

UNITED STATES OF AMERICA

BEFORE

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

and

THE NEW YORK STATE BANKING DEPARTMENT

Written Agreement By and Among	)	
	)	Docket No. 00-020-WA/RB-FHC
CAISSE NATIONALE DE	)	00-020-WA/RB-FB
CREDIT AGRICOLE	)	00-020-WA/RB-FBR
Paris, France	)	
	)	
CREDIT AGRICOLE INDOSUEZ	)	
Paris, France	)	
	)	
CREDIT AGRICOLE INDOSUEZ	)	
NEW YORK BRANCH	)	
New York, NY	)	
	)	
FEDERAL RESERVE BANK OF NEW YORK	)	
New York, New York	)	
	)	
NEW YORK STATE BANKING DEPARTMENT	)	
New York, New York	)	
	)	

WHEREAS, Caisse Nationale de Credit Agricole, Paris, France (“CNCA”), Credit Agricole Indosuez, Paris, France (the “Bank”), and the Bank’s branch in New York, New York (the “New York Branch”) (collectively, “Credit Agricole”) are taking steps to enhance and improve the New York Branch’s internal control, risk management, compliance, audit, and regulatory reporting functions, and its management; and it is the common goal of the Federal Reserve Bank of New York (the “Reserve Bank”), the New York State Banking Department (the “Department”), and Credit Agricole to continue these measures, as well as to ensure the New York Branch’s accurate reporting and compliance with all applicable federal and state laws and regulations;

WHEREAS, to accomplish these goals, the Bank and the new management of the New York Branch, with the full support and assistance of CNCA, working in cooperation with the Reserve Bank and the Department, have adopted, and made progress toward implementing, a detailed corrective action plan and are committed to assuring the availability of the resources necessary for full implementation of the plan; and

WHEREAS, on November 8 and 15, 2000, respectively, the executive committee of CNCA and the supervisory board of the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Jean Laurent, Chief Executive Officer of CNCA, and Marc-Antoine Autheman, Chairman of the Bank, to enter into this Written Agreement (the "Agreement") and consenting to compliance by CNCA and the Bank with each and every provision of this Agreement; and, on November 27, 2000, Didier Varlet, Senior Regional Officer – North America, agreed to the foregoing on behalf of the New York Branch.

NOW, THEREFORE, the Reserve Bank, the Department, CNCA, the Bank and the New York Branch agree as follows:

### **Comprehensive Audit and Review**

1. (a) Within 30 days of this Agreement, Credit Agricole shall engage a qualified independent public accounting, management consulting, or law firm(s) acceptable to the Reserve Bank and the Department (the "Independent Firm") to conduct a comprehensive audit and review of the New York Branch's operations and to assist in the development of new policies and procedures designed to ensure that the New York Branch conducts its activities in a safe and sound manner and complies with all applicable federal and state laws and regulations, as well as to issue the report and make the attestations required by Part 5 of the General Regulations of the Banking Board of New York. The comprehensive audit and review shall address, at a minimum, deficiencies in the New York Branch's internal controls, risk management, compliance, accounting, audit, regulatory reporting, and management supervision identified in the most recent report of examination of the New York Branch (the "Report of Examination"), and shall include:

(i) An analysis of all transactions of the New York Branch's international structured finance division ("SFI") that were open as of September 30, 2000; a random sample of at least 15 SFI transactions closed between January 1, 1997 and September 30, 2000; and all SFI transactions that were assigned or novated by the New York Branch between January 1, 1999 and September 30, 2000. For each SFI transaction reviewed, the analysis shall include: (A) the identity of the parties; (B) the business objective of each party; (C) whether a sufficient analysis of credit, market, liquidity, operational, legal, and reputational risks was prepared; (D) whether the transaction was reported in accordance with Call Report instructions and, if not, a detailed description of the differences for each SFI transaction and the aggregate difference for each quarterly period (where appropriate, the review shall provide independent market valuations for the SFI transactions); (E) who at Credit Agricole approved the transaction and when; and (F) whether a broker or other intermediary was involved, and if so: (1) the amount of the intermediary's fee; (2) how the fee was calculated; (3) the payee's name and address; (4) when the fee was paid; (5) how the fee was paid; (6) how the fee was recorded in the Bank's and New York Branch's books and records; and (7) who at Credit Agricole authorized payment of the fee.

