

{{11-30-04 p.C-5262}}

¶11,863A] **In the Matter of State Bank of India, Mumbai, India**, Docket No. 01-127b and 01-128k (11-13-01).

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent had engaged in unsafe and unsound practices. Further a number of deficiencies and violations of law have been identified in the Bank's U.S. operations. Respondent agrees to pay civil money penalty assessed jointly by the Board of Governors and the FDIC in the amount of \$3,750,000. (*This order was terminated by order of the FDIC dated 10-13-04; see ¶16,397.*)

[.1] Bank Operations—Compliance Laws and Regulations—Comprehensive Review Required

[.2] Transactions—Transfer of Funds Outside the U.S. Restricted

[.3] Escrow Accounts—Provide Appropriate Documentation

[.4] [.17] Transactions—Restricted

[.5] Bank Offices—New Openings Restricted

[.6] Management—Qualifications Specified

[.7] Bank Operations—Internal Routine and Control Procedures—Establish

[.8] Audit—Program Required

[.9] Bank Secrecy Act—Compliance

[.10] Bank Secrecy Act—Written Policy Required

[.11] Office of Foreign Assets Control—Compliance—Written Policy Required

[.12] Enhanced Customer Due Diligence—Program Required

[.13] Suspicious Activity Report—Independent Review Required

[.14] Compliance Program—Testing and Verification Required

[.15] Regulatory Reporting—Required

[.16] Abandoned Property Law, New York—Written Compliance Program Required

[.18] Civil Money Penalty—Order to Pay

**In the Matter of
STATE BANK OF INDIA
MUMBAI, INDIA
STATE BANK OF INDIA BROADWAY BRANCH
NEW YORK, NY
STATE BANK OF INDIA FLUSHING BRANCH
FLUSHING, NY
STATE BANK OF INDIA PARK AVENUE BRANCH
NEW YORK, NY
STATE BANK OF INDIA CHICAGO BRANCH
CHICAGO, IL**

**STATE BANK OF INDIA LOS ANGELES AGENCY
LOS ANGELES, CA
ORDER TO CEASE
AND DESIST AND
ORDER OF ASSESSMENT OF A CIVIL MONEY PENALTY AND MONETARY
PAYMENT
ISSUED UPON CONSENT**

FDIC-01-127b

FDIC-01-128k

WHEREAS, in recognition of their common goals to ensure compliance with all applicable federal and state laws, rules, and regulations by all of the U.S. operations of the State Bank of India, Mumbai, India (the "Bank"), and to effectively manage the financial,

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operational, legal, reputational, and compliance risks of the U.S. operations of the Bank, the Board of Governors of the Federal Reserve System (the "Board of Governors"), the Federal Deposit Insurance Corporation (the "FDIC"), and the New York State Banking Department (the "New York Department") (collectively the "Supervisors"), the Bank, its Broadway Branch in New York, New York, its Park Avenue Branch in New York, New York, its Flushing Branch in Flushing, New York (the Broadway, Park Avenue, and Flushing, New York Branches, collectively the "New York Branches"), and the Bank's Chicago Branch in Chicago, Illinois (the "Chicago Branch") (each a "Branch" and, collectively, the "Branches"), and the Bank's Los Angeles Agency (the "Agency") (collectively the Bank, the Branches, and the Agency are referred to as "SBI-US") have mutually agreed to the issuance of this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty and Monetary Payment Issued Upon Consent (the "Order");

WHEREAS, a number of deficiencies and violations of law have been identified in the Bank's U.S. operations, and SBI-US has acknowledged the need for immediate corrective action and intends to take the steps necessary (1) to enhance and improve the U.S. operations' management oversight, internal controls, audit standards, and customer due diligence practices, and to enhance and improve policies and procedures for compliance with the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311) *et seq.*) and the accompanying regulations issued by the U.S. Department of the Treasury (31 C.F.R. 103.11 *et seq.*) (collectively referred to as the Bank Secrecy Act (the "BSA")) and the rules and regulations of the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"); (2) to ensure full compliance with suspicious activity reporting and BSA compliance requirements of the Board of Governors and the FDIC (12 C.F.R. 208.62, 211.24(f), and 326.8 and 12 C.F.R. Part 353) and 3 N.Y. Comp. Codes R. & Regs. Part 300.1 relating to reports required to be made to the New York Department; and (3) to ensure full compliance with all applicable state laws, including the New York Banking Law and related regulations and the New York Abandoned Property Law;

