

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

In the Matter of

COMMERZBANK AG
Frankfurt am Main, Germany

COMMERZBANK AG
NEW YORK BRANCH
New York, New York

Docket Nos. 13-027-B-FB
13-027-B-FBR

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

WHEREAS, Commerzbank AG, Frankfurt am Main, Germany (“Commerzbank AG”) is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7));

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

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal banking agency supervisor of Commerzbank AG and the Branch;

WHEREAS, effective June 8, 2012, Commerzbank AG and the Branch entered into a Written Agreement (the “Written Agreement”) with the Federal Reserve Bank of New York (the “Reserve Bank”) that required the Branch to improve compliance with applicable federal and state laws, rules, and regulations relating to anti-money laundering (“AML”) policies and procedures, 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 Treasury (31 C.F.R. Chapter X) and the

requirements of Regulation K of the Board of Governors to report suspicious activity and maintain an adequate BSA/AML compliance program (12 C.F.R. §§ 211.24(f) and (j) (collectively, the “BSA/AML Requirements”) regarding their bulk cash transactions business line;

WHEREAS, Commerzbank AG and the Branch are continuing to take steps to comply with the Written Agreement;

WHEREAS, following the execution of the Written Agreement, the Reserve Bank conducted an examination that reviewed and assessed the effectiveness of the Branch’s BSA/AML compliance program in other business lines and found that the Branch failed to maintain appropriate and adequate internal controls for its correspondent banking business, including the failure to maintain an adequate risk-based compliance program to mitigate BSA/AML risks associated with the Branch’s foreign correspondent accounts;

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

WHEREAS, pursuant to delegated authority, Udo Braun is authorized to enter into this Consent Order to Cease and Desist (the “Order”) on behalf of Commerzbank AG, and Dereck Rock and Carsten Schmitt are authorized to enter into this Order on behalf of the Branch, and, respectively, consent to compliance with each and every applicable provision of this Order by Commerzbank AG, the Branch, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1813(u) and 1818(b)(4)) (the “FDI Act”), and to waive any and all rights that Commerzbank AG and the Branch 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 without this Order constituting an admission or denial by Commerzbank AG and the Branch of any allegation made or implied by the Board of Governors in connection with this matter, 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 section 8(b)(1) and (4) of the FDI Act (12 U.S.C. §§ 1818(b)(1) and 1818(b)(4)), that:

Corporate Governance and Management Oversight

1. Within 60 days of this Order, Commerzbank AG's Managing Board of Directors and Branch management shall jointly submit to the Reserve Bank an acceptable written plan to enhance management's oversight of the Branch's compliance with the BSA/AML Requirements (the "Management Oversight Plan"). The Management Oversight Plan shall provide for a sustainable governance framework that, at a minimum, addresses, considers, and includes:

(a) Actions the Managing Board of Directors will take to maintain effective control over, and supervision of, Branch management's compliance with the BSA/AML Requirements;

(b) measures to ensure that Commerzbank AG and Branch management maintain ongoing, effective oversight of all actions taken by the Branch to correct deficiencies regarding compliance with the BSA/AML Requirements;

(c) policies to ensure that BSA/AML compliance has the appropriate status within the organization and to instill a proactive approach throughout the organization in identifying, communicating, and managing BSA/AML compliance risks;

(d) clearly defined roles, responsibilities, and accountability, regarding compliance with the BSA/AML Requirements, for Commerzbank AG and the Branch's respective management, BSA/AML compliance personnel, and internal audit staff;

(e) measures to ensure BSA/AML issues are appropriately escalated to the Branch's senior management;

(f) measures to ensure that the persons or groups at Commerzbank AG 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) adequate resources to ensure the Branch's compliance with this Order and the BSA/AML Requirements.

BSA/AML Compliance Program Review

2. Within 30 days of this Order, Commerzbank AG and the Branch shall retain an independent consultant (the "Compliance Review Consultant") acceptable to the Reserve Bank to conduct an independent review of the Branch's compliance with the BSA/AML Requirements (the "Compliance Review"), and to prepare a written report of findings, conclusions, and recommendations (the "Compliance Report").

3. Within 10 days of the engagement of the Compliance Review Consultant, but prior to the commencement of the Compliance Review, Commerzbank AG and the Branch shall

jointly submit to the Reserve Bank for approval an engagement letter that provides, at a minimum, for the Compliance Review Consultant to:

- (a) Conduct a comprehensive assessment of the Branch's BSA/AML compliance program, policies, and procedures;
- (b) assist the Branch in developing the programs required pursuant to paragraphs 4, 5, and 6 of this Order;
- (c) submit the Compliance Report within 60 days of the date that the Reserve Bank accepts the terms of the engagement letter and to provide a copy of the Compliance Report to the Reserve Bank at the same time that it is provided to Commerzbank AG and the Branch; and
- (d) commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the review will be made available to the Reserve Bank upon request.

BSA/AML Compliance Program

4. Within 60 days of submission of the Compliance Report, Commerzbank AG and the Branch shall jointly submit to the Reserve Bank an acceptable enhanced written BSA/AML compliance program. The program shall include provisions for updates on an ongoing basis as necessary to incorporate amendments to the BSA and the rules and regulations issued thereunder. The enhanced program shall, at a minimum, include:

- (a) A system of internal controls designed to ensure ongoing compliance with the BSA/AML Requirements;
- (b) adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, and periodic re-evaluation of resources and staffing needs;

(c) controls designed to ensure compliance with all requirements relating to correspondent accounts for foreign financial institutions;

(d) procedures to require documentation of exceptions to approved BSA/AML compliance policies and procedures and reporting of exceptions to senior management; and

(e) effective training for all appropriate Branch personnel, and appropriate personnel of affiliates that perform BSA/AML compliance-related functions for the Branch, in all aspects of the BSA/AML Requirements and internal policies and procedures.