(ii) An analysis of any transfers of all or any part of the Bank's and the New York Branch's SFI business (including, without limitation, transactions, employees,

contractual rights and obligations, client contacts, and documents), directly or indirectly, to any person(s) or entity(ies), whether or not affiliated with Credit Agricole (the "SFI Transferees"). The analysis shall cover, at a minimum, the terms of any such transfer, the reasons for the transfer, all past and continuing affiliations and connections between the SFI Transferees and their affiliates and the Bank and the New York Branch, and whether the business dealings between the SFI Transferees and the Bank and the New York Branch were conducted on an arms-length basis.

(iii) An analysis of the extent to which the improper reporting of income, loss, assets and/or liabilities with respect to the SFI business has necessitated either restatements of the Bank's and the New York Branch's earnings or restatements of periodic reports by the Bank and the New York Branch to the Reserve Bank, the Board of Governors or the Department.

(b) (i) Credit Agricole shall provide the Independent Firm complete access to all employees, books, records, legal and financial documentation, and communications (including e-mails).

(ii) Upon request by the Independent Firm, Credit Agricole shall use its best efforts to obtain and provide any relevant information or records from the SFI Transferees and their affiliates.

(iii) If unavailability of information and records from the SFI Transferees or their affiliates prevents the Independent Firm from conducting any aspect of the audit and review required by this Agreement, the Bank shall promptly advise the Reserve Bank and the Department.

(c) (i) Pursuant to Part 5 of the General Regulations of the Banking Board of New York State, the Independent Firm shall (A) issue a report on the New York Branch's balance sheet and accompanying disclosures, which shall include off-balance sheet amounts and assets held on behalf of others as of September 30, 2000, and (B) attest to the New York Branch's management's assertions regarding the effectiveness of the New York Branch's internal control structure over financial reporting, based on reasonable criteria established by the Bank. The report and attestation shall comply with the standards set forth in sections 5.3(a)(1) and (2) of Part 5, respectively. Coincident with reports issued pursuant to sections 5.3(a)(1) and (2), the New York Branch's management shall assert its compliance with applicable laws and regulations in accordance with the requirements of section 5.5 of Part 5 of the General Regulations. The report, the attestation, and management's assertions shall be issued to the Department, the Chairman of the Bank and the chief auditors for the Bank and CNCA, with a copy to be delivered to the Reserve Bank.

(ii) Pursuant to section 5.3(e) of the General Regulations of the Banking Board of New York State, the Independent Firm shall provide formal management letters containing findings and recommendations to improve financial internal controls and shall include management's response to each recommendation. Copies of the Independent Firm's

management letters, along with management's response, shall be provided to the Department and the Reserve Bank.

(d) Within 15 days of the retention of the Independent Firm, the Bank shall submit to the Reserve Bank and the Department an acceptable engagement letter that delineates the scope of the comprehensive audit and review and the Part 5 compliance procedures. The engagement letter shall provide (i) that the Independent Firm will exercise its best efforts to complete the comprehensive audit and review within six months, and (ii) that a copy of the Independent Firm's written report of its findings and recommendations will be provided to the Reserve Bank and the Department at the same time that it is provided to Credit Agricole.

### **Interim Policies and Procedures**

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department acceptable interim policies and procedures designed to improve internal controls, risk management, compliance, audit, and regulatory reporting at the New York Branch. At a minimum, the interim policies and procedures shall address the deficiencies noted in the Report of Examination, and shall include steps to ensure full compliance with all applicable federal and state laws and regulations.

