

see related press release

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

NEW YORK STATE BANKING DEPARTMENT  
NEW YORK, NEW YORK

_____	)	
Written Agreement by and among	)	
	)	
DEUTSCHE BANK TRUST COMPANY	)	Docket No. 05-025-WA/RB-SMB
AMERICAS	)	
New York, New York	)	
	)	
FEDERAL RESERVE BANK OF NEW YORK	)	
New York, New York	)	
	)	
and	)	
	)	
NEW YORK STATE BANKING DEPARTMENT	)	
New York, New York	)	
_____	)	

WHEREAS, Deutsche Bank Trust Company Americas, New York, New York, (the “Bank”), a New York state chartered bank that is a member of the Federal Reserve System, is taking steps to address deficiencies relating to its compliance with applicable federal and state laws, rules, and regulations relating to anti-money laundering (“AML”) policies and procedures, including the Currency and Foreign Transactions Reporting Act, 31 U.S.C. 5311 et seq., as amended by the USA PATRIOT Act of 2001 (the Bank Secrecy Act or the “BSA”); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Part 103); Regulation H of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. 208.62 and 208.63); and regulations of the New York State Banking Department (the “Department”) (3 N.Y.C.R.R. Part 300);

WHEREAS, the Bank provides significant correspondent banking services to both U.S. and non-U.S. banks, and also conducts a high volume of U.S. dollar funds transfer clearing for its respondent banks and examiners have identified compliance and risk management deficiencies at the Bank in these operational areas;

WHEREAS, the Bank is taking steps to enhance its due diligence and transaction monitoring policies and procedures relating to its correspondent banking and funds transfer clearing activities to ensure effective monitoring of the risks associated with these lines of business, including legal and reputational risks;

WHEREAS, it is the common goal of the Bank, the Federal Reserve Bank of New York (the "Reserve Bank") and the Department to ensure that the Bank continues to fully address the deficiencies in the Bank's AML policies and procedures, customer due diligence practices, risk management processes, and internal control environment related to the Bank's correspondent banking and funds transfer clearing activities; and

WHEREAS, on October 11, 2005, the board of directors, at a duly constituted meeting, adopted a resolution authorizing and directing Seth Waugh to enter into this Written Agreement (the "Agreement") on behalf of the Bank, and consenting to compliance by the Bank, and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, the Reserve Bank, and the Department hereby agree as follows:

## **Management Review**

1. (a) Within 120 days of this Agreement, the board of directors shall direct and oversee a review of the duties and responsibilities of the Bank's officers and the staffing required for an effective control environment for the correspondent banking and funds transfer clearing business lines. The primary purpose of the review shall be to enhance management's oversight of the Bank's BSA/AML compliance program in these business lines and to ensure that they are adequately staffed by qualified and trained personnel. The management review shall, at a minimum, address, consider, and include for its correspondent banking and funds transfer clearing business lines:

(i) An assessment of the effectiveness of the Bank's control infrastructure, corporate governance, organizational structure, and business line accountability, including reporting lines and duties to be performed by each officer; and

(ii) a plan to recruit, hire, or appoint, as necessary, additional officers and staff with the requisite ability, experience, and other qualifications to competently perform their assigned duties.

(b) The board of directors shall forward to the Reserve Bank and the Department a written report that includes findings and conclusions of its management review, and a description of specific actions that the board of directors proposes to take to strengthen the management and oversight of the Bank's correspondent banking and funds transfer clearing operations.

## **Anti-Money Laundering Compliance**

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department acceptable written revisions to the provisions of the Bank's BSA/AML program

that cover correspondent banking and funds transfer clearing activities. The provisions shall be updated on an on-going basis as necessary to incorporate amendments to the BSA and the rules and regulations issued thereunder. The revised provisions shall, at a minimum:

(a) Improve the Bank's system of internal controls for correspondent banking and funds transfer clearing activities to ensure compliance with all recordkeeping and reporting requirements;

(b) include controls designed to ensure compliance with all requirements relating to correspondent accounts for non-U.S. persons, including, but not limited to, the prohibition on correspondent accounts for foreign shell banks (31 C.F.R. 103.177), and special due diligence requirements for certain correspondent accounts (31 C.F.R. 103.181);

(c) provide for thorough assessment of legal and reputational risks associated with correspondent banking and funds transfer clearing activities, and for regular review of risk tolerance by appropriate members of senior management of the Bank; and

(d) provide for the documentation of due diligence performed for respondent banks.

### **Independent Testing**

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan for enhancing independent testing of AML compliance for the Bank's correspondent banking and funds transfer clearing activities. The plan, at a minimum, shall provide for and include:

(a) Procedures to assess and evaluate the correspondent banking and funds transfer clearing business lines':

- (i) compliance with the BSA, the rules and regulations issued thereunder, and all other applicable AML and suspicious activity reporting requirements;
  - (ii) adherence to industry sound practices relating to correspondent account due diligence;
  - (iii) implementation of and compliance with written AML policies and procedures;
  - (iv) training programs to ensure that appropriate personnel possess the requisite knowledge necessary to comply with the BSA; and
  - (v) ongoing compliance monitoring of operations and customer due diligence, including a schedule of compliance reviews to be performed in those areas;
- (b) the review of independent testing results by senior Bank management and escalation to the board of directors in appropriate circumstances;
  - (c) procedures to ensure that senior Bank management institute appropriate actions in response to the independent testing results; and
  - (d) procedures to ensure that independent testing results are communicated to the Reserve Bank and the Department on a regular basis and retained for subsequent supervisory review.

### **Training**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to provide effective training to all appropriate Bank personnel in the correspondent banking and funds transfer clearing operations areas (including, but not limited to, compliance, correspondent account relationship, funds transfer clearing operations, and customer contact personnel) in all aspects of regulatory and internal policies and

procedures related to the BSA and the identification and reporting of suspicious transactions, and to update the training on a regular basis to reasonably ensure that all personnel are trained in the most current legal requirements and in the Bank's AML risk management processes.

### **Suspicious Activity Reporting and Customer Due Diligence**

5. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written customer due diligence program designed to reasonably ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law against or involving the Bank and suspicious transactions at the Bank to law enforcement and supervisory authorities as required by the suspicious reporting provisions of Regulation H of the Board of Governors (12 C.F.R. 208.62) and 3 N.Y.C.R.R. 300.1. At a minimum, the program shall include:

- (a) A methodology for assigning risk levels to the Bank's customer base, including correspondent account holders;
- (b) a risk-focused assessment of the Bank's customer base to:
  - (i) identify the categories of customers whose transactions and banking activities are routine and usual; and
  - (ii) determine the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the Bank;
- (c) for correspondent accounts established, maintained, administered, or managed in the United States for a foreign financial institution, procedures that comport with industry sound practices that are set forth in available public guidance (e.g. the New York Clearing House Association LLC's "Guidance for Counter Money Laundering Policies and

Procedures in Correspondent Banking” (March 2002) and the Basel Committee on Banking Supervision’s “Customer Due Diligence for Banks” (October 2001)), and that include, but are not limited to:

(i) obtaining appropriate information about the respondent, its business operations, markets served, customer base, and its AML procedures, particularly with regard to its customer relationships that may present a heightened risk of money laundering; and

(ii) procedures designed to ensure that correspondent banking services provided by the Bank are reviewed and approved by appropriate levels of management, and are subject to appropriate on-going review;

(d) procedures designed to ensure proper identification and timely 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 funds transfer transactions conducted through the Bank’s clearing operations, consistent with industry sound practices;

(ii) procedures for reviewing potentially suspicious activity, such as patterns of large U.S. dollar transactions through high risk jurisdictions, and funds transfers where transaction volumes and amounts appear inconsistent with any valid business purpose or where information on transactors, including shell corporations and other entities, is unavailable or apparently inaccurate;

(iii) appropriate participation by Bank senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;

(iv) adequate referral of information about potentially suspicious activity through appropriate levels of Bank management, including a policy for determining action to be taken in the event of multiple filings of Suspicious Activity Reports on the same customer or where a customer fails to provide necessary due diligence information; and

(v) maintenance of sufficient documentation by the Bank with respect to its investigation and analysis of suspicious activity, including the resolution and escalation of concerns; and

(e) procedures for determining whether the closure of an account is warranted; effecting an account closure in a timely manner; and documenting such decision.

### **Transaction Monitoring System**

6. (a) Within 45 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan, including target dates, for the full installation, testing, and activation of the Bank's proposed new transaction monitoring system. The plan shall also include a methodology and target date for determining that the transaction monitoring system is deemed effective.

(b) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department acceptable policies and procedures for the monitoring of customer accounts and transactions, including funds transfers conducted through the Bank's clearing operations, that are designed to effectively manage the associated legal and reputational risks and ensure compliance with regulatory requirements. The acceptable policies and procedures shall take effect upon the determination by internal audit or another competent independent party that the new transaction monitoring system has been deemed effective.

## **Interim Transaction Monitoring Procedures**

7. Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department acceptable written interim transaction monitoring procedures that shall remain in effect until the new transaction monitoring system is deemed effective by internal audit or another competent independent party. These interim procedures shall be designed to monitor the Bank's transactions so that it can comply with the suspicious activity reporting requirements of Regulation H of the Board of Governors (12 C.F.R. 208.62) and 3 N.Y.C.R.R. Part 300.1.

## **Transaction Review**

8. (a) Within 20 days of this Agreement, the Bank shall engage a qualified independent firm (the "Consultant") acceptable to the Reserve Bank and the Department to conduct a review of account and transaction activity for the time period beginning no later than July 1, 2003 through present to determine whether suspicious activity involving accounts or transactions at, by or through the Bank was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the "Review").

(b) Within 30 days of this Agreement, but prior to the commencement of the Review, the Bank shall submit to the Reserve Bank and the Department for approval an engagement letter that sets forth:

- (i) the scope of the Review, including the types of accounts and transactions to be reviewed;
- (ii) the methodology for conducting the Review, including any sampling procedures to be followed;
- (iii) the expertise and resources to be dedicated to the Review; and
- (iv) the anticipated date of completion of the Review.

(c) Upon completion of the Review, the Bank shall provide to the Reserve Bank and the Department a copy of the Consultant's report detailing the findings of the Review immediately after the report is received by the Bank.

(d) Throughout the Review, the Bank shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

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

9. (a) The Bank shall submit written programs, plans, policies, procedures, and an engagement letter that are acceptable to the Reserve Bank and the Department within the applicable time periods set forth paragraphs 2, 3, 4, 5, 6, 7, and 8(a) of this Agreement. An independent consultant acceptable to the Reserve Bank and the Department shall be retained by the Bank within the time period set forth in paragraph 8(a) of this Agreement. The Bank shall adopt the approved programs, plans, policies, procedures, and engagement letter within 10 days of approval by the Reserve Bank and the Department. During the term of this Agreement, the approved programs, plans, policies, procedures, and engagement letter shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

(b) Upon notice of the Reserve Bank's and the Department's approval, the Bank shall immediately implement the approved programs, plans, policies, and procedures and thereafter fully comply with them.

10. Within 10 days after the end of each month following the date of this Agreement, the Bank shall submit to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement, and the results thereof. Management's responses to any audit reports covering the

Bank's BSA/AML matters prepared by internal and external auditors shall be included with the progress report. The Reserve Bank and the Department may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

#### **Notices**

11. All communications regarding this Agreement shall be sent to:

- (a) Ms. Sarah J. Dahlgren  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045
- (b) Mr. Michael J. Lesser  
Deputy Superintendent  
New York State Banking Department  
One State Street  
New York, NY 10004
- (c) Mr. Seth Waugh  
Chairman, President and CEO  
Deutsche Bank Trust Company Americas  
60 Wall Street  
New York, New York 10005

#### **Miscellaneous**

12. The applicable provisions of this Agreement shall be binding on the Bank, and each of its institution-affiliated parties in their capacities as such, and their successors and assigns.

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

14. Notwithstanding any provision of this Agreement, the Reserve Bank and the Department may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

15. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department or any federal or state agency from taking any further or other action affecting the Bank, or any of its current or former institution-affiliated parties or their successors or assigns.

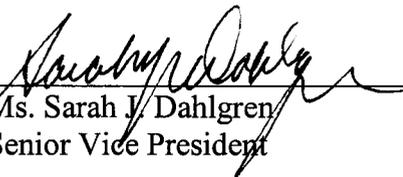
16. This Agreement is a “written agreement” for the purposes of, and is enforceable by the Board of Governors as an order issued under Section 8 of the Federal Deposit Insurance Act and by the Department pursuant to Section 39 of the New York State Banking Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 12 day of October, 2005.

DEUTSCHE BANK TRUST  
COMPANY AMERICAS

By: 

FEDERAL RESERVE BANK OF  
NEW YORK

By:   
Ms. Sarah J. Dahlgren  
Senior Vice President

NEW YORK STATE BANKING  
DEPARTMENT

By:   
Mr. Michael Lesser  
Deputy Superintendent