

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

In the Matter of

SOCIÉTÉ GÉNÉRALE S.A.  
Paris, France

and

SOCIÉTÉ GÉNÉRALE NEW YORK BRANCH  
New York, New York

Docket No. 17-035-B-FB  
17-035-B-FBR

Order to Cease and Desist Issued  
Upon Consent Pursuant to the  
Federal Deposit Insurance Act, as  
Amended

WHEREAS, Société Générale S.A., Paris, France (the “Bank”), is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)) that controls a large complex financial organization that consists of a number of separate business lines and legal entities in many countries around the world;

WHEREAS, the Bank conducts operations in the United States through its New York, New York branch (the “Branch”) and other entities;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor in the United States of the Bank and the Branch;

WHEREAS, the Bank oversees compliance and risk management procedures for entities within the Société Générale organization;

WHEREAS, on March 4, 2009, the Bank and the Branch entered into a Written Agreement with the Federal Reserve Bank of New York (the “Reserve Bank”) and the predecessor of the New York State Department of Financial Services (“NYSDFS”), the New

York State Banking Department, designed to correct certain deficiencies in the Branch's compliance with the BSA/AML Requirements ("Written Agreement");

WHEREAS, the Bank and the Branch have been working to comply with the Written Agreement, but have not achieved full compliance with each and every provision of the Written Agreement;

WHEREAS, the 2016 examination of the Branch conducted by the Reserve Bank identified deficiencies in the Branch's risk management and compliance with applicable federal laws, rules, and regulations relating to anti-money laundering ("AML") compliance, including the Bank Secrecy Act ("BSA") (31 U.S.C. § 5311 *et seq.*); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Ch. X); and the requirements of Regulation K of the Board of Governors to report suspicious activity and to maintain an adequate BSA/AML compliance program (12 C.F.R. §§ 211.24(f) and 211.24(j)) (collectively, the "BSA/AML Requirements");

WHEREAS, it is the common goal of the Board of Governors, the Bank, and the Branch that the Branch operates in compliance with all applicable federal laws, rules, and regulations;

WHEREAS, the Bank, the Branch, and the Board of Governors have mutually agreed to enter into this consent Cease and Desist Order (the "Order"); and

WHEREAS, on December 8, 2017, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Frédéric Oudéa and Slawomir Krupa to enter into this Order on behalf of the Bank and the Branch, respectively, and consenting to compliance with each and every provision of this Order by the Bank and the Branch, and waiving all rights that the Bank and the Branch may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. § 1818), including,

but not limited to: (i) the issuance of a notice of charges on any and all matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered that, before the filing of any notices, or taking any testimony or adjudication of or finding on any issues of fact or law, 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, pursuant to sections 8(b)(1) and (b)(4) of the FDI Act (12 U.S.C. §§ 1818(b)(1) and 1818(b)(4)), the Bank and the Branch shall cease and desist and take affirmative action as follows:

#### **Corporate Governance and Management Oversight**

1. Within 60 days of this Order, the Bank and Branch's management shall jointly submit a written governance plan approved by the Bank's board of directors and acceptable to the Reserve Bank to enhance the Bank board of directors', Bank management's, and Branch management's respective oversight of the Branch's compliance program designed to achieve compliance with the BSA/AML Requirements. The plan shall provide for a sustainable governance framework that, at a minimum, addresses, considers, and includes:

(a) actions the Bank's board of directors will take to maintain effective control over, and oversight of, Branch management's compliance with the BSA/AML Requirements;

(b) improvements to internal controls, to include policies, procedures, and processes, with respect to the organization's programs for customer due diligence, enhanced due diligence, as applicable, and suspicious activity monitoring and reporting;

(c) measures to improve the management information systems reporting of the Branch's compliance with the BSA/AML Requirements to senior management of the Bank and the Branch;

(d) measures to ensure the adequacy of the Branch's resources, including staff responsible for compliance with the BSA/AML Requirements, and that roles, responsibilities, and accountabilities regarding compliance with the BSA/AML Requirements for the Bank and the Branch's respective management, compliance personnel, and internal audit staff are clearly defined;

(e) measures to ensure BSA/AML compliance issues are appropriately tracked, escalated, and reviewed by both the Branch and the Bank's senior management, and reported directly to the Bank's board of directors;

(f) measures to ensure that the person or groups at the Bank and the Branch charged with the responsibility of overseeing the Branch's compliance with the BSA/AML Requirements possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities; and

(g) allocation of adequate resources and measures to ensure timely approval from the Bank's senior management in response to requests by Branch management, to ensure the Branch's compliance with this Order and the BSA/AML Requirements.