WHEREAS, pursuant to section 8(i) of the Federal Deposit Insurance Act, as amended (the "FDI Act"), 12 U.S.C. 1818(i), the Board of Governors and the FDIC are jointly assessing a civil money penalty of \$3,750,000 against SBI-US for SBI-US's apparent violations of 12 C.F.R. 326.8 of the FDIC's rules and regulations and for SBI-US's apparent engagement in unsafe and unsound practices related to SBI-US's failure to establish and maintain procedures reasonably designed to assure and monitor compliance with the BSA and SBI-US's failure to maintain correct and complete books and records;

WHEREAS, pursuant to the New York Banking Law Section 44, the New York Department is collecting a monetary payment of \$3,750,000 on behalf of the people of the State of New York for apparent violations of the New York Banking Law Sections 200-c, 204, and 672 relating to SBI-US's obligation to maintain accurate

books and records and 3 N.Y. Comp. Codes R. & Regs. Part 300.1 relating to reports required to be made to the New York Department; and

WHEREAS, on October 30, 2001, the board of directors of the Bank adopted a resolution:

(1) authorizing and directing Mr. P.K. Sarkar, Dy. Managing Director & Group Executive (International Banking) to enter into this Order on behalf of the Bank, each Branch, and the Agency and consenting to compliance by the Bank, each Branch, the Agency, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the FDI Act, as amended (12 U.S.C. 1813(u) and 1818(b)(4)), with each and every provision of this Order, and

(2) waiving any and all rights that the Bank, each Branch, and the Agency may have pursuant to 12 U.S.C. 1818 or sections 39 and 44 of the New York Banking Law:

(a) to the issuance of a notice of charges and of hearing and a notice of assessment of a civil money penalty on any matter set forth in this Order;

(b) to a hearing for the purpose of taking evidence on any matters set forth in this Order;

(c) to judicial review of this Order; and

(d) to challenge or contest, in any manner, [{{3-31-02 p.C-5262.2}}](#)

the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of, or finding on any issue of fact or law herein, and without this Order constituting an admission or denial of any allegation made or implied by any of the Supervisors in connection with this proceeding, and solely for the purpose of settlement of this proceeding without protracted or extended hearing or testimony and pursuant to the aforesaid resolutions:

IT IS HEREBY ORDERED that, where applicable, the Bank, each Branch, the Agency, and each of their institution-affiliated parties cease and desist from committing any violations of the nature described herein, and shall take affirmative action as follows:

Comprehensive Review

[.1]1. (a) Within 30 days of this Order, the Bank shall engage a qualified independent firm acceptable to the Supervisors (the "Independent Firm") to conduct a comprehensive review of the Bank's U.S. operations, and to assist in the development of policies and procedures designed to ensure that SBI-US conducts its U.S. activities in a safe and sound manner and complies with all applicable federal and state laws and regulations. The comprehensive review shall address, at a minimum, the management structure and oversight of the Bank's U.S. operations; internal controls; risk management; internal audit function; policies, procedures, and controls for compliance with applicable federal and state laws and regulations (including BSA and OFAC compliance); customer due diligence' identification and reporting of suspicious activity; regulatory reporting; and handling of abandoned property.

(b) With respect to the New York Branches:

(i) Pursuant to Part 5 of the General Regulations of the Banking Board, 3 N.Y. Comp. Codes R. & Regs. Part 5 ("Part 5"), the Independent Firm shall (A) issue a report on the balance sheet and accompanying disclosures,

including off-balance sheet amounts and assets held on behalf of others, as of June 30, 2001, for each of the New York Branches and a consolidating balance sheet and accompanying disclosures, including off-balance sheet amounts and assets held on behalf of others, as of June 30, 2001, for the New York Branches, and (B) provide an attestation by the Manager of each of the New York Branches and by the President and Chief Executive Officer and Country Manager, U.S.A., with respect to the New York Branches, regarding the effectiveness of each of the New York Branches' internal control structure over financial reporting, based on reasonable criteria established by SBI-US. The report and attestation shall comply with the standards set forth in Parts 5.3(a)(1) and (2), respectively. Coincident with the reports issued pursuant to Parts 5.3(a)(1) and (2), the Branch Manager of each of the New York Branches and the President and Chief Executive Officer and Country Manager, U.S.A., with respect to the New York Branches, shall assert SBI-US's compliance with applicable laws and regulations in accordance with the requirements of Part 5.5. Within 120 days of this Order, the report, the attestation, and management's assertions shall be issued to the New York Department, the board of directors of the Bank and the head office inspection department for the Bank, with a copy to be delivered to the FDIC and the Federal Reserve Bank of San Francisco (the "San Francisco Reserve Bank").

