

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

)
IN THE MATTER OF)
)
Banco do Estado do Parana)
New York, New York,)
)
a Federal branch of)
)
Banco do Estado do Parana)
Curitiba-Parana, Brazil)
_____)

CONSENT ORDER

Certain practices of Banco do Estado do Parana, New York, New York (“Branch”), a Federal Branch of Banco do Estado do Parana, Curitiba-Parana, Brazil (“Bank”), which are deemed to be unsafe or unsound within the meaning of the Federal Deposit Insurance Act, as amended, 12 U.S.C. §1818, have been cited by the Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, in the Report of Examination of the Branch, dated July 7, 1997 (“Report”).

In the Report, the Comptroller, through his National Bank Examiner, has also cited certain violations of law, rule or regulation applicable to the Branch.

The Bank, by and through its duly elected and acting Board of Directors ("Board"), and the Branch, by and through its General Manager, have executed a Stipulation and Consent

Order, dated January 8, 1998, which is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated herein by reference the same as if fully set forth, the Branch and the Bank have consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. §1818, and the International Banking Act 12 U.S.C. § 3101 *et seq.*, the Comptroller hereby orders that:

ARTICLE I

(1) Within sixty (60) days, the General Manager and the Board shall develop and adopt a written program to establish a system of internal controls to ensure compliance with the Bank Secrecy Act, as amended (31 U.S.C. §5311 - 5330) and the regulations promulgated thereunder at 31 Code of Federal Regulations Part 103, as amended (collectively referred to as the "Bank Secrecy Act"). A copy of this program shall be submitted to the Assistant Deputy Comptroller.

At a minimum, this written program shall establish:

- (a) operating procedures for both the opening of new accounts and the monitoring of current accounts;
- (b) procedures governing the processing and reporting of large currency and monetary instrument transactions;
- (c) comprehensive “Know Your Customer” guidelines for both new and existing accounts that are consistent with the Comptroller’s Handbook, *Bank Secrecy*

Act, September, 1996 pp.7 - 9;

- (d) comprehensive guidelines to identify and report to appropriate management personnel: (i) frequent or large volume wire transfers or book entry transfers to or from offshore or domestic entities or individuals, (ii) wire transfers or book entry transfers that are deposited into several accounts, (iii) receipt and disbursement of wire transfers or book entry transfers without an apparent business reason, (iv) receipt and disbursement of wire transfers or book entry transfers when they are inconsistent with the customer's business, and (v) bank accounts opened in the name of a casa de cambio (money exchange house) or any "financial institution" as defined in 31 C.F.R. § 103.11(n) (bank, broker/dealer, currency dealer or exchanger, issuer or seller or redeemer of traveler's checks or money orders, transmitter of funds, telegraph company, casino, *etc.*);
- (e) a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act, the currency and monetary instrument reporting requirements, and the reporting requirements associated with Suspicious Activity Reports;
- (f) an officer of the Branch who will be responsible for filing Currency Transaction Reports ("CTRs") and Reports of International Transportation of Currency or Monetary Instruments ("CMIRs");

- (g) comprehensive guidelines to identify and report both the shipment and receipt of currency or monetary instruments via common couriers, which guidelines should specifically detail procedures that will cover and address improperly labeled courier pouches containing monetary instruments, as well as related procedures for reporting and filing Suspicious Activity Reports for such pouches; and
- (h) comprehensive guidelines and systems for compliance with the rules and regulations of the Office of Foreign Assets Control (“OFAC”).

ARTICLE II

(1) Within sixty (60) days, the General Manager and the Board shall develop and adopt a written program to establish a system of internal controls and processes to ensure compliance with the requirements to file Suspicious Activity Reports set forth in 12 C.F.R. § 21.11, as amended. A copy of this program shall be submitted to the Assistant Deputy Comptroller.

At a minimum, this written program shall establish:

- (a) procedures for identifying and reporting suspicious activity relating to the opening of new accounts, the monitoring of current accounts, and the transfer of funds through the Branch; and
- (b) an officer of the Branch who will be responsible for filing Suspicious

Activity Reports (“SARs”).

