

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

In the Matter of)	Docket No. 03-041-CMP-FB
)	03-041-B-FB(1)
)	
CRÉDIT LYONNAIS, S.A.)	Order to Cease and Desist and
Paris, France)	Order of Assessment of a Civil Money
)	Penalty Issued Upon Consent
)	

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the host country supervisor of the activities in the United States of Crédit Lyonnais, S.A., Paris, France (“Crédit Lyonnais”), a foreign bank;

WHEREAS, the Board of Governors issues this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent against Crédit Lyonnais (the “Crédit Lyonnais Board Order”), in conjunction with a separate supervisory action issued jointly by the Board of Governors and the Commission Bancaire, the home country supervisor of Crédit Lyonnais, on this date (the “Joint Order and Decision”);

WHEREAS, the Board of Governors issues this Crédit Lyonnais Board Order pursuant to sections 8(b) and (i) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1818(b) & (i)) (the “FDI Act”), and sections 8(b) and (d) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. §§ 1847 (b) & (d)) (the “BHC Act”);

WHEREAS, this Crédit Lyonnais Board Order, together with the Joint Order and Decision, resolves the following allegations relating to conduct by Crédit Lyonnais:

a. Allegations that Crédit Lyonnais made repeated false representations to the Board of Governors in violation of 18 U.S.C. § 1001 in connection with its supervision of Crédit Lyonnais concerning:

1. Crédit Lyonnais's relationships to and investments in the Apollo Investment Fund, L.P., an investment fund begun in 1990 whose business purposes included acquiring for its portfolio more than five percent of a class of voting shares of United States companies, including Crédit Lyonnais's acquisition and retention of indirect equity interests in the Apollo Investment Fund, L.P., through, among other means, secret nominee arrangements;
2. Crédit Lyonnais's relationships to and investments in AIF II, L.P., an investment fund formed in 1992 to hold in its portfolio "junk bonds" and other securities that were sold by the conservator of the insolvent Executive Life Insurance Company of California, including securities which were in default or were considered likely to default and subsequently convert into more than five percent of a class of voting shares of United States companies, including Crédit Lyonnais's indirect acquisition and retention of equity interests in AIF II, L.P., through, among other means, secret nominee arrangements;
3. In connection with the rehabilitation of the insolvent Executive Life Insurance Company of California, Crédit Lyonnais's relationships to and investments in New California Life Holdings, Inc., which was formed in 1991, which in 1992 acquired a dormant U.S. insurance company, and

which in September 1993 acquired Aurora National Life Assurance Co., which had succeeded to the remaining insurance business of Executive Life, including Crédit Lyonnais's indirect acquisition and retention of control of more than five percent of New California Life Holdings, Inc. through, among other means, secret nominee arrangements;

4. Crédit Lyonnais's relationships to and investments in Artemis, S.A., and its parent company; Artemis, S.A. acquired Crédit Lyonnais's indirect equity interests in Apollo Investment Fund, AIF II and New California Life Holdings;
- b. Allegations that Crédit Lyonnais violated section 4 of the BHC Act in connection with its indirect acquisition and retention of control for purposes of the BHC Act of more than five percent of the voting shares of New California Life Holdings, Inc.;
- c. Allegations that Crédit Lyonnais filed false Federal Reserve Forms Y-7 with the Board of Governors with respect to the investments set forth above, in violation of 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; and

WHEREAS, on July 30, 2003, the board of directors of Crédit Lyonnais adopted a resolution:

- a. authorizing and directing Dominique Ferrero or his delegee (Jean-Francois Verny, pursuant to a power of attorney granted by Dominique Ferrero on November 24, 2003) to enter into this Crédit Lyonnais Board Order on behalf of Crédit Lyonnais and consenting to compliance by 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) & 1818(b)(4)), with each and every provision of this Crédit Lyonnais Board Order; and

b. waiving any and all rights that Crédit Lyonnais may have pursuant to

12 U.S.C. §§ 1818 and 1847 or 12 C.F.R. Part 263, or otherwise:

- (i) to the issuance of a Notice of Charges and of Hearing and a Notice of Assessment of a Civil Money Penalty on any matter set forth in this Crédit Lyonnais Board Order;
- (ii) to a hearing for the purpose of taking evidence of any matters set forth in this Crédit Lyonnais Board Order;
- (iii) to judicial review of this Crédit Lyonnais Board Order; and
- (iv) to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Crédit Lyonnais Board Order or any provision hereof.