## **BSA/AML Compliance Review**

2. Within 60 days of this Order, the Bank and the Branch shall retain an independent third party acceptable to the Reserve Bank to: (i) conduct a comprehensive review of the Branch's compliance with the BSA/AML Requirements (the "BSA/AML Compliance Review"), and (ii) prepare a written report of findings, conclusions, and recommendations (the "BSA/AML Compliance Review Report").

3. Within 10 days of the engagement of the independent third party, but prior to the BSA/AML Compliance Review, the Bank and the Branch shall jointly submit to the Reserve Bank for approval an engagement letter that provides, at a minimum, for the independent third party to:

(a) identify all of the Branch's business lines, activities, and products to ensure that such business lines, activities, and products are appropriately risk-rated and included in the Branch's BSA/AML compliance program, policies, and procedures;

(b) conduct a comprehensive assessment that the Branch's internal controls are reasonably designed to ensure compliance with the BSA/AML Requirements, including policies, procedures, and processes;

(c) evaluate the effectiveness of the Branch's independent testing for compliance with the applicable BSA/AML Requirements;

(d) complete the BSA/AML Compliance Review Report within 120 days of the Reserve Bank's approval of the engagement letter;

(e) provide to the Reserve Bank a copy of the BSA/AML Compliance Review Report at the same time it is provided to the Bank and the Branch; and

(f) commit that any and all interim reports, drafts and workpapers, or other supporting materials associated with the BSA/AML Compliance Review will be made available to the Reserve Bank upon request.

### **BSA/AML Compliance Program**

4. Within 60 days of the submission of the BSA/AML Compliance Review Report, the Bank and the Branch shall jointly submit an enhanced written BSA/AML compliance program for the Branch acceptable to the Reserve Bank based on the results of the BSA/AML Compliance Review. The enhanced program, at a minimum, shall provide for:

- (a) an improved system of internal controls reasonably designed to ensure compliance with the BSA/AML Requirements;
- (b) a comprehensive BSA/AML risk assessment that identifies and considers all products and services of the Branch, customer types, including, but not limited to, politically exposed persons and geographic location, as appropriate, in determining inherent and residual risks; and
- (c) comprehensive and timely independent testing for the Branch's compliance with the applicable BSA/AML Requirements.

### **Customer Due Diligence**

5. Within 60 days of the submission of the BSA/AML Compliance Review Report, the Bank and the Branch shall jointly submit a written enhanced customer due diligence program acceptable to the Reserve Bank based on the results of the BSA/AML Compliance Review. At a minimum, the program shall include:

- (a) policies, procedures, and controls to ensure that the Branch collects, analyzes, and retains complete and accurate customer information for all account holders, including, but not limited to, affiliates of the Bank;
- (b) a plan to remediate deficient due diligence for existing customers accounts;
- (c) a revised methodology for assigning risk ratings to account holders that considers factors such as type of customer, type of products and services, geographic location, and transaction volume;
- (d) for each customer who requires enhanced due diligence, procedures to:
  - (i) determine the appropriate documentation necessary to verify the identity and business activities of the customer; and
  - (ii) understand the normal and expected transaction of the customer;
- (e) policies, procedures, and controls to ensure that foreign correspondent accounts are accorded the appropriate due diligence and, where necessary, enhanced due diligence; and
- (f) periodic reviews and evaluations of customer and account information for the entire customer base to ensure that information is current, complete, and that the risk rating reflects the current information, and if applicable, documenting rationales for any revisions made to the customer risk rating.

### **Suspicious Activity Monitoring and Reporting**

6. Within 60 days of the submission of the BSA/AML Compliance Review Report, the Bank and the Branch shall jointly submit a written program that is based on the results of the BSA/AML Compliance Review and reasonably designed to ensure the identification and

timely, accurate, and complete reporting by the Branch of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and regulations acceptable to the Reserve Bank.