(ii) Pursuant to Part 5.3(e), 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. Within 120 days of this Order, copies of the Independent Firm's management letters, together with management's response, shall be provided to the board of directors of the Bank and the head office inspection department of the Bank, and to the FDIC, New York Department, and the San Francisco Reserve Bank.

(c) Within 10 days of this Order, but prior to the retention of the Independent Firm, the Bank shall submit to the Supervisors an acceptable engagement letter that delineates the scope of the comprehensive review and the Part 5 compliance procedures. The engagement letter shall provide that the Independent Firm will have complete access to all employees, books, records, and documents (including but not limited to all financial and legal documentation and communications) necessary to conduct the review. The [{{3-31-02 p.C-5262.3}}](#)

engagement letter shall also provide that (i) the Independent Firm will exercise its best efforts to complete the comprehensive review within 120 days, (ii) a copy of the Independent Firm's written report of its findings and recommendations will be provided to the Supervisors at the same time that it is provided to the Bank, (iii) all information including, but not limited to, work papers, programs and procedures related to the comprehensive review shall be provided to the Supervisors by the Independent Firm upon request, and (iv) if at any time the Independent Firm believes that information is not being provided by SBI-US to enable the firm to conduct its review, the Independent Firm must immediately notify the Supervisors in writing.

Immediate Restrictions and Interim Policies and Procedures

[.2]2. Beginning 10 days from the date of this Order, the Branches and the Agency shall not, with respect to the department entitled "Non-Resident Indian" ("NRI"), accept any funds for transfer outside the United States, by draft or wire transfer, if the customer of the NRI department does not maintain a deposit account with SBI-US in the United States, unless SBI-US (when acting as the originator's bank) first verifies the identity of the remitter, and (when acting as the beneficiary's bank) obtains information regarding the beneficiary in accordance with accepted "Enhanced Due Diligence" ("EDD") practices (obtaining adequate identifying information that is appropriately reviewed and that remains readily retrievable by a Branch or the Agency, understanding the normal business activity of its customers,

and monitoring transactions as appropriate), and otherwise complies with 31 C.F.R. 103.33. In addition, prior to effecting any such transfer, the Branches and Agency must conduct OFAC screening using industry-standard compliance software and take whatever other actions are necessary in order to ensure that any transfer does not violate OFAC rules and regulations.

3. Beginning 10 days from the date of this Order, the Branches and the Agency shall not accept new funds from an NRI department customer for transfer to any of his or her SBI-US or other bank account(s) outside the United States unless the Branch or Agency first verifies the identity of the remitter in accordance with accepted EDD practices (as described in paragraph 2 hereof). In addition, prior to effecting any such deposit, the Branches and Agency must conduct OFAC screening using industry-standard compliance software and take whatever other actions are necessary in order to ensure that any transfer does not violate OFAC rules and regulations.

[.3]4. With respect to the 27 accounts which, as of January 24, 2001, SBI-US had identified as "escrow" accounts on the books of the Park Avenue Branch, with respect to the 16 additional accounts subsequently identified by examiners as "nostro" or "escrow" accounts on the books of the Park Avenue Branch, and with respect to any other accounts that serve a similar purpose or function and about which a follow-up request for information was issued to SBI-US by the Federal Reserve Bank of New York (the "New York Reserve Bank") (the "Escrow Accounts"), the Bank shall, within 30 days of this Order:

(a) have sent directly to the Supervisors documentary evidence establishing formal and appropriate approval of each of the Escrow Accounts; and

(b) provide copies of executed account agreements and supporting EDD documentation for each of the Escrow Accounts.

5. Within 10 days of this Order, the Bank shall provide to the Supervisors the full names and addresses of the beneficial owners of all of the accounts that were the subject of the March 22, 2001 information request submitted by the New York Reserve Bank to the New York Branches.

[.4]6. Beginning 10 days from the date of this Order, the Branches and the Agency shall not accept for deposit or collection any official checks or drafts drawn on any Bank branches or agencies worldwide if either the payee or endorsement information has any material alteration.