#### *Internal Controls*

(a) The interim policies and procedures shall include steps to, at a minimum:

(i) strengthen internal accounting and recordkeeping functions, including recording all transactions according to either (A) U.S. generally accepted accounting principles ("GAAP") or (B) generally accepted French accounting standards, provided that the New York Branch maintains workpapers identifying the French accounting standards applied and showing a reconciliation between such standards and GAAP;

(ii) maintain appropriate segregation of duties, including, without limitation, duties that involve accounting procedures and risk-related decision-making;

(iii) enhance management information systems to ensure that appropriate management personnel receive timely and accurate reports necessary to effectively manage business risks and correct weaknesses and deficiencies;

(iv) establish enhanced internal operational and financial controls, loan underwriting standards and internal credit grading procedures;

(v) ensure proper handling of dormant accounts, and the processing and reconciliation of transactions through "wash" or suspense accounts;

(vi) ensure the adequacy of controls, including the maintenance of proper support documentation, for consulting fees and commission payments, for disclosure of related party transactions, and for novation fees;

(vii) ensure prompt translation and distribution of foreign language communications, instructions, and audit reports to appropriate New York Branch personnel; and

(viii) monitor compliance by New York Branch personnel with all instructions and directives of the Bank's head office.

### *Risk Management*

(b) The interim policies and procedures shall include steps to, at a minimum:

(i) effectively manage risk for all transactions, including enhanced procedures for oversight and control of credit, market, liquidity, operational, legal, and reputational risks;

(ii) ensure that the appropriate staff at the New York Branch are involved in risk decisions, and that all transactions are reviewed by appropriate credit and accounting personnel;

(iii) correct all risk management deficiencies identified in the Report of Examination;

(iv) centralize and enhance credit risk management, and ensure complete and accurate credit analysis documentation; and

(v) increase the effectiveness of current means of valuing trading positions, including systems to capture and report credit and market exposures, line approval and allocation, excess reporting, and margin/collateral requirements, and procedures to calculate and approve limits, exposures, and line approvals.

### *Compliance*

(c) The interim policies and procedures shall include a written compliance program that is designed to ensure the New York Branch's compliance with all applicable federal and state banking laws, regulations, and supervisory requirements and that includes, at a minimum, comprehensive compliance policies and procedures, a plan for monitoring and testing compliance, a process for escalating or resolving outstanding issues, workpaper documentation standards, and a compliance training program for New York Branch management and staff.

### *Audit*

(d) The interim policies and procedures shall include a written internal audit program for the New York Branch that provides, at a minimum:

(i) procedures consistent with the Institute for Internal Auditors' Standards for the Professional Practice of Internal Auditing;

- (ii) procedures designed to ensure the independence of the New York Branch's audit function, including appropriate escalation protocols;
- (iii) risk assessments to ensure that ongoing internal audits of critical or high-risk areas are performed with reasonable frequency and depth, and that the adequacy, effectiveness, and efficiency of the internal control environment of each function is reviewed;
- (iv) procedures for the submission of formal written reports directly to the chief auditor and the audit committee of the Bank;
- (v) procedures to ensure that all audit reports are provided in English to the appropriate persons;
- (vi) procedures for management to respond promptly and completely to audit findings, including status reports on the implementation of corrective actions;
- (vii) a requirement that the Bank's audit committee meet at least annually to discuss the prior year's internal audit activities and to review the New York Branch's proposed audit program for the following year to ensure that it is revised in a timely and effective manner to reflect changes in the organizational and business environment, including the adoption of evolving industry best practices; and
- (viii) guidelines and the designation of resources to ensure that internal audits are completed effectively and as scheduled.

#### *Regulatory Reporting*

- (e) (i) The interim policies and procedures shall contain steps to ensure that accurate and complete regulatory reports are timely filed with the Board of Governors, the Reserve Bank and the Department, including, without limitation, corrective steps to ensure that all regulatory reports filed by the Bank and the New York Branch with the Board of Governors, the Reserve Bank and the Department accurately reflect the filing entity's financial condition on the dates for which such reports are filed, and that all records indicating how such reports are prepared are adequately maintained for subsequent supervisory review; and
- (ii) Within 60 days of receipt of the Independent Firm's report of its comprehensive audit and review, the New York Branch shall, as required, refile the call reports FFIEC-002 for the six quarters preceding and including September 30, 2000.

#### **Permanent Policies and Procedures**

3. Within 60 days of receipt of the Independent Firm's report of its comprehensive audit and review, the Bank shall (a) review the interim policies and procedures required by this Agreement to determine whether they adequately address the findings and recommendations of the Independent Firm's comprehensive audit and review; (b) make any appropriate, necessary

modifications to the interim policies and procedures; and (c) submit to the Reserve Bank and the Department acceptable permanent policies and procedures.

