

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

AUTORITÉ de CONTRÔLE PRUDENTIEL et de RÉOLUTION  
PARIS, FRANCE

In the Matter of

BNP PARIBAS S.A.  
Paris, France

Docket No. 14-022-B-FB

Cease and Desist Order Issued Upon  
Consent Pursuant to the Federal  
Deposit Insurance Act, as Amended  
Supervisory cooperation decision  
applying the joint statement of the  
French and US banking supervisors  
of May, 24<sup>th</sup> 2004

WHEREAS, BNP Paribas S.A., Paris, France (“BNP Paribas” or the “Bank”) is a French credit institution authorized and supervised according to the rules laid out by the French monetary code, Parts V and VII; in the United States it is a foreign bank, as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)), that is organized under the laws of France that is a large complex financial organization that has a number of separate business lines, offices, and subsidiaries in many countries around the world;

WHEREAS, the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”) is currently the home supervisor of BNP Paribas both for prudential purposes and for compliance with European and French legislation related to payment messages, sanctions and combating the financing of terrorism;

WHEREAS, BNP Paribas operates a branch in New York, New York (the “Branch”) and other branches and an agency in the United States (the “U.S. Offices”) and controls two insured depository institutions and other subsidiaries in the U.S.;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate U.S. banking supervisor for BNP Paribas to the extent it operates the U.S. Offices and is a financial holding company under U.S. law;

WHEREAS, BNP Paribas oversees compliance and risk management procedures for entities within its organization;

WHEREAS, the Office of the United States Attorney for the Southern District of New York and the Asset Forfeiture and Money Laundering Section of the Criminal Division of the United States Department of Justice (“DOJ”), the District Attorney for the County of New York, New York (“DANY”), the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”), the New York State Department of Financial Services (“NYSDFS”), and the Federal Reserve have been conducting investigations into the practices of the Bank concerning the transmission of funds through the United States on behalf of or related to entities and individuals subject to sanctions regimes imposed under the International Emergency Economic Powers Act (“IEEPA”), 50 U.S.C. §§ 1701-06, and the Trading with the Enemy Act, 50 U.S.C. §§ 5 and 16, and their implementing regulations administered by OFAC (31 C.F.R. Chapter V) (the “OFAC Regulations”);

WHEREAS, in order to resolve the investigations, BNP Paribas has agreed to enter into settlement agreements with DOJ, DANY, OFAC, and NYSDFS;

WHEREAS, BNP Paribas has conducted a review of its U.S. dollar (“USD”) transactions and has undertaken and is implementing, both inside and outside the United States, enhancements to its OFAC compliance systems and controls designed to address the historical deficiencies in its USD payment processing;

WHEREAS, this Order to Cease and Desist (the “C&D Order”) is issued with respect to the matters described herein and in a separate Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent issued by the Board of Governors against BNP Paribas as of the date of this C&D Order;

WHEREAS, to address the deficiencies referred to herein, BNP Paribas committed to continue to implement improvements in its oversight and compliance program for activities involving offices of BNP Paribas and its subsidiaries outside of the United States that in whole or in part impact the ability of the Branch and unaffiliated U.S. financial institutions to comply with applicable OFAC Regulations;

WHEREAS, the Board of Governors and BNP Paribas have the common goal to ensure that BNP Paribas and its U.S. Offices comply with United States laws, rules and regulations that apply to the activities of the BNP Paribas organization, and that BNP Paribas fosters a strong commitment towards compliance, including the establishment and maintenance of effective corporate governance and oversight over its U.S. Offices to fully address all deficiencies in its global OFAC compliance program;

WHEREAS, the Board of Governors is issuing this C&D Order against BNP Paribas;

WHEREAS, the ACPR, as the home country supervisor of BNP Paribas, in charge both of the consolidated prudential supervision and of the supervision of the compliance of credit institutions with rules applying to payment messages, money laundering and implementation of national and international finance sanctions, seeks to promote better compliance and risk management procedures so that, on a global basis, BNP Paribas acts in accordance with the laws of the countries where BNP Paribas does business, including but not limited to the United States;

WHEREAS, the Board of Governors is continuing to investigate whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of BNP Paribas and who were involved in the illegal conduct underlying this C&D Order; and

WHEREAS, pursuant to a resolution of BNP Paribas's board of directors dated June 29, 2014, Georges Dirani, General Counsel, BNP Paribas, has been authorized and directed to execute this C&D Order on behalf of BNP Paribas, to consent to compliance with each and every provision of this C&D Order by BNP Paribas, and to waive any and all rights that BNP Paribas may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1818) (the "FDI Act"), 12 C.F.R. Part 263, or otherwise to: (i) the issuance of a notice of charges; (ii) a hearing for the purpose of taking evidence in any matters set forth in this C&D Order; (iii) judicial review of this C&D Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this C&D Order or any provision hereof.