[.5]7. Notwithstanding the provisions of paragraphs 2 through 6 hereof, until (a) SBI-US submits to the Supervisors acceptable interim policies and procedures designed to ensure that (i) the Branches and the Agency only engage in transactions with account holders or other transactors who have provided SBI-US with adequate identifying information that is appropriately reviewed and that remains readily retrievable by SBI-US, [{{3-31-02 p.C-5262.4}}](#)

(ii) SBI-US has systems in place to assure the transparency of its books and records, (iii) SBI-US has systems in place to assure that the Supervisors, through the normal supervisory process, can determine the financial condition of the Branches and the Agency and the details and purpose of any transaction, and (iv) all parties to transactions conducted at, by, or through any Branch or the Agency are identified in accordance with OFAC regulations and are in full compliance therewith, and (b) SBI-US implements such interim policies and procedures to the satisfaction of the Supervisors in accordance with the provisions of paragraph 23(c) hereof, SBI-US shall not open any new account in the United States.

Management

[.6]8. (a) Within 30 days of receipt of the report of the Independent Firm required

by paragraph 1 hereof, SBI-US shall submit to the Supervisors an acceptable written plan to coordinate the management of the Bank's U.S. operations (including the Nassau Branch to the extent that its operations are managed in the United States) and to develop a U.S. management structure that is suitable to SBI-US's business needs. The plan shall, at a minimum: (i) include the appointment of a senior Bank official to be responsible for all of the Bank's U.S. operations, (ii) include the continued employment or the appointment of an experienced management official familiar with U.S. banking practices with authority and responsibility in the United States for all of the Bank's U.S. operations, (iii) provide that the Branches and the Agency are adequately staffed by qualified and trained personnel who have the ability to restore and maintain all operations of the Branches and the Agency to a safe and sound condition and comply with the requirements of this Order, (iv) include the appointment of an experienced head auditor and compliance officer for U.S. operations, and (v) provide that all senior U.S. officials appointed in accordance with this paragraph are given full authority to effect all necessary corrections required by this Order.

(b) Notwithstanding the provisions of paragraph 8(a) hereof, within 60 days of this Order, SBI-US shall appoint a qualified senior compliance officer who is acceptable to the Supervisors. The compliance officer shall, at a minimum, be responsible for the coordination, supervision, and monitoring of the combined operations of the Branches and the Agency. He or she must possess the appropriate experience, training, and authority to oversee the Branches' and the Agency's compliance function, and be provided with such other staff as he or she deems necessary to carry out the compliance officer's duties and responsibilities in an effective and efficient manner.

Internal Controls

[.7]9. Within 30 days of receipt of the report of the Independent Firm required by paragraph 1 hereof, SBI-US shall submit to the Supervisors acceptable policies and procedures designed to improve internal controls at the Branches and the Agency. The policies and procedures shall include steps to, at a minimum:

(a) strengthen internal accounting and recordkeeping functions, including maintenance of current and accurate account records and reconciliation of accounts;

(b) enhance management information systems to ensure that appropriate management personnel receive timely and accurate reports necessary to effectively monitor and manage risks and appropriate compliance and audit resources to detect and correct weaknesses and deficiencies;

(c) with respect to any account(s), whether used for inter-office or settlement or other purposes, the funds of which move to, from, or through any Branch or the Agency, including the account entitled "India Dollar Account" (the "IDA");

(i) itemize all product types and instruments that move through such accounts;

(ii) prepare a comprehensive, detailed and transparent mapping, including offsetting entries, for all accounts that ultimately flow into or through the IDA or any similar clearing account;

(iii) maintain in the United States a daily, complete reconciliation of these accounts on a same-day basis;

(iv) prepare and maintain in the United States a complete, transparent, and audible aging schedule;

(v) ensure that the current practice of overdrawing the IDA, or any similar clearing account, to pay drafts or other items ceases;

(vi) maintain in the United States full, complete, transparent, and referenced

daily aging schedules of all outstanding and open SBI-US originated items, which comply [{{3-31-02 p.C-5262.5}}](#)

with New York State and other escheatment requirements;

(vii) maintain, for a period of seven years, in the United States originals or audible high quality copies of the front and back of all cleared and processed official checks, drafts or other instruments that are issued, paid, or processed in the United States by the Bank's branches, agencies, or correspondents; and

(viii) maintain full and complete information for all electronic funds transfers going through the IDA that provides SBI-US with a complete audit trail for each particular transfer for a period of six years.

