

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

_____)	Docket No. 12-018-CMP-SMB
In the Matter of)	
THE BANK OF NEW YORK MELLON,)	Order to Cease and Desist
New York, New York)	and Order of Assessment
_____)	of a Civil Money Penalty
	Issued Upon Consent

WHEREAS, The Bank of New York Mellon, New York, New York (“BNYM”) is a state-chartered bank that is a member of the Federal Reserve System, which engages in banking, investment advisory, and securities-related activities;

WHEREAS, on September 22, 2008, the Board of Governors of the Federal Reserve System (the “Board of Governors”) created the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (the “AMLF”) under the authority of section 13(3) of the Federal Reserve Act (12 U.S.C. § 343) to assist money funds in meeting the demand for redemptions by investors and to foster liquidity in the asset-backed commercial paper (“ABCP”) market and money markets more generally;

WHEREAS, the AMLF was administered by the Federal Reserve Bank of Boston (“Boston Reserve Bank”), which was authorized to make collateralized non-recourse loans to U.S. depository institutions and bank holding companies to finance their purchases of high-quality ABCP from money market mutual funds under certain conditions commencing on September 22, 2008;

WHEREAS, on September 22, 2008, BNYM borrowed from the Boston Reserve Bank under the AMLF, which borrowing was supported by ABCP collateral BNYM pledged to the Boston Reserve Bank. Due to a failure in its internal processes at that time, a portion of the

ABCP collateral that BNYM had pledged to the Boston Reserve Bank was ineligible under the terms of the AMLF. As a result, BNYM received more in AMLF loans proceeds than it otherwise would have been advanced based upon the eligible ABCP collateral it pledged. Subsequently, BNYM timely repaid all amounts borrowed under the AMLF. The AMLF was closed on February 1, 2010;

WHEREAS, on September 22, 2008 and thereafter, BNYM identified but did not communicate to the Boston Reserve Bank the ineligibility of a portion of the ABCP collateral that was pledged to it under the terms of the AMLF as a result of a failure in BNYM's internal communication and escalation practices;

WHEREAS, the Board of Governors and BNYM have mutually agreed to enter into this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent (the "Order") in connection with BNYM's participation in the AMLF Program between September 2008 and January 2009, during which time BNYM allegedly breached certain representations and warranties in its Letter of Agreement with the Boston Reserve Bank with respect to the collateral BNYM pledged to the AMLF and failed to report and resolve its alleged violations of the terms and conditions of the AMLF;

WHEREAS, the Board is assessing a civil money penalty of \$6 million against BNYM pursuant to section 8(i)(2)(B) of the Federal Deposit Insurance Act, as amended (the "FDI Act")(12 U.S.C. § 1818(i)(2)(B));

WHEREAS, on April 10, 2012, the board of directors of BNYM, at a duly constituted meeting, adopted a resolution:

A. Authorizing Jane Sherburne, General Counsel, to enter into this Order on behalf of BNYM, and consenting to compliance by BNYM and its institution-affiliated parties, as

defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) & 1818(b)(3)), with each and every applicable provision of this Order;

B. waiving the issuance of a notice of charges and a notice of assessment of a civil money penalty on any and all matters set forth in this Order;

C. waiving a hearing for the purpose of taking evidence on any and all matters set forth in this Order;

D. waiving any and all rights to contest the issuance of a cease and desist order or an assessment of a civil money penalty by the Board of Governors pursuant to 12 U.S.C. § 1818;

E. waiving any and all rights to judicial review of this Order; and

F. waiving any and all rights to challenge or contest the validity, effectiveness, terms, or enforceability of the provisions of this Order.

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 therein, and without this Order constituting an admission by BNYM 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 resolutions:

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

Remedial and Corrective Measures

1. Within 60 days of this Order, BNYM shall submit to the Federal Reserve Bank of New York (“New York Reserve Bank”) an acceptable written plan to enhance its communication

and escalation policies and procedures. The plan shall describe the specific actions that BNYM will take and shall, at a minimum, address, consider, and include:

a. Measures to enhance escalation procedures to resolve issues such as the one that arose with respect to the AMLF, including, but not limited to, identification of issues that require escalation, the timing of such escalation steps, and the appropriate management and legal or compliance functions to whom matters must be escalated;

b. a timetable and plan to provide periodic training to appropriate BNYM personnel, including, but not limited to, securities operations and corporate treasury personnel, regarding the escalation procedures; and

c. procedures and controls to ensure that BNYM promptly notifies the appropriate Federal Reserve Bank of any potential violation of the terms and conditions, including, but not limited to, breaches of representations or warranties, of any credit or liquidity program of the Federal Reserve.

APPROVAL AND PROGRESS REPORTS

2. The plan and remedial and corrective measures required by paragraph 1 of this Order shall be submitted to the New York Reserve Bank, for review and approval, within the time period set forth in paragraph 1 of this Order. BNYM shall adopt the approved plan and remedial measures within 10 days of approval. Upon adoption, BNYM shall promptly implement the approved plans and remedial measures, unless otherwise set forth in the approved schedule of implementation, and thereafter fully comply. During the term of this Order, the approved plans and remedial measures shall not be amended or rescinded without the prior written approval of the New York Reserve Bank.

3. Within 90 days following this Order, and every calendar quarter thereafter, BNYM shall submit a written progress report to the New York Reserve Bank. The progress report shall detail the actions taken to comply with each provision of this order and the results of those actions. The New York Reserve Bank, at its discretion, may require additional progress reports if necessary. Such reports may be discontinued when the New York Reserve Bank, in writing, releases BNYM from making further reports.

ASSESSMENT OF CIVIL MONEY PENALTY

4. BNYM is hereby assessed a civil money penalty in the sum of \$6 million to be paid to the Board of Governors at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 05 1000033, beneficiary, Board of Governors of the Federal Reserve System. The Board of Governors or the Federal Reserve Bank of Richmond on its behalf shall remit to the United States Treasury, pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i).

NOTICES

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

- (a) Richard Ashton
Deputy General Counsel
Board of Governors of the Federal Reserve System
20th & C Streets NW
Washington, DC 20551
- (b) Lucinda Brickler
Senior Vice President
Banking Supervision & Regulation
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045
- (c) Jane Sherburne, Esq.
General Counsel
The Bank of New York Mellon

One Wall Street, 10th Floor
New York, NY 10028

with a copy to:

(d) Michael Wiseman, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004-2498

MISCELLANEOUS

6. The provisions of this Order shall be binding, where applicable, on BNYM and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

8. Notwithstanding any provision of this Order, the Board of Governors may, at its sole discretion, grant written extensions of time to BNYM to comply with any provision of this Order. The Board of Governors delegates to the New York Reserve Bank its authority to grant, in the New York Reserve Bank's sole discretion, written extensions of time to comply with the provisions of this Order.

9. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the New York Reserve Bank, or any federal or state agency from taking any further action affecting BNYM, or any of its current or former institution-affiliated parties.

By order of the Board of Governors of the Federal Reserve System, effective this 13th day of April, 2012.

THE BANK OF NEW YORK MELLON

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: _____ /s/ _____

Jane Sherburne
General Counsel

By: _____ /s/ _____

Jennifer J. Johnson
Secretary of the Board