy Act and identify and report suspicious transactions, including transactions related to money laundering, among other things.

CONCLUSION

After a careful review of all relevant information, the Board is of the opinion that the activities of the United States operations of Bancomer should not be terminated as a result of its conviction of a money laundering offense in the United States. This opinion is shared by state bank supervisors in California and New York, who were consulted pursuant to section 7(g) of the IBA (12 U.S.C. 3105(g)).

The information available evidences the lack of involvement of senior management and directors of the bank in the criminal activity, the existence of anti-money laundering procedures at the time of the criminal activity that prohibited the transactions that violated U.S. criminal laws, the adoption by the bank, after it was indicted for a money laundering offense, of a comprehensive money laundering program that is fully satisfactory to the Board, and cooperation by the bank with ongoing criminal and regulatory proceedings, including Bancomer's consent to a Cease and Desist Order that requires the ongoing maintenance of an effective anti-money laundering program by the bank.

Although the IBA provides that the Board must notify a foreign bank convicted of a money laundering violation of the Board's intention to commence a hearing to determine whether to terminate the bank's operations in the United States, none of the material facts in the existing record is disputed. As a general principle of administrative law, the Board is not required to conduct a formal administrative hearing, even where an opportunity for a hearing is provided for by statute, if the hearing will serve no purpose because no material facts are in

dispute.[12] Accordingly, because of the extensive record compiled in this case, neither the issuance of a notice to commence termination proceedings with respect to Bancomer nor the conduct of any further termination proceedings before the Board is required. In light of the applicable statutory factors and the facts in the record, the Board finds that the activities of Bancomer's agencies in the United States should not be terminated as a result of the bank's conviction in 1999 of a money laundering offense.

By order of the Board of Governors this 12th day of December, 2000.

Jennifer J. Johnson
Secretary of the Board

[12] See e.g., Connecticut Bankers Association v. Board of Governors, 627 F.2d 245, 251 (D.C. Cir. 1980).

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,

WASHINGTON, D.C.

In the Matter of: BANCOMER, S.A. Mexico City, Mexico	Docket No. 98-018-B-FB
A Foreign Bank That Maintains Agencies in New York, New York and Los Angeles, California	Cease and Desist Order Issued Upon Consent

WHEREAS, in recognition of the common goal of the Board of Governors of the Federal Reserve System (the "Board of Governors") and Bancomer, S.A., Mexico City, Mexico (the "Bank"), and its agencies in New York, New York and Los Angeles, California (the "Agencies") to ensure compliance with all applicable laws, rules and regulations, the Bank and the Agencies have consented to the issuance of this Consent Cease and Desist Order (the "Order").

WHEREAS, as the result of the identification of deficiencies, the Bank and the Agencies have taken and are taking steps: (1) to enhance and improve the Bank's and the Agencies' anti-money laundering policies and procedures, customer due diligence practices, internal control environment and audit practices; and (2) to ensure full compliance with all applicable anti-money laundering laws and regulations, including, but not limited to, the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 et seq.) and the accompanying regulations issued by the U.S. Department of the Treasury (31 C.F.R. 103.11 et seq.) (collectively referred to as the Bank Secrecy Act (the "BSA")), this Order is being issued to make a record of the measures necessary to ensure continued full compliance with all applicable anti-money laundering laws and regulations and to obtain a formal commitment to their full implementation from the management of the Bank and the Agencies.

WHEREAS, on May 24, 2000, the board of directors of the Bank adopted a resolution:

(1) authorizing and directing Messrs. Mario Laborin and Jose Antonio Padilla to enter into this Order on behalf of the Bank and the Agencies and consenting to compliance by the board of directors of the Bank, the Agencies and the Bank's 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)), to comply with each and every provision of this Order; and

(2) waiving any and all rights that the Bank may have pursuant to 12 U.S.C. 1818:

(a) to a hearing on any matter set forth in this Order or the previously issued Notice of Charges;

(b) to a hearing for the purpose of taking evidence on any matters set forth in this Order;

(c) to judicial review of this Order; and

(d) to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision 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 or denial 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 hearing or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED that the Bank, the Agencies and their institution-affiliated parties cease and desist and take affirmative action as follows:

1. (a) The Bank, the Agencies and any institution-affiliated party thereof, shall not, directly or indirectly, violate the BSA or any rules or regulations issued pursuant thereto;

(b) For the purposes of this Order, the term "violate" shall include any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding or abetting a violation; and