Audit Program

[.8]10. SBI-US shall continue to develop and improve its internal audit program. Within 30 days of this Order, SBI-US shall submit to the Supervisors an acceptable written internal audit program for each Branch and the Agency. The internal audit program shall, at a minimum:

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

(b) identify each operational area to be reviewed and the scope of review;

(c) include procedures to ensure the independence of the audit function of each Branch and the Agency, including appropriate escalation protocols;

(d) require demonstration that the prior year's internal audit activities and the proposed audit program for the following year are reviewed at least annually on an ongoing basis by the Bank's head office audit committee or equivalent to ensure that the audit program is revised in a manner to reflect changes in SBI-US's organizational and business environment, including the adoption of the most current industry best practices;

(e) require risk assessments to identify high risk areas and 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 are reviewed;

(f) include reviews of each Branch's and the Agency's compliance with applicable laws and regulations;

(g) require reports of the internal auditor to be transmitted to and maintained at the appropriate Branch or Agency as well as to the head office inspection department, and provide for procedures designed to ensure the independence of each Branch's and Agency's audit function;

(h) provide guidelines and the designation of resources to ensure that internal audits are completed effectively and as scheduled;

(i) provide for the submission of formal written reports directly to the Bank's head office inspection department and to the Bank's board of directors or a designated audit committee thereof; and

(j) establish a process to monitor the status and ensure effective follow-up of corrective action taken to address weaknesses identified by audit and compliance personnel, and establish procedures to conduct targeted audits to evaluate remedial action.

Bank Secrecy Act and OFAC Compliance

[.9]11. SBI-US and its institution-affiliated parties, shall not, directly or indirectly, violate the BSA or any rules or regulations issued pursuant thereto or any rules and regulations issued by OFAC.

[.10]12. Within 30 days of receipt of the report of the Independent Firm required by paragraph 1 hereof, SBI-US shall submit to the Supervisors an acceptable written program designed to ensure and maintain compliance by each Branch and the Agency with the BSA. The program shall, at a minimum:

(a) Provide for the use of appropriate systems to ensure compliance with the recordkeeping and reporting requirements for currency transactions of over \$10,000 (31 C.F.R. 103.22), including the requirement to aggregate transactions under 31 C.F.R. 103.22(c). The systems shall, at a minimum, be capable of aggregating multiple cash transactions for any one business day from all Branches and the Agency by account number, by name(s) of account holder(s) and by transactor(s).

(b) Ensure compliance with the identification requirements related to the recordkeeping and reporting requirements for currency transactions of over \$10,000 (31 C.F.R. 103.28).

(c) Provide for appropriate procedures relating to obtaining and retaining funds

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transfer information as required by 31 C.F.R. Part 103.

(d) Provide for appropriate procedures to reasonably ensure that all new products involving the receipt or transfer of funds comply with applicable laws and regulations related to BSA compliance and suspicious activity reporting.

(e) Provide for appropriate procedures governing the maintenance of "payable through" accounts, or accounts that in function or practice present similar risks, in accordance with the guidelines set forth in Supervisory Letter SR 95-10 issued by the Board of Governors.

(f) Provide for appropriate procedures to detect and monitor all currency and other transactions occurring at any Branch or the Agency, including NRI activities involving deposits into deposit accounts based in India, to determine whether such transactions are being conducted for illegitimate purposes and that there is full compliance with all laws and regulations applicable to such transactions.

(g) Provide for independent testing of compliance with all applicable rules and regulations related to the BSA and the identification and reporting of suspicious transactions. This shall include, at a minimum, ensuring that each Branch and the Agency is complying with the BSA, that appropriate personnel at each Branch and the Agency possess the requisite knowledge necessary to comply with the BSA, that all procedures are in writing and are complete and accurate, and that the results of this testing are reported at quarterly intervals to the Bank's head office management. The independent testing shall be conducted by qualified, experienced, independent third parties, such as independent public accountants or consultants, who are not in any manner affiliated with the Bank, any Branch, the Agency or any of their subsidiaries or affiliates.

(h) Require that the BSA compliance program for the U.S. operations of the Bank be managed by a qualified senior officer who possesses the appropriate experience, training and authority to oversee the BSA compliance and enhanced customer due diligence programs, including, without limitation, the

identification and timely, accurate and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Bank, any Branch, or the Agency.

