

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

In the Matter of

UNICREDIT, S.p.A.  
Milan, Italy

UNICREDIT BANK AG  
Munich, Germany

UNICREDIT BANK AUSTRIA AG  
Vienna, Austria

Docket Nos. 19-017-B-FB  
19-017-CMP-FB

Order to Cease and Desist and Order  
of Assessment of a Civil Money  
Penalty Issued Upon Consent  
Pursuant to the Federal Deposit  
Insurance Act, as Amended

WHEREAS, UniCredit, S.p.A., Milan, Italy (“UniCredit S.p.A.” or “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 global banking operations through various direct subsidiaries, including UniCredit Bank AG, Munich, Germany (“UniCredit Bank AG”) and UniCredit Bank Austria AG, Vienna, Austria (“Bank Austria”) (collectively with UniCredit S.p.A., “UniCredit”), and maintains a branch, along with UniCredit Bank AG, in New York, New York (the “Branch”);

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

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

WHEREAS, the United States Department of Justice (“DOJ”), the Office of the United States Attorney for the District of Columbia, the District Attorney for the County of New York

(“DANY”), the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”), the New York State Department of Financial Services (“NYSDFS”), and the Board of Governors have been conducting investigations into the practices at UniCredit concerning the transmission of funds to and from the United States through the Branch and unaffiliated U.S. financial institutions, including by and through 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 (“TWEA”), 50 U.S.C. §§ 5 and 16, both of which are administered by OFAC (collectively, the “OFAC Regulations”);

WHEREAS, in order to resolve the investigations, UniCredit S.p.A. has agreed to enter into settlement agreements with OFAC and NYSDFS, and UniCredit Bank AG and Bank Austria with DOJ, DANY, OFAC, and NYSDFS;

WHEREAS, UniCredit has conducted a review of U.S. dollar transactions and has begun to undertake certain enhancements to its OFAC compliance program;

WHEREAS, this Order to Cease and Desist and Order of Assessment of a Civil Money Penalty (the “Order”) is issued with respect to the following:

A. From at least 2007 through 2012, the Bank lacked adequate risk management supervision and oversight of its subsidiary banks to ensure compliance with applicable OFAC Regulations; and

B. From at least 2007 through 2012, certain overseas offices of UniCredit, principally located in Italy, Germany, and Austria, processed certain U.S. dollar-denominated funds transfers through the Branch and other unaffiliated U.S. financial institutions involving parties subject to OFAC Regulations that did not contain relevant information within the payment messages necessary for the Branch and other U.S. financial institutions to determine whether these transactions were carried out in a manner consistent with U.S. law, which caused violations

of OFAC Regulations;

WHEREAS, the unsafe or unsound practices described above warrant the assessment of a civil money penalty by the Board of Governors against UniCredit under 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, to address the deficiencies described above, the Bank must implement improvements in its oversight and compliance program for activities involving the offices of UniCredit outside 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, the Federal Reserve Bank of New York (“Reserve Bank”), and UniCredit have common goals to ensure that UniCredit complies with United States laws, rules, and regulations that apply to the activities of the organization, and that UniCredit fosters a strong commitment towards compliance;

WHEREAS, the Board of Governors is issuing this consent Order against UniCredit; and

WHEREAS, pursuant to delegated authority, Gianpaolo Alessandro, Group General Counsel and Secretary of the Board for UniCredit S.p.A., Andreas Früh, General Counsel for UniCredit Bank AG, and Alexander Schall, General Counsel for UniCredit Bank Austria AG are authorized to enter into this Order on behalf of UniCredit S.p.A., UniCredit Bank AG, and Bank Austria, and respectively consent to compliance with each and every provision of this Order by UniCredit S.p.A., UniCredit Bank AG, and Bank Austria and to waive any and all rights that UniCredit S.p.A., UniCredit Bank AG, and Bank Austria may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any 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 the 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) and 8(i)(2) of the FDI Act (12 U.S.C. §§ 1818(b)(1), (b)(4), and (i)(2)), that:

**U.S. Law Compliance Program**

1. Within 90 days of this Order, the Bank shall submit to the Reserve Bank an acceptable program, including a timetable for implementation, to ensure compliance with applicable OFAC Regulations by UniCredit's global business lines (the "OFAC Compliance Program"), that shall, at a minimum, provide for:

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

(b) policies and procedures to ensure compliance with applicable OFAC Regulations by UniCredit's global business lines, including screening with respect to transaction processing and trade financing activities for the direct and indirect customers of UniCredit subsidiaries;

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

(d) procedures to ensure that the OFAC compliance elements are adequately staffed and funded;

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

(f) an audit program designed to test for compliance with OFAC Regulations.

2. (a) During the term of this Order, to ensure that the OFAC Compliance Program is functioning effectively to detect, correct, and report OFAC-sanctioned transactions when they occur, UniCredit shall conduct on an annual basis: (i) a review of OFAC compliance policies and procedures and their implementation for UniCredit's global business lines, including, but not limited to, the Branch and (ii) an appropriate risk-focused sampling of U.S. dollar payments (the "OFAC Compliance Review").

