

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

In the Matter of

SOCIÉTÉ GÉNÉRALE S.A.
Paris, France

Docket No. 18-031-B-FB
18-031-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, Société Générale S.A., Paris, France (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 operations in the United States through its New York, New York branch (the “Branch”) and other entities;

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

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

WHEREAS, the United States Department of Justice (“DOJ”), the District Attorney for the County of New York (“DANY”), the Office of Foreign Assets Control of the United States Department of Treasury (“OFAC”), the New York State Department of Financial Services

(“NYSDFS”), and the Board of Governors have been conducting investigations into the practices of the Bank 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 pursuant to 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. App. §§ 5 and 16, both of which regimes are administered by OFAC (collectively, the “OFAC Regulations”);

WHEREAS, in order to resolve the investigations, the Bank has agreed to enter into settlement agreements with DOJ, DANY, OFAC, and NYSDFS;

WHEREAS, the Bank 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. The Bank lacked adequate transparency, risk management, and legal and compliance review policies and procedures to ensure that activities conducted at offices outside of the United States, primarily through the firm’s Corporate and Investment Banking operations, complied with applicable OFAC Regulations; and

B. From at least 2007 to 2012, among other things, certain overseas offices of the Bank, principally in Paris, France, processed certain U.S. dollar-denominated funds transfers through the Branch and through unaffiliated U.S. financial institutions involving parties subject to OFAC Regulations that did not contain relevant information within the payment messages necessary for the U.S. financial institutions to determine whether these transactions were carried out in a manner consistent with U.S. law, which resulted in 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 the Bank under section 8(i)(2)(B) of the Federal Deposit Insurance Act, as amended (“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 the Bank and its subsidiaries 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 sanctions;

WHEREAS, the Board of Governors, the Federal Reserve Bank of New York (“Reserve Bank”), and the Bank have common goals to ensure that the Bank complies with United States laws, rules, and regulations that apply to the activities of the organization, and that the Bank fosters a strong commitment towards compliance;

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

WHEREAS, the Autorité de contrôle prudentiel et de résolution (“ACPR”), as the home country conduct supervisor of the Bank, has agreed to assist the Board of Governors in accordance with the Joint Statement of the French and U.S. banking supervisors dated May 19, 2004; and

WHEREAS, pursuant to delegated authority, Dominique Bourrinet, Group General Counsel, is authorized to enter into this Order on behalf of the Bank and consent to compliance with each and every provision of this Order by the Bank and to waive any and all rights that the Bank 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 the Bank's global business lines, including, but not limited to, the Branch ("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 the Bank's offices and subsidiaries, including risks arising from transaction processing and trade finance activities conducted by or through the Bank's global operations;

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

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

5. The Bank shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, 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 the Bank and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, cooperation and substantial assistance as used in this Order means the Bank 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 the Bank, 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 the Bank, may have material information

regarding the matters under investigation.

Assessment of Civil Money Penalty

6. The Board of Governors hereby assesses the Bank a civil money penalty in the amount of \$81,265,000. 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, the Bank 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) The Bank 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 third party acceptable to the Reserve Bank shall be retained by the Bank 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, the Bank shall adopt the approved program. Upon adoption, the Bank 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) Marilyn Arbuthnott
Vice President, Large and Foreign Banking Operations
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
 - (b) Richard M. Ashton
Deputy General Counsel
Board of Governors of the Federal Reserve System
Washington, D.C. 20551
 - (c) Edouard Malo Henry
Société Générale
CPLE
TOURS SOCIÉTÉ GÉNÉRALE
Etage A30 Bureau 365
189 Rue d'Aubervilliers
75886 PARIS CEDEX 18
France
 - (d) 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 the Bank to comply with this Order.

11. The provisions of this Order shall be binding upon the Bank 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. 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 the Bank, 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 19th day of November, 2018.

SOCIÉTÉ GÉNÉRALE S.A.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: _____ /s/
Dominique Bourrinet
Group General Counsel

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