(i) Provide effective training to all appropriate personnel at each Branch and the Agency (including, but not limited to, tellers, customer service representatives, lending officers, private and personal banking officers, employees of the funds transfer and check processing departments, and all other 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 update the training on a regular basis to ensure that all personnel have the most current and up to date information.

[.11]13. Within 30 days of receipt of the report of the Independent Firm required by paragraph 1 hereof, SBI-US shall submit to the Supervisors an acceptable written plan designed to ensure compliance with OFAC regulations (31 C.F.R. Part 500 *et seq.*), as well as any rules and guidelines issued or administered by OFAC. The plan shall include, at a minimum, procedures to ensure that customer transactions are screened using industry-standard OFAC compliance software and are processed in accordance with a regularly updated list of entities and individuals whose transactions or assets are required to be rejected, blocked, frozen, or monitored.

Enhanced Due Diligence

[.12]14. Within 30 days of receipt of the report of the Independent Firm required by paragraph 1 hereof, SBI-US shall submit to the Supervisors an acceptable written enhanced customer due diligence program. The program shall be designed to reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank, any Branch, or the Agency to law enforcement and supervisory authorities as required by the suspicious activity reporting provisions of the BSA, Regulation K of the Board of Governors (12 C.F.R. 211.24), and the rules and regulations of the FDIC (12 C.F.R. Part 353). The enhanced customer due diligence program shall, at a minimum, provide:

(a) Procedures to ensure that all customers are assigned to a specific Branch or the Agency, and that when a new account
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is opened, all critical information is obtained, accurately and timely entered into SBI-US's management information system, and remains readily retrievable.

(b) For a risk focused assessment of the customer base of each Branch and the Agency to:

(i) identify the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their banking activities; and

(ii) determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Branch or the Agency has reason to believe pose a heightened risk of illicit activities at or through such Branch or the Agency.

(c) For those customers whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer;

(iii) maintain an effective audit trail for executed transactions; and

(iv) report suspicious activities in compliance with applicable federal and state regulations.

(d) Procedures to allow SBI-US to identify those accounts currently in existence for which SBI-US lacks critical customer data (including, without limitation, full names of account holders and beneficial owners of accounts, tax identification numbers, addresses and country of origin), and to collect any missing information relating to such accounts within 60 days of the receipt of the report of the Independent Firm.

(e) Notwithstanding any other provisions of this Order, with respect to accounts for which critical information cannot be located, procedures for determining whether such accounts should be closed and for closing them.

(f) Procedures to ensure that all accounts are linked on a one-to-one basis with the list of customers in each Branch or the Agency's customer file.

(g) Procedures to ensure the retention for a minimum of one year of accessible on-line transaction history sufficient to enable SBI-US to monitor account activity, and procedures to ensure retention for a reasonable period of transaction history of closed accounts.

Independent Review of Various Accounts and Suspicious Activity Reporting

[.13]15. (a) Within 30 days of this Order, SBI-US shall engage the Independent Firm or another qualified independent firm acceptable to the Supervisors to conduct a full and complete review of the use by SBI-US of omnibus, suspense and payable through accounts (and accounts with similar functions used to effect funds transfers) and the Escrow Accounts (collectively, the "Reviewed Accounts") (the "Second Independent Review"). The Second Independent Review shall also address SBI-US's historical suspicious activity reporting ("SAR") policies and procedures. At a minimum, the review shall:

(i) analyze transactions booked or conducted through the Reviewed Accounts from January 1, 1998 through to the present to determine who was SBI-US's customer, on whose behalf the transaction was undertaken, and whether SBI-US's record keeping relating to the transaction was transparent and accurate and complete;

(ii) identify and investigate suspicious or unusual activities, if any, conducted through the Reviewed Accounts;

(iii) assess the necessity and propriety of each of the Reviewed Accounts, and, where appropriate, recommend that SBI-US close unnecessary or ineffectively controlled Reviewed Accounts and make appropriate recommendations that are, at a minimum, designed to achieve compliance with BSA and OFAC compliance requirements and are fully documented;

(iv) identify any U.S. dollar-denominated accounts that were not assigned to a specific Branch or to the Agency as of February 12, 2001, and identify the status and disposition of such accounts;

(v) review SBI-US's SAR compliance program from April 1996 to the present to determine whether SBI-US had in place adequate policies and procedures designed to ensure compliance with the Supervisors' suspicious activity reporting rules; and

(vi) if the review required by paragraph 15(a)(v) hereof identifies gaps in SBI-US's

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SAR reporting between 1996 and the present, determine the reasons for such gaps.