At a minimum, the program shall include:

(a) a well-documented methodology for establishing monitoring rules and thresholds appropriate for the Branch's profile which considers factors such as type of customer, type of product or service, geographic location, and foreign correspondent banking activities, including U.S. dollar clearing activities;

(b) policies and procedures for analyzing, testing, and documenting changes to monitoring rules and thresholds;

(c) enhanced monitoring and investigation criteria and procedures to ensure the timely detection, investigation, and reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:

(i) effective monitoring of customer accounts and transactions, including but not limited to, transactions conducted through foreign correspondent accounts;

(ii) appropriate allocation of resources to manage alert and case inventory;

(iii) adequate escalation of information about potentially suspicious activity through appropriate levels of management;

(iv) maintenance of sufficient documentation with respect to the investigation and analysis of potentially suspicious activity, including the resolution and escalation of concerns; and



(v) maintenance of accurate and comprehensive customer and transactional data and ensuring that it is utilized by the Branch's compliance program.

### **Primary Contact**

7. Within 10 days of this Order, the Bank and the Branch shall designate an officer to be responsible for coordinating and submitting to the Reserve Bank the written plan, programs, and engagement letter required under the terms of this Order.

### **Approval, Implementation, and Progress Reports**

8. (a) The Bank and the Branch shall jointly submit the written plan and programs that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 1, 4, 5 and 6 of this Order. The plan or programs shall contain a timeline for full implementation of the plan or programs with specific deadlines for the completion of each component of the plan or programs. An independent third party acceptable to the Reserve Bank shall be retained by the Bank and the Branch within the time period set forth in paragraph 2 of this Order. An engagement letter acceptable to the Reserve Bank shall be submitted within the time period set forth in paragraph 3 of this Order.

(b) Within 10 days of approval by the Reserve Bank, the Bank and the Branch, as applicable, shall adopt the approved plan and programs. Upon adoption, the Bank and the Branch, as applicable, shall promptly implement the approved plan and programs, and thereafter fully comply with them.

(c) During the term of this Order, the approved plan and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

9. Within 10 days after the end of each month following the date of this Order, the Bank and the Branch shall jointly submit to the Reserve Bank written progress reports detailing

the form and manner of all actions taken to secure compliance with this Order, a timetable and schedule to implement specific remedial actions to be taken, and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

### **Communications**

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

- (a) Johnathon Kim  
Supervisory Officer  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
- (b) Marilyn Arbuthnott  
Assistant Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
- (c) Frédéric Oudéa  
Chief Executive Officer  
Société Générale S.A.  
Tours Société Générale  
17 Cours Valmy  
92972 Paris La Défense Cedex  
Paris, France
- (d) Gilles Briatta  
General Secretary  
Société Générale S.A.  
Tours Société Générale  
17 Cours Valmy  
92972 Paris La Défense Cedex  
Paris, France
- (e) Slawomir Krupa  
Chief Executive Officer  
Société Générale – Americas  
245 Park Ave. 9<sup>th</sup> Floor  
New York, New York 10167

- (f) Laura Schisgall  
General Counsel  
Société Générale – Americas  
245 Park Ave. 9th Floor  
New York, New York 10167

### **Miscellaneous**

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 to comply with this Order. The Bank and the Branch must submit a written request to the Reserve Bank for any extensions of time.

12. The provisions of this Order shall be binding on the Bank and the Branch, 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.

13. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

14. The provisions of this 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 other action affecting the Bank, the Branch, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

15. This Order supersedes the Written Agreement as between the Reserve Bank, the Bank and the Branch.

By Order of the Board of Governors of the Federal Reserve System effective this 14th day of December, 2017.

SOCIÉTÉ GÉNÉRALE

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ Frédéric Oudéa  
Frédéric Oudéa  
Chief Executive Officer  
Société Générale, S.A.

By: /s/ Ann E. Misback  
Ann E. Misback  
Secretary of the Board

SOCIÉTÉ GÉNÉRALE  
NEW YORK BRANCH

By: /s/ Slawomir Krupa  
Chief Executive Officer  
Société Générale – Americas  
Société Générale, New York Branch  
Manager