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 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, it is hereby ordered, pursuant to sections 8(b)(1) and (4) of the FDI Act (12 U.S.C. §§ 1818(b)(1) and 1818(b)(4)), that:

**U.S. Law Compliance Program**

1. Within 90 days of this C&D Order, BNP Paribas shall submit to the Board of Governors and the ACPR an acceptable compliance program, including the names of key managers and a timetable for implementation, to ensure compliance with the OFAC Regulations

by BNP Paribas's global business lines (the "OFAC Compliance Program"). The OFAC Compliance Program shall, at a minimum, provide for:

(a) The relocation of part of a BNP Paribas group function, Group Financial Security, to the United States that will be ultimately responsible for BNP Paribas's OFAC Compliance Program ("U.S. OFAC Compliance Office"). The U.S. OFAC Compliance Office shall, at a minimum:

(i) have authority to ensure for effective implementation of the OFAC Compliance Program and the associated policies and procedures in the area of OFAC compliance by BNP Paribas's branches, affiliates, and global business lines, including authority to audit any transaction and overall compliance efforts by any branch, affiliate or business line;

(iii) serve as the ultimate arbiter of U.S. Sanctions issues and have authority to compel BNP Paribas's branches, affiliates, and global business lines to comply with the OFAC Compliance Program;

(iv) establish norms and procedures for BNP Paribas's global compliance with the U.S. OFAC Compliance Program;

(v) review high-level alerts escalated from BNP Paribas's monitoring and sanctions filtering processes, to the extent that there is a U.S. Sanctions component in a transaction or payment, and develop to norms related to customer due diligence with respect to U.S. Sanctions matters; and

(vi) specifically regarding USD clearing, oversee and supervise compliance with the U.S. OFAC Compliance Program by BNP Paribas's USD clearing and payment business lines, including all USD clearing for BNP Paribas processed

globally, define the standard compliance processes for USD clearing and payments as relevant to the U.S. OFAC Compliance Program, and provide a second level of control to ensure appropriate implementation of those compliance processes.

(b) an annual assessment of OFAC compliance risks arising from the global business activities and customer base of BNP Paribas affiliates, branches, and subsidiaries, including risks arising from transaction processing and trade finance activities conducted by or through BNP Paribas's global operations;

(c) policies and procedures to ensure compliance with OFAC Regulations by BNP Paribas's global business lines, including screening with respect to transaction processing and trade financing activities for the customers of BNP Paribas affiliates, branches, and subsidiaries;

(d) the establishment of an OFAC compliance reporting system that is widely publicized within the global organization and incorporated into BNP Paribas's other reporting systems in which employees report known or suspected violations of OFAC Regulations, and that includes a process to ensure that known or suspected OFAC violations are promptly escalated to appropriate legal or compliance personnel for appropriate resolution and reporting;

(e) policies and procedures to ensure compliance with OFAC Regulations by BNP Paribas's legal, risk management, and internal audit functions;

(f) policies and procedures to ensure that the OFAC Compliance Program is adequately staffed and funded;

(g) training for BNP Paribas's employees in OFAC-related issues appropriate to the employee's job responsibilities that is provided on an ongoing, periodic basis; and

(h) an audit program designed to test for BNP Paribas's compliance with OFAC Regulations.

2. (a) During the term of this C&D Order, to ensure that the OFAC Compliance Program is functioning effectively to detect, block or reject, and report OFAC sanction transactions when they occur, BNP Paribas shall cause to be conducted on an annual basis: (i) a review of OFAC compliance policies and procedures and their implementation for BNP Paribas's global business lines, and (ii) an appropriate risk-focused sampling of USD payments (the "OFAC Compliance Review").