(b) To the extent that any of the Reviewed Accounts remain open (or any similar accounts identified through the review required by paragraph 15(a) hereof remain open), SBI-US shall submit to the Supervisors, within 30 days of receipt of the report of the Second Independent Review, an acceptable written program designed to ensure that the remaining Reviewed Accounts (or similar accounts) are accurately booked and recorded, and are effectively controlled and monitored for suspicious activities. In the event that the Second Independent Review includes a recommendation that one or more of the Reviewed Accounts should be closed and SBI-US does not close the account(s), SBI-US shall provide to the Supervisors its written justification for not closing the account(s) in the submission required by this paragraph.

(c) In the event that SBI-US uses the Independent Firm to conduct the review required by paragraph 15(a) hereof, the engagement letter described in paragraph 1(c) hereof shall include the review required by this paragraph. In the event that SBI-US chooses another firm to conduct the required review, SBI-US shall submit an acceptable engagement letter to the Supervisors, within 10 days of this Order, following the procedures described in paragraphs 1(c) and 23(a) hereof.

Independent Testing

[.14]16. Notwithstanding the provisions of paragraphs 1(a), 12(g) and 15(a) hereof, within 60 days of this Order, SBI-US shall, in a manner acceptable to the Supervisors, provide for independent testing of the Branches' and the Agency's BSA, OFAC, customer due diligence, SAR, and anti-money laundering compliance programs. At a minimum, the testing shall be conducted three months after SBI-US receives the approval of the Supervisors for each respective program, and 12 months after the initial testing.

Regulatory Reporting

[.15]17. Within 60 days of this Order, SBI-US shall submit to the Board of Governors all Forms FFIEC/002S for the Nassau Branch of the Bank at 460 Park Avenue from December 1997 to the present date, and SBI-US shall continue to file all required Forms FFIEC/002S on a timely and accurate basis in the future until such time as the management of the Nassau Branch is transferred from the United States.

Procedures for Handling Abandoned Property

[.16]18. Within 30 days of receipt of the report of the Independent Firm required by paragraph 1 hereof, SBI-US shall submit to the Supervisors an acceptable written program detailing how SBI-US's three New York Branches shall ensure compliance with the requirements of the New York Abandoned Property Law Section 301. The program shall, at a minimum:

(a) provide a mechanism to automatically identify, control and monitor inactive and/or dormant accounts;

(b) provide procedures to ensure that reports of dormant accounts are accurately produced to comply with the requirements of the New York Abandoned Property Law and other state laws; and

(c) provide procedures to ensure accurate monitoring, control, reporting and escheatment of all dormant and abandoned items.

Restrictions on Transfers to the State Bank of India (California)

[.17]19. Notwithstanding any other provisions of this Order, the Branches and the Agency shall not transfer any of the Reviewed Accounts, any accounts lacking identifying information required by 31 C.F.R. Section 103, or transactional services of any type to the State Bank of India (California), Los Angeles, California, without providing 10 days prior written notice to the Supervisors.

*Assessment of a Civil Money Penalty
and Monetary Payment*

[.18]20. SBI-US is hereby assessed and shall pay to the Board of Governors and to the FDIC a civil money penalty in the sum of \$3,750,000 pursuant to section 8(i) of the FDI Act, 12 U.S.C. 1818(i), for apparent violations of 12 C.F.R. 326.8 and for reckless engagement in unsafe and unsound practices as a result of SBI-US's failure to establish and maintain procedures reasonably designed to assure and monitor compliance with the BSA and SBI-US's failure to maintain accurate and complete books and records. The civil money penalty assessed by this Order shall be remitted in full at the time of the execution of this Order by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. [{{8-31-02 p.C-5262.9}}](#)

021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The New York Reserve Bank, on behalf of the Board of Governors and the FDIC, shall distribute this sum to the U.S. Department of the Treasury pursuant to section 8(i) of the FDI Act.