(c) To ensure that the Bank and the Agencies shall not violate any of the provisions of the BSA, or rules or regulations issued pursuant thereto, within 30 days of the issuance of this Order, the Bank and the Agencies shall submit to the Federal Reserve Bank of San Francisco (the "Reserve Bank") an acceptable written plan designed, to the extent that such activities are performed at the Agencies:

(1) to ensure continued compliance with the recordkeeping and reporting requirements for currency transactions of over $10,000 (31 C.F.R. 103.22);

(2) to ensure continued compliance with the identification requirements related to the recordkeeping and reporting requirements for currency transactions of over $10,000 (31 C.F.R. 103.28);

(3) to ensure continued compliance with the exemption procedures (31 C.F.R.103.22);

(4) to ensure continued compliance with the recordkeeping requirements for the purchase of bank checks and drafts, cashier's checks, money orders and traveler's checks (31 C.F.R. 103.29); and

(5) to ensure continued compliance with the requirements related to the nature of records to be maintained and the retention period of such records (31 C.F.R. 103.38).

2. Within 30 days of the issuance of this Order, the Bank and the Agencies shall submit to the Reserve Bank an acceptable enhanced customer due diligence program. The program shall be designed to reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Agencies to law enforcement and supervisory authorities as required by the suspicious activity reporting provisions of Regulation H (12 C.F.R. 208.62 and 208.63) and Regulation K (12 C.F.R. 211.24) of the Board of Governors. The enhanced customer due diligence program shall provide:

(a) For a risk focused assessment of the customer base of the Agencies to:

(1) identify the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their banking activities; and

(2) determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank and the Agencies have reason to believe pose a heightened risk of illicit activities at or through the Agencies.

(b) For those customers whose transactions require enhanced due diligence, procedures to:

(1) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(2) understand the normal and expected transactions of the customer; and

(3) report suspicious activities in compliance with existing reporting requirements set forth in the regulations of the Board of Governors.

(c) Appropriate procedures to reasonably ensure that all new products offered by or through the Agencies involving the receipt or transfer of funds comply with applicable laws and regulations related to anti-money laundering compliance and suspicious activity reporting.

3. Within 30 days of the issuance of this Order, the Bank and the Agencies shall submit to the Reserve Bank an internal compliance program, designed to, among other things, ensure and maintain compliance by the Agencies with the BSA and related rules and regulations. The program, at a minimum, shall:

(a) provide the means to detect and monitor all currency and other transactions occurring at the Agencies to ensure that such transactions are not being conducted for illegitimate purposes and that there is full compliance with all laws and regulations applicable to such transactions;

(b) provide effective training to all appropriate personnel at the Bank and the Agencies (including, but not limited to, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel) in all aspects of regulatory and internal policies and procedures related to the BSA and the identification and reporting of suspicious transactions and to update the training on a regular basis to ensure that all personnel have the most current and up to date information; and

(c) provide for independent testing of compliance with all applicable rules and regulations related to the BSA and the reporting of suspicious transactions.

4. The Bank and the Agencies shall continue to ensure that the BSA compliance program at the Agencies is managed by a qualified officer, acceptable to the Reserve

Bank, who shall have responsibility for all BSA compliance and related matters, including, without limitation, the identification and timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Agencies.

5. Within 30 days of the issuance of this Order, the Bank and the Agencies shall submit to the Reserve Bank, an acceptable plan for a long-term strategy for maintaining an internal audit function for the U.S. operations of the Bank, to include the expertise necessary to perform audits according to U.S. auditing standards by specifying and defining the skill level and experience of the desired personnel, as well as procedures for training, frequency and timing of audits.

6. The written plans and programs required by paragraphs 1, 2, 3 and 5 hereof shall be submitted to the Reserve Bank for review and approval. Acceptable plans and programs shall be submitted within the time periods set forth in this Order. The Bank and the Agencies shall adopt the approved plans and programs within 10 days of approval by the Reserve Bank and then shall fully comply with them. During the term of this Order, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

7. Within 10 days after the end of each calendar quarter (June 30, September 30, December 31 and March 31) following the date of issuance of this Order, the Bank and the Agencies shall furnish a written progress report detailing the form and manner of all actions taken to secure compliance with this Order, and the results thereof, as well as management's responses to the Agencies' audit reports on BSA prepared by internal or external auditors during the quarter to the Reserve Bank.