ARTICLE III

(1) Within sixty (60) days the General Manager and the Board shall review and evaluate the level of service of the external audit function currently being provided by its independent public accountant that reviews the Branch’s internal controls and audits the financial statements of the Branch. Such an assessment should include the Board’s expectations of how this public accountant can assist in ensuring the Branch’s compliance with the Bank Secrecy Act, the “Know-Your-Customer” guidelines, and the rules and regulations of OFAC;

(2) Within ninety (90) days, the General Manager and the Board shall retain the services of a qualified independent Certified Public Accountant to develop findings, observations and recommendations on the Branch’s internal controls addressing compliance with the Bank Secrecy Act, the “Know-Your-Customer” guidelines, and the rules and regulations of OFAC, including related regulatory reporting on those subjects. These findings, observations and recommendations shall be reviewed by this independent Certified Public Accountant on an annual basis for the term of this Order;

(3) A copy of the Bank's proposed "Engagement Letter" with this independent Certified Public Accountant, and any amendments thereto, shall be submitted to the Assistant Deputy Comptroller for review and approval prior to its execution; and

(4) Within ninety (90) days, the General Manager and the Board shall expand existing

internal audit procedures to include:

- (a) development of a program to test the adequacy of internal controls designed to ensure compliance with the provisions of the Bank Secrecy Act;
- (b) prompt management response and follow-up to all audit exceptions or other recommendations of the Branch's auditor; and
- (c) a risk based approach to Bank Secrecy Act compliance that includes transactional testing and verification of data for higher risk accounts or geographic areas of specific concern.

ARTICLE IV

(1) Within ninety (90) days, the General Manager and the Board shall adopt and implement a written policy concerning the extension of overdrafts and payments against uncollected funds which shall include, at a minimum:

- (a) conditions and circumstances under which all overdrafts and payments against uncollected funds will be allowed;
- (b) requisite lending authorities;
- (c) charges and interest that will be levied uniformly against depositors with overdrafts and payments against uncollected funds;
- d) conditions and circumstances under which overdrafts will be permitted to occur in demand deposit accounts;

- (e) a schedule of fees, conditions and circumstances under which exceptions to the fee schedule will be allowed, with appropriate approval mechanisms;
 - (f) disclosure and reporting to the Bank's Board of Directors and Bank Senior Management on a monthly basis; and
 - (g) conditions and circumstances under which a demand deposit account will require collateral with procedures for approval by the General Manager (with particular attention to cash or any other liquid collateral arrangements).
- (2) Upon adoption, a copy of this policy shall be forwarded to the Assistant Deputy Comptroller.

ARTICLE V

(1) The Bank and the Branch shall immediately take all steps necessary to correct each violation of law, rule or regulation cited in the Report of Examination. As each violation is corrected, the General Manager shall notify the Assistant Deputy Comptroller of the date and manner in which each correction has been effected.

ARTICLE VI

(1) Although the Bank, through its duly elected Board of Directors, and the Branch, through its General Manager, have agreed to submit certain proposed actions and programs for

the review or approval of the Assistant Deputy Comptroller, the Board and the General Manager have the ultimate responsibility for proper and sound management of the Bank and the Branch as well as compliance with all of the provisions contained in this Order.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Branch, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) All correspondence related to this Agreement, and any information or documentation required hereunder to be submitted to the Comptroller, shall be sent, by overnight mail, hand delivery, or facsimile to:

William P. Reinhardt
Assistant Deputy Comptroller
Office of the Comptroller of the Currency
1114 Avenue of the Americas
Suite 3900
New York, NY 10036
Facsimile Number (212) 790-4098

(4) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(5) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated by the Comptroller.

IT IS SO ORDERED, this 8th day of January, 1998.

/s/ Fred Finke
Fred Finke
Deputy Comptroller
Northeastern District

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

_____)
IN THE MATTER OF)
)
Banco do Estado do Parana)
New York, New York,)
)
a Federal branch of)
)
Banco do Estado do Parana)
Curitiba-Parana, Brazil)
_____)

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (Comptroller) has initiated cease and desist proceedings against Banco do Estado do Parana, New York, New York (□Branch□), a Federal Branch of Banco do Estado do Parana, Curitiba-Parana, Brazil (□Bank□), pursuant to 12 U.S.C. 1818(b) and 12 U.S.C. 3101 *et seq.*

WHEREAS, the Bank