

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

In the Matter of

MASHREQBANK PSC
Dubai, United Arab Emirates

Docket No. 20-033-B-FB

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

WHEREAS, Mashreqbank PSC, Dubai, United Arab Emirates (“Mashreq” 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 conducts global banking operations;

WHEREAS, Mashreq maintains branches and subsidiaries in other countries, including a branch in the United States 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 Mashreq;

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

WHEREAS, 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 Mashreq 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, Mashreq has agreed to enter into settlement agreements with OFAC and NYSDFS;

WHEREAS Mashreq has conducted a review of U.S. dollar transactions, and is committed to compliance with U.S. law and enhancing its OFAC compliance program;

WHEREAS, this Order to Cease and Desist (the “Order”) is issued with respect to the following:

A. From at least 2005 through 2009, the Bank lacked adequate risk management supervision and oversight of its branches to ensure compliance with applicable OFAC Regulations; and

B. From at least 2005 through 2009, certain overseas branches of Mashreq, principally located in London, 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, to address the deficiencies described above, the Bank must implement improvements in its oversight and compliance program for activities involving the branches of Mashreq 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 Mashreq have common goals to ensure that Mashreq complies with United States laws, rules, and regulations that apply to the activities of the organization, and that Mashreq

fosters a strong commitment towards compliance;

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

WHEREAS, pursuant to delegated authority, the undersigned is authorized to enter into this Order on behalf of Mashreq and consent to compliance with each and every provision of this Order by Mashreq and to waive any and all rights that Mashreq 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) of the FDI Act (12 U.S.C. §§ 1818(b)(1) and (b)(4)), 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 Mashreq’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 Mashreq, including risks arising from transaction processing and correspondent banking activities conducted by or through Mashreq’s global operations;

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

(c) the establishment of an OFAC compliance reporting system that is widely publicized within the global organization and integrated into Mashreq'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 Mashreq'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, Mashreq shall conduct on an annual basis: (i) a review of OFAC compliance policies and procedures and their implementation for Mashreq'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, Mashreq 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, Mashreq 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. Mashreq shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of Mashreq or of any affiliate of Mashreq 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 by Mashreq in connection with the conduct described above, and (iii) has either separated from Mashreq or had his or her employment legally terminated.

5. Mashreq 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 Mashreq 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 Mashreq 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 Mashreq, 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 Mashreq, may have material information regarding the matters under investigation.

Compliance with the Order

6. Within 30 days after the end of each calendar quarter following the date of this Order, Mashreq 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

7. (a) Mashreq 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 Mashreq 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, Mashreq shall adopt the approved program. Upon adoption, Mashreq 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

8. All communications regarding this Order shall be sent to:
 - (a) Mario Rodas
Institutional Supervision Senior Associate
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
 - (b) Richard M. Ashton, Esq.
Deputy General Counsel
Jason A. Gonzalez, Esq.
Assistant General Counsel
Board of Governors of the Federal Reserve System
20th & C Street, N.W.
Washington, D.C. 20551
 - (c) Marouf Shweikeh
Group General Counsel
Mashreqbank psc
P.O. Box 1250
Dubai, United Arab Emirates

With a copy to:

- (d) George Kleinfeld
John-Patrick Powers
Clifford Chance US LLP
2001 K Street NW
Washington, DC 20006

Miscellaneous

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

10. The provisions of this Order shall be binding upon Mashreq 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.

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