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

(a) Mr. Dale L. Vaughan
Assistant Vice President
Los Angeles Branch
Federal Reserve Bank of San Francisco
950 S. Grand Avenue
Los Angeles, CA 90015

(b) Mr. Mario Laborin
President
Bancomer, S.A.
Ave. Universidad No. 1200
Col. Xoco
Mexico City 03339
Mexico, D.F.

(c) Mr. Jose Antonio Padilla
General Manager
Bancomer, S.A. Los Angeles Agency
444 South Flower Street
Los Angeles, CA 90071

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

10. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Board of Governors. The Bank may apply at any time to the Board of Governors to have this Order terminated, modified or amended.

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

12. 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 the Bank, the Agencies or any of their current or former institution-affiliated parties.

BY ORDER of the Board of Governors of the Federal Reserve System, effective this 12th day of December 2000.

BANCOMER, S.A.
Mexico City, Mexico

By: _____
Mario Laborín
President

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: _____
Jennifer J. Johnson
Secretary of the Board

BANCOMER, S.A.
Los Angeles and New York Agencies

By: _____
Jose Antonio Padilla
General Manager

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

Written Agreement By and Among BANCO INDUSTRIAL DE VENEZUELA Caracas, Venezuela BANCO INDUSTRIAL DE VENEZUELA Miami Agency Miami, Florida and FEDERAL RESERVE BANK OF ATLANTA Atlanta, Georgia	Docket No. 98-019-B-FB 98-019-B-FA

WHEREAS, in recognition of the common goal of the Federal Reserve Bank of Atlanta (the "Reserve Bank") and Banco Industrial de Venezuela, Caracas, Venezuela ("Banco Industrial") and its Miami Agency (the "Agency") to ensure compliance by the Agency with all applicable laws, rules and regulations and to continue the enhancements and improvements already undertaken by the Agency, the Reserve Bank, Banco Industrial on its own behalf and on behalf of the Agency, have mutually agreed to enter into this Written Agreement (the "Agreement");

WHEREAS, as the result of the identification of deficiencies, the Banco Industrial and the Agency have taken and are taking steps: (1) to enhance and improve the Banco Industrial's and the Agency's anti-money laundering policies and procedures and customer due diligence practices; and (2) to ensure full compliance with all applicable anti-money laundering laws and regulations, including, but not limited to, the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 et seq.) and the accompanying regulations issued by the U.S. Department of the Treasury (31 C.F.R. 103.11 et seq.) (collectively referred to as the Bank Secrecy Act (the "BSA")), this Agreement is being entered into to make a record of the measures necessary to ensure continued full compliance with all applicable anti-money laundering laws and regulations and to obtain a formal commitment to their full implementation from the management of the Banco Industrial and the Agency; and

WHEREAS, on October 4, 2000, the board of directors of Banco Industrial, at a duly constituted meeting, adopted a resolution:

(1) authorizing and directing Fernando de Alvarez to enter into this Agreement on behalf of Banco Industrial and the Agency and consenting to compliance by the board of directors of Banco Industrial, and Banco Industrial's 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)), with each and every provision of this Agreement; and

(2) waiving any and all rights that Banco Industrial may have pursuant to 12 U.S.C. 1818: to a hearing for the purpose of taking evidence on any matters set forth in this Agreement; to judicial review of this Agreement; and to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Agreement or any provision hereof.

NOW THEREFORE, the Reserve Bank and Banco Industrial and the Agency agree as follows:

1. (a) Banco Industrial, the Agency and any institution-affiliated party thereof, shall not, directly or indirectly, violate the BSA or any rules or regulations issued pursuant thereto;

(b) For the purposes of this Agreement, the term "violate" shall include any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding or abetting a violation; and

(c) To ensure that Banco Industrial and the Agency shall not violate any of the provisions of the BSA, or rules or regulations issued pursuant thereto, within 60 days of this Agreement, Banco Industrial and the Agency shall submit to the Reserve Bank an acceptable written plan designed, to the extent that such activities are performed at the Agencies:

(1) to ensure continued compliance with the recordkeeping and reporting requirements for currency transactions of over $10,000 (31 C.F.R. 103.22);

(2) to ensure continued compliance with the identification requirements related to the recordkeeping and reporting requirements for currency transactions of over $10,000 (31 C.F.R. 103.28);

(3) to ensure continued compliance with the exemption procedures (31 C.F.R.103.22);

(4) to ensure continued compliance with the recordkeeping requirements for the purchase of bank checks and drafts, cashier's checks, money orders and traveler's checks (31 C.F.R. 103.29); and

(5) to ensure continued compliance with the requirements related to the nature of records to be maintained and the retention period of such records (31 C.F.R. 103.38).