### **Management Review**

4. Within 60 days of this Agreement, CNCA and the Bank shall jointly provide the Reserve Bank and the Department with a written analysis of all key personnel and official positions at the New York Branch. This analysis shall focus on the New York Branch's organizational structure, including reporting lines, duties performed by key personnel, including signatory authorities delegated to such individuals, and each person's qualifications for the position held.

### **Approval of Policies and Procedures**

5. The engagement letter and the policies and procedures required by paragraphs 1(d), 2 and 3 hereof shall be submitted to the Reserve Bank and the Department for review and approval. An acceptable engagement letter and acceptable policies and procedures shall be submitted within the time periods set forth in this Agreement. CNCA, the Bank and the New York Branch, as applicable, shall adopt the approved engagement letter and policies and procedures within 10 days of approval by the Reserve Bank and the Department, and then shall fully comply with them. During the term of this Agreement, the approved engagement letter and policies and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

### **Progress Reports**

6. Within 15 days after the end of each calendar quarter (December 31, March 31, June 30, and September 30) following the date of this Agreement, the Bank, on its own behalf and on behalf of CNCA and the New York Branch, shall furnish a written progress report detailing the form and manner of all actions taken to secure compliance with this Agreement, and the results thereof.

### **Communications**

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

- (a) Mr. Robert A. O'Sullivan  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045

- (b) Mr. Michael P. Hess  
Assistant Deputy Superintendent  
New York State Banking Department  
Two Rector Street  
New York, NY 10006
- (c) Mr. Didier Varlet  
Senior Regional Officer – North America  
Credit Agricole Indosuez, New York Branch  
666 Third Avenue  
New York, NY 10017-4011
- (d) Mr. Marc-Antoine Autheman  
Chairman, Board of Management  
Credit Agricole Indosuez  
9 Quai du President Paul Doumer  
Paris, La Defense 92920, France
- (e) Mr. Jean Laurent  
Chief Executive Officer  
Caisse Nationale de Credit Agricole  
91-93 Boulevard Pasteur  
75710 Paris CEDEX 15  
France

### **Miscellaneous**

8. The provisions of this Agreement shall be binding on CNCA, the Bank, and the New York Branch, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

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

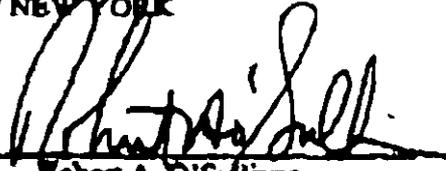
10. Notwithstanding any provision of this Agreement, the Reserve Bank and the Department may, in their discretion, grant written extensions of time to Credit Agricole to comply with any provision of this Agreement.

11. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Department or any federal or state agency or department from taking any other action affecting CNCA, the Bank, the New York Branch, or any of their current or former institution-affiliated parties.

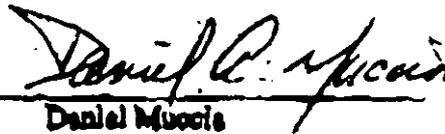
12. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the Federal Deposit Insurance Act, and pursuant to section 39 of the New York State Banking Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 30<sup>th</sup> day of NOVEMBER, 2000.

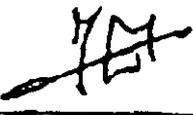
FEDERAL RESERVE BANK  
OF NEW YORK

By:   
Robert A. O'Sullivan  
Senior Vice President

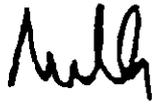
NEW YORK STATE BANKING  
DEPARTMENT

By:   
Daniel Mucci  
First Deputy Superintendent

CAISSE NATIONALE DE CREDIT  
AGRICOLE

By:   
Jean Laurent  
Chief Executive Officer

CREDIT AGRICOLE INDOSUEZ

By:   
Marc-Antoine Aubertin  
Chairman, Board of Management

CREDIT AGRICOLE INDOSUEZ  
NEW YORK BRANCH

By:   
Didier Varet  
Senior Regional Officer - North America