21. SBI-US is hereby assessed and shall pay to the New York Department a monetary payment in the amount of \$3,750,000 pursuant to the New York Banking Law Section 44 for the failure to establish and maintain books and records reasonably designed to assure and monitor compliance with reporting requirements set forth in 3 N.Y. Comp. Codes R. & Regs. Part 300.1. The monetary payment assessed by this Order shall be remitted in full at the time of the execution of this Order by wire transfer of immediately available funds to the account of the New York Department at Chase Manhattan Bank, 4 New York Plaza, New York.

Reserve Bank of India

22. If approval of the Reserve Bank of India ("RBI") is required for SBI-US to comply with any provision of this Order, and RBI does not grant such approval, the Bank shall promptly notify the Supervisors and provide acceptable documentation of RBI's position, and shall nevertheless ensure that its U.S. activities continue to be consistent with applicable U.S. laws and regulations and the terms of this Order.

Terms and Effect of Order

23. (a) The written plans, programs, policies, and procedures and the report and engagement letter(s) required by paragraphs 1(b), 1(c), 8(a), 9, 10, 12, 13, 14, 15(b), 15(c), and 18 hereof shall be submitted to the Supervisors for review and approval. Acceptable plans, programs, policies, and procedures and an acceptable report and engagement letter(s) shall be submitted within the time periods set forth in this Order. The Bank, Branches, and Agency, as applicable, shall adopt the approved plans, programs, policies, and procedures and the approved report and engagement letter(s) within 10 days of approval by the Supervisors, and then shall fully comply with them. During the term of this Order, the approved plans, programs, policies and procedures and the report and engagement letter(s) shall not be amended or rescinded without the prior written approval of the Supervisors.

(b) Submission of documents to the Supervisors shall be effected by concurrent submissions to the San Francisco Federal Reserve Bank and the New York Department.

(c) It is understood and agreed that SBI-US will submit the interim policies and procedures required by paragraph 7 hereof to the Supervisors as expeditiously as

possible after the issuance of this Order. The Supervisors will provide a response within 30 days following receipt of the interim policies and procedures, and SBI-US and the Supervisors will work together to expedite their approval and satisfactory implementation. The interim policies and procedures shall remain in full force and effect until all other plans, programs, policies, and procedures required by this Order have been submitted and approved in accordance with the provisions of paragraph 23(a) hereof.

(d) It is understood and agreed that the Chicago Branch and the Agency have independent operating systems from the New York Branches, and that the plans, programs, policies, and procedures required by this Order will reflect those differences.

24. Within 30 days after the end of each calendar quarter following the date of issuance of this Order (December 31, March 31, June 30, and September 30), SBI-US shall furnish to the Supervisors a written progress report detailing the form and manner of all actions taken to secure compliance with this Order, and the results thereof. SBI-US shall also provide copies of each progress report to the board of directors of the Bank and to the Reserve Bank of India.

25. Communications regarding this Order other than those covered by paragraph 23(b) hereof shall be sent to:

Mr. P.K. Sarkar,
Dy, Managing Director & GE (IB),
State Bank of India
International Banking Group,
State Bank Bhavan,
Madame Cama Road,
Mumbai—400 021
India

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

Ms. Teresa Curran
Vice President and Managing Director
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105

Mr. George J. Masa
Regional Director
Federal Deposit Insurance Corporation
San Francisco Regional Office
25 Ecker Street, Suite 2300
San Francisco, CA 94105

Mr. Michael J. Lesser
Deputy Superintendent of Banks
New York State Banking Department
Two Rector Street
New York, NY 10006

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

27. Each provision of this Order shall remain effective and enforceable until

stayed, modified, terminated, or suspended in writing by the Supervisors.

28. Notwithstanding any provision of this Order, the Supervisors may, in their discretion, grant written extensions of time to the Bank, a Branch, or the Agency to comply with any provision of this Order.

29. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the FDIC, the New York Department, or any federal or state agency or department from taking any other action affecting the Bank, any Branch, the Agency, the State Bank of India (California), Los Angeles, California, or any of their current or former institution-affiliated parties.

By order of the Board of Governors (with respect to the Bank, the Broadway Branch, and the Agency), the FDIC (with respect to the Bank, the Park Avenue Branch, the Chicago Branch, and the Flushing Branch), and the New York Department (with respect to the Park Avenue Branch, the Broadway Branch and the Flushing Branch), effective this 13th day of November, 2001.

STATE BANK OF INDIA
MUMBAI, INDIA

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Last
Updated legal@fdic.gov
2/20/2005