2. Within 60 days of this Agreement, Banco Industrial and the Agency shall submit to the Reserve Bank an acceptable enhanced customer due diligence program. The program shall be designed to reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Agency to law enforcement and supervisory authorities as required by the suspicious activity reporting provisions of Regulation H (12 C.F.R. 208.62 and 208.63) and Regulation K (12 C.F.R. 211.24) of the Board of Governors of the Federal Reserve System (the "Board of Governors"). The enhanced customer due diligence program shall provide:

(a) For a risk focused assessment of the customer base of the Agency to:

(1) identify the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their banking activities; and

(2) determine the appropriate level of enhanced due diligence necessary for those categories of customers that Banco Industrial and the Agency have reason to believe pose a heightened risk of illicit activities at or through the Agency.

(b) For those customers whose transactions require enhanced due diligence, procedures to:

(1) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(2) understand the normal and expected transactions of the customer; and

(3) report suspicious activities in compliance with existing reporting requirements set forth in the regulations of the Board of Governors.

(c) Appropriate procedures to reasonably ensure that all new offerings by or through the Agencies involving the receipt or transfer of funds comply with applicable laws and regulations related to anti-money laundering compliance and suspicious activity reporting.

3. Within 60 days of this Agreement, Banco Industrial and the Agency shall submit to the Reserve Bank an internal compliance program, designed to, among other things, ensure and maintain compliance by the Agency with the BSA and related rules and regulations. The program, at a minimum, shall:

(a) provide the means to detect and monitor all currency and other transactions occurring at the Agency to ensure that such transactions are not being conducted for illegitimate purposes and that there is full compliance with all laws and regulations applicable to such transactions;

(b) provide effective training to all appropriate personnel at Banco Industrial and the Agency in all aspects of regulatory and internal policies and procedures related to the BSA and the identification and reporting of suspicious transactions and to update the training on a regular basis to ensure that all personnel have the most current and up to date information; and

(c) provide for independent testing of compliance with all applicable rules and regulations related to the BSA and the reporting of suspicious transactions.

4. Banco Industrial and the Agency shall continue to ensure that the BSA compliance program at the Agency is managed by a qualified officer, acceptable to the Reserve Bank, who shall have responsibility for all BSA compliance and related matters, including, without limitation, the identification and timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Agency.

5. The written plans and programs required by paragraphs 1, 2, and 3, hereof, shall be submitted to the Reserve Bank for review and approval. Acceptable plans and programs shall be submitted within the time periods set forth in this Agreement. Banco Industrial and the Agency shall adopt the approved plans and programs within 15 days of approval by the Reserve Bank and then shall fully comply with them. During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

6. Within 15 days after the end of each calendar quarter (September 30, December 31, March 31 and June 30) following the date of this Agreement, Banco Industrial and the Agency shall furnish a written progress report detailing the form and manner of all actions taken to secure compliance with this Agreement, and the results thereof.

7. All communications regarding this Agreement shall be sent to:

(a) Ms. Suzanna J. Costello
Vice President
Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

(b) Ildefonso Ferrer
General Manager, Miami Agency
Banco Industrial de Venezuela
1101 Brickell Avenue, Suite 9005
Miami, Florida 33131

(c) Jorge Gamboa
Executive Vice President
Banco Industrial de Venezuela
Tercera Avenida, Las Delicias de Sabana Grande
Cruce con la Avenida Francisco Solano
Torre Financiera, Parroquia El Recreo
Caracas, Venezuela

8. The provisions of this Agreement shall be binding on Banco Industrial, the Agency and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

9. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Reserve Bank.

10. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to Banco Industrial and the Agency to comply with any provision of this Agreement.

11. The provisions of this Agreement 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 Banco Industrial, the Agency or any of their current or former institution-affiliated parties.

12. This Agreement is a "written agreement" for the purposes of section 8 of the FDIC Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 12th day of December, 2000.

Banco Industrial de Venezuela
Caracas, Venezuela

By: _____
Mr. Fernando Alvarez Paz
President

Federal Reserve Bank of Atlanta

By: _____
Ms. Suzanna J. Costello
Vice President

Banco Industrial de Venezuela
Miami Agency

By: _____
Mr. Ildefonso Ferrer
General Manager, Miami Agency