(b) The OFAC Compliance Review, the first of which shall commence one year after the date of this Order, shall be conducted, consistent with applicable law, by an independent external party with appropriate expertise in OFAC compliance issues acceptable to the Reserve Bank. No later than 30 days before the scheduled commencement of the OFAC Compliance Review, UniCredit shall submit an engagement letter acceptable to the Reserve Bank that details the independent external party's scope of work.

(c) The results of each OFAC Compliance Review shall be submitted to the Reserve Bank within 90 days of the anniversary date of this Order.

3. Within 60 days of the Reserve Bank's approval of the OFAC Compliance Program required by paragraph 1, UniCredit shall complete a global OFAC risk assessment with particular attention to transactions involving group affiliates, branches, and subsidiaries. A copy of the risk assessment shall be submitted to the Reserve Bank upon its completion.

## **Accountability for Employees Involved in Misconduct**

4. UniCredit shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of UniCredit or of any affiliate of UniCredit who, based on the investigative record compiled by U.S. authorities, has done the following: (i) participated in the misconduct underlying this Order, (ii) been subject to formal disciplinary action as a result of UniCredit's internal disciplinary review or performance review in connection with the conduct described above, and (iii) has either separated from UniCredit or had his or her employment legally terminated.

5. UniCredit shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, consistent with applicable law, including but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board of Governors in connection with the investigations of whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of UniCredit and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means UniCredit will use its best efforts, as determined by the Board of Governors, to make available for interviews or testimony, as requested by the Board of Governors, present or former officers, directors, employees, agents and consultants of UniCredit, to the extent permitted by law. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the knowledge of UniCredit, may have material information regarding the matters under investigation.

## **Assessment of Civil Money Penalty**

6. The Board of Governors hereby assesses, jointly and severally, against

UniCredit S.p.A., UniCredit Bank AG, and Bank Austria a civil money penalty in the amount of \$157,770,000. The civil money penalty shall be remitted 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. 051000033, beneficiary, Board of Governors of the Federal Reserve System. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)). This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21.

### **Compliance with the Order**

7. Within 30 days after the end of each calendar quarter following the date of this Order, UniCredit shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof.

### **Approval and Implementation of Program**

8. (a) UniCredit shall submit the written program that is acceptable to the Reserve Bank within the time period set forth in paragraph 1 of this Order. An independent external party acceptable to the Reserve Bank shall be retained by UniCredit within the time period set forth in paragraph 2(b) of this Order. An engagement letter acceptable to the Reserve Bank shall be submitted within the time period set forth in paragraph 2(b) of this Order.

(b) Within 10 days of approval by the Reserve Bank of the program required by paragraph 1 of the Order, UniCredit shall adopt the approved program. Upon adoption, UniCredit shall promptly implement the approved program, and thereafter fully comply with it.

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

## Notices

9. All communications regarding this Order shall be sent to:
- (a) Thomas Dolan  
Institutional Supervision Manager  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
  - (b) Richard M. Ashton, Esq.  
Deputy General Counsel  
Patrick M. Bryan, Esq.  
Assistant General Counsel  
Board of Governors of the Federal Reserve System  
20th & C Street, N.W.  
Washington, D.C. 20551
  - (c) Gianpaolo Alessandro, Esq.  
Group General Counsel and Secretary of the Board  
UniCredit S.p.A.  
Piazza Gae Aulenti, 3 - Torre A  
20154 Milan  
Italy
  - (d) Andreas Früh, Esq.  
General Counsel  
UniCredit Bank AG  
Arabellastraße 14  
81925 Munich  
Germany
  - (e) Alexander Schall, Esq.  
General Counsel  
UniCredit Bank Austria AG  
Rothschildplatz 1  
1020 Vienna  
Austria

With a copy to:

- (f) Philip Urofsky, Esq.  
Sherman & Sterling LLP  
401 9th Street, NW  
Washington, DC 20004-2128
- (g) David DiBari, Esq.  
Clifford Chance US LLP  
2001 K Street, NW



Washington, DC 20006-1001

- (h) Jamie Boucher, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
1440 New York Avenue, NW  
Washington, DC 20005-2111

**Miscellaneous**

10. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its discretion, grant written extensions of time to UniCredit to comply with this Order.

11. The provisions of this Order shall be binding upon UniCredit and each of its 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.

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

13. Except as otherwise provided in this paragraph, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against UniCredit, and its affiliates, successors and assigns, with respect to the conduct described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect: (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of UniCredit.

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 UniCredit, any subsidiary thereof, or any of their current or former institution-affiliated parties and their successors and assigns.

By Order of the Board of Governors of the Federal Reserve System effective this

15th day of April, 2019.

UNICREDIT S.p.A.

BOARD OF GOVERNORS OF THE FEDERAL  
RESERVE SYSTEM

By:         /s/                                  
    Gianpaolo Alessandro  
    Group General Counsel &  
    Secretary of the Board  
    UniCredit S.p.A.

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

UNICREDIT BANK AG

By:         /s/                                  
    Andreas Früh  
    General Counsel  
    UniCredit Bank AG

UNICREDIT BANK AUSTRIA AG

By:         /s/                                  
    Alexander Schall  
    General Counsel  
    UniCredit Bank Austria AG