(b) Each OFAC Compliance Review, the first of which shall commence one year after the date of this C&D Order, shall be conducted by an independent consultant with appropriate expertise in OFAC compliance issues acceptable to the Board of Governors and the ACPR. No later than 30 days before scheduled commencement of each OFAC Compliance Review, BNP Paribas shall submit an engagement letter acceptable to the Board of Governors and the ACPR that details the independent consultant's scope of work and shall include a commitment that drafts and supporting material associated with the engagement will be made available to the Board of Governors and the ACPR upon request.

(c) Each OFAC Compliance Review shall be conducted in accordance with the American Institute of Certified Public Accountants' Code of Professional Conduct and the results of each review shall be submitted to the Board of Governors and the ACPR within 90 days of the anniversary date of this C&D Order.

3. Within 90 days of the Board of Governors' approval of the OFAC Compliance Program required by paragraph 1, BNP Paribas shall complete a global OFAC risk assessment with particular attention to transactions involving its affiliates, branches, and subsidiaries. A

copy of the risk assessment shall be submitted to the Board of Governors and the ACPR upon its completion.

### **Payment Messaging Standards**

4. (a) BNP Paribas and its branches, affiliates, and global business lines shall:
  - (i) not omit, delete or alter information in payment messages or orders for the purpose of avoiding detection of that information by any other financial institution in the payment process;
  - (ii) not use any form of payment message or combination of payment messages for the purpose of avoiding detection of information by any other financial institution in the payment process;
  - (iii) not use accounts at affiliated or unaffiliated entities for the purpose of avoiding detection of information by any other financial institution in the payment process;
  - (iv) cooperate as fully as practicable with other financial institutions in the payment process when requested to provide information about the parties involved; and
  - (v) strongly encourage its correspondent banks to observe these principles.
- (b) BNP Paribas shall operate the U.S. Offices in conformity with the U.S. federal banking agencies' Interagency Guidance on Transparency and Compliance in Cross-Border Funds Transfers dated December 18, 2009 (SR 09-09), which incorporates by reference the Basel Committee on Banking Supervision's guidance on Due Diligence and Transparency Regarding Cover Payment Messages Related to Cross-Border Wire Transfers (dated May 2009), and any future revisions or modifications thereto.

## **Compliance with the C&D Order**

5. Within 30 days after the end of each calendar quarter following the date of this C&D Order, BNP Paribas shall submit to the Federal Reserve Bank of New York (“Reserve Bank”) and the ACPR written progress reports detailing the form and manner of all actions taken to secure compliance with this C&D Order and the results thereof.

## **Approval and Implementation**

6. (a) BNP Paribas shall submit the written OFAC Compliance Program that is acceptable to the Board of Governors within the applicable time period set forth in paragraph 1 of this C&D Order. An independent consultant acceptable to the Board of Governors and the ACPR shall be retained within the time period set forth in paragraph 2(b) of this C&D Order. An engagement letter acceptable to the Board of Governors shall be submitted within the time period set forth in paragraph 2(b) of this C&D Order.

(b) Within 10 days of approval by the Board of Governors, BNP Paribas shall adopt the approved OFAC Compliance Program. Upon adoption, BNP Paribas shall implement the approved program and thereafter fully comply with it.

(c) During the term of this C&D Order, the approved program shall not be amended or rescinded without the prior written approval of the Board of Governors and the ACPR.

## **Notices**

7. All communications regarding this C&D Order shall be sent to:

- (a) S. Michael Koh  
Assistant Vice President  
Financial Institution Supervision Group  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045

- (b) Richard M. Ashton  
Deputy General Counsel  
Board of Governors of the Federal Reserve System  
Washington, D.C. 20551
- (c) Georges Dirani  
Group General Counsel  
BNP Paribas S.A.  
12 Rue Chauchat  
75450 Paris CEDEX 09, France
- (d) Bertrand Peyret  
Director of Supervision of General and Specialized Credit Institutions  
Autorité de Contrôle Prudentiel et de Résolution  
61 rue Taitbout  
75436 Paris CEDEX 09 Paris, France

### **Miscellaneous**

8. The provisions of this C&D Order shall be binding on BNP Paribas, any subsidiary thereof, and each of their 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)), in their capacities as such, and their successors and assigns.

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

10. Notwithstanding any provision of this C&D Order, the Reserve Bank and the ACPR, may, in their discretion, grant written extensions of time to BNP Paribas to comply with any provision of this C&D Order.

11. The provisions of this C&D Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any further or other action affecting BNP Paribas, or any subsidiary thereof, or any of their current or former institution-affiliated parties or their successors or assigns.