WHEREAS, on November 34, 2003, Dominique Ferrero granted a power of attorney to Jean-François VERNY to enter into this Credit Lyonnais Board Order on behalf of Crédit Lyonnais.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and without this Crédit Lyonnais Board Order constituting an admission or denial by Crédit Lyonnais of any allegation made or implied by the Board of Governors in connection with this matter, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED, pursuant to sections 8(b) and (d) of the BHC Act, 12 U.S.C. §§ 1847(b) & (d) and sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. §§ 1818 (b) & (i), that:

CIVIL MONEY PENALTY

1. Crédit Lyonnais is assessed and shall pay to the Board of Governors a civil money penalty in the amount of \$100,000,000;
2. Payment of the penalty shall be made prior to the date this Crédit Lyonnais Board Order becomes effective by a Fedwire transfer to the Federal Reserve Bank of Richmond, ABA No. 05 1000033, to the order of the Board General Fund, FRBR General Ledger Account number 220 400 010, which penalty the Board of Governors, or the Federal Reserve Bank of Richmond on its behalf, shall remit to the United States Treasury as required by statute upon the date this Crédit Lyonnais Board Order becomes effective.

CEASE AND DESIST ACTION

3. Crédit Lyonnais and each of its subsidiaries and institution-affiliated parties shall cease and desist and shall take affirmative action as follows:

Prohibition of Future Violations

- (a) Crédit Lyonnais and any subsidiary, and institution-affiliated party thereof, shall not, directly or indirectly, violate the BHC Act or any rules or regulations issued pursuant thereto;

Policies and Procedures Concerning Regulatory Reports

- (b) Within 60 days of the effective date of this Crédit Lyonnais Board Order, Crédit Lyonnais shall submit to the Board of Governors acceptable written policies and procedures designed to ensure that future regulatory reports submitted to the

Board of Governors are complete and accurate. The policies and procedures shall include, at a minimum, steps designed to ensure that all reports hereafter filed by Crédit Lyonnais accurately reflect its investment relationships for the time periods for which such reports are filed. Crédit Lyonnais shall make available to the Board of Governors (or the Commission Bancaire if requested by the Board of Governors) within 30 days of receipt of any request any records indicating how such reports are prepared;

Business Relationships with Entity Controlling Successor to Executive Life

- (c) Without the Board's prior approval, Crédit Lyonnais, its subsidiaries and affiliates shall not, directly or indirectly, own or control any voting or nonvoting shares of Artemis, S.A. or any company that controls Artemis, S.A. for as long as Artemis, S.A. or its subsidiaries or affiliates control Aurora, S.A., New California Life Holdings, Inc., Aurora National Life Assurance Company, or any successor to these entities. Within 90 days of the effective date of this Order, Crédit Lyonnais shall terminate any lending transaction with Artemis, S.A., or its subsidiaries and affiliates, that directly or indirectly financed the acquisition by Artemis, S.A. of shares of New California Life Holdings, Inc. (including any such loan originally secured by the shares of Delors, S.A.);

Procedures Concerning Crédit Lyonnais's Acquisition of Shares of Non-banking Businesses in the United States

- (d) Without the prior approval of the Board of Governors, Crédit Lyonnais shall not, directly or indirectly, acquire ownership or control of more than five percent of any class of voting securities or more than 25 percent of equity (aggregating voting or nonvoting shares and interests) of a company which is not a bank,

regardless of whether the acquisition would otherwise require Board of Governors' approval under Regulation Y, 12 C.F.R. Part 225, *provided, however*, approval by the Board of Governors under this paragraph shall not be required for:

- (i) shares acquired as provided in 12 C.F.R. §§ 225.22(b) & (d);
 - (ii) shares acquired as part of the conduct of permissible underwriting and dealing activities in accordance with applicable law; or
 - (iii) shares acquired pursuant to 12 C.F.R. §§ 211.23(f)(1) – (f)(5);
- (e) With respect to the acquisition of ownership or control of any voting shares or nonvoting equity interests requiring approval of the Board of Governors as described in Paragraph 3(d), above, all documents (or copies thereof) relating to such an acquisition, including relevant agreements, correspondence, share certificates, and approval documents (including meeting minutes) shall be maintained on the premises of a branch or agency of Crédit Lyonnais or at an office of an affiliate of Crédit Lyonnais, located in the United States;
- (f) Within 60 days of the effective date of this Crédit Lyonnais Board Order, Crédit Lyonnais shall submit to the Board of Governors acceptable written policies and procedures with respect to any arrangement by which a third party agrees to hold temporarily the shares of a company for the benefit of Crédit Lyonnais (referred to in the French language as a “portage” agreement) except for companies that are described in 12 C.F.R. §§ 211.23(f)(1) – (f)(5), so as to avoid any violation of the BHC Act and regulations concerning such arrangements.

MISCELLANEOUS

4. The provisions of this Crédit Lyonnais Board Order shall not bar, estop or otherwise prevent the Board of Governors or any other U.S. federal or state agency or department from taking any other action affecting Crédit Lyonnais or any of its current or former subsidiaries, or affiliates; *provided, however*, the Board of Governors shall take no further action against Crédit Lyonnais, its current or former subsidiaries or affiliates or any current institution-affiliated party thereof, or any former officer or employee of Crédit Lyonnais who enters into an agreement concerning the disposition of an investigation with the United States Attorney's Office for the Central District of California prior to or concurrently with the effective date of this Crédit Lyonnais Board Order, arising out of or related to (i) facts encompassed in the allegations recited in this Crédit Lyonnais Board Order, (ii) the Specified Acts and Omissions set forth in paragraphs 1-37 and 39-44 of Exhibit C ("Exhibit C") to the Plea Agreement, dated December 15, 2003 in the matter styled, *United States of America v. Crédit Lyonnais S.A., et al.*, Case No. CR. 03-760 (C.D. Cal.) (the "Plea Agreement") or (iii) the submission, prior to December 15, 2003, of annual reports by or on behalf of Credit Lyonnais to the Board of Governors on Form FR Y-7 or FR Y-7a and/or other interim reports describing Credit Lyonnais' interests and activities in the United States insofar as any statement or omission therein relates to any act or omission referred to in paragraphs 1-37 and 39-44 of Exhibit C.

5. This Crédit Lyonnais Board Order shall become effective upon the acceptance of the Plea Agreement by the United States District Court for the Central District of California.
Each provision of this Crédit Lyonnais Board Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors. Crédit Lyonnais may apply to the Board of Governors to have this Order terminated, modified or amended. Paragraph 4 shall survive any termination of this Crédit Lyonnais Board Order.
6. No amendment to the provisions of this Crédit Lyonnais Board Order shall be effective unless made in writing by the Board of Governors and by Crédit Lyonnais.
7. The provisions of this Crédit Lyonnais Board Order shall be binding on Crédit Lyonnais, and its successors and assigns.
8. No representations, either oral or written, except those provisions as set forth herein, were made to induce any of the parties to agree to the provisions as set forth herein.
9. Notwithstanding any provision of this Crédit Lyonnais Board Order, the Board of Governors may, in its discretion, grant written extensions of time to Crédit Lyonnais to comply with any provision of this Crédit Lyonnais Board Order.
10. The Board of Governors delegates to the Federal Reserve Bank of New York the authority to approve the plans submitted pursuant to Paragraphs 3(b) and 3(f), above.
11. All communications regarding this order shall be addressed to:
 - (a) J. Virgil Mattingly, Jr., Esq.
General Counsel
Board of Governors of the
Federal Reserve System
20th & C Streets, NW
Washington, DC 20551

(b) Mr. Robert A. O'Sullivan
 Senior Vice President
 Federal Reserve Bank of New York
 33 Liberty Street
 New York, NY 10045

(c) M. Jean-François Verny
 Secretary General
 Crédit Lyonnais
 19 Boulevard de Italiens
 75002 Paris, France

By order of the Board of Governors of the Federal Reserve System, dated this 18th
 day of December 2003.

CRÉDIT LYONNAIS, S.A.

BOARD OF GOVERNORS OF THE
 FEDERAL RESERVE SYSTEM

By: _____
 Jean-François Verny
 Secretary General

By: Jennifer J. Johnson
 Jennifer J. Johnson
 Secretary of the Board