Customer Due Diligence

5. Within 60 days of submission of the Compliance Report, Commerzbank AG and the Branch shall jointly submit to the Reserve Bank an acceptable enhanced customer due diligence program for the Branch. 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;

(b) a plan, with timelines, to remediate deficient due diligence for existing customer accounts;

(c) measures to ensure that customer due diligence functions that are outsourced to affiliates of the Branch are performed to comply with the BSA/AML Requirements;

(d) a revised customer risk ranking methodology for assigning risk ratings to the Branch's customer base, including foreign correspondent account holders, that considers factors such as type of customer, type of product or service, geographic location, and anticipated account activity;

- (e) a periodic quality assurance review to validate client risk assessments;
- (f) policies, procedures, and controls to ensure that foreign correspondent accounts are accorded the appropriate due diligence, and where necessary, enhanced due diligence; and
- (g) management oversight to ensure that heightened risk factors are identified, assessed, and adequately documented during the due diligence process.

Suspicious Activity Reporting

6. Within 60 days of submission of the Compliance Report, Commerzbank AG and the Branch shall jointly submit to the Reserve Bank an acceptable enhanced written program to reasonably 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. At a minimum, the program shall address, consider, and include:

- (a) A well-documented methodology for establishing monitoring rules and thresholds;
- (b) 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 such as international payment messages and retail based activities;
 - (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; and

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

Transaction Review

7. (a) Within 30 days of this Order, Commerzbank AG and the Branch shall jointly engage a qualified independent consultant, acceptable to the Reserve Bank, to conduct a review of U.S. dollar clearing transactions from May 1, 2012 through October 31, 2012 to determine whether suspicious activity involving accounts or transactions at, by, or through the Branch was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the “Transaction Review”) and to prepare a written report detailing the findings (the “Transaction Review Report”).

(b) Based on the Reserve Bank’s evaluation of the results of the Transaction Review, the Reserve Bank may direct the Bank to engage the independent consultant to conduct a review of the types of transactions described in paragraph 7(a) for additional time periods.

8. Within 10 days of the engagement of the independent consultant, but prior to the commencement of the Transaction Review, Commerzbank AG and the Branch shall jointly submit to the Reserve Bank for approval an engagement letter that sets forth:

(a) The scope of the Transaction Review, including the types of accounts and transactions to be reviewed;

(b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

- (c) the expertise and resources to be dedicated to the Transaction Review;
- (d) the anticipated date of completion of the Transaction Review and the Transaction Review Report; and
- (e) a commitment that supporting material associated with the Transaction Review will be made available to the Reserve Bank upon request.

9. Commerzbank AG and the Branch shall provide to the Reserve Bank a copy of the Transaction Review Report at the same time that the report is provided to Commerzbank AG and the Branch.

10. Throughout the Transaction Review, Commerzbank AG and the Branch 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

11. (a) Commerzbank AG 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. Independent consultants acceptable to the Reserve Bank shall be retained by Commerzbank AG and the Branch within the periods set forth in paragraphs 2 and 7 of this Order. Engagement letters acceptable to the Reserve Bank shall be submitted within the time period set forth in paragraphs 3 and 8 of this Order.

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

(c) During the term of this Order, the approved plan, programs, and

engagement letters shall not be amended or rescinded without the prior written approval of the Reserve Bank.

12. Within 30 days after the end of each calendar quarter following the date of this Order, Commerzbank AG 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 the provisions of this Order and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

13. All communications regarding this Order shall be sent to:
- (a) Ms. Patricia Meadow
Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
 - (b) Udo Braun
Global Head of Compliance
Commerzbank AG
Kaiserplatz
Frankfurt am Main, Germany
 - (c) Derek Rock
Chief Executive Officer of Commerzbank North America
Commerzbank AG
New York Branch
2 World Financial Center
New York, NY 10281
 - (d) Carsten Schmitt
General Manager and Chief Operating Officer of
Commerzbank North America
Commerzbank AG
New York Branch
2 World Financial Center
New York, NY 10281

Miscellaneous

14. The provisions of this Order shall be binding on Commerzbank AG, the Branch, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

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

16. Notwithstanding any provision of this Order, the Reserve Bank may, in their sole discretion, grant written extensions of time to Commerzbank AG and the Branch to comply with any provision of this Order.

17. This Order does not supersede the 2012 Written Agreement.

18. 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 further or other action affecting Commerzbank AG, the Branch, or any of their current or former institution-affiliated parties or their successors or assigns.

By Order of the Board of Governors of the Federal Reserve System effective this 16th day of October, 2013.

COMMERZBANK AG

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Udo Braun
Udo Braun
Global Head of Compliance

By: /s/ Robert deV. Frierson
Robert deV. Frierson
Secretary of the Board

COMMERZBANK AG
NEW YORK BRANCH

By: /s/ Dereck Rock
Dereck Rock
Chief Executive Officer

/s/ Carsten Schmitt
Carsten Schmitt
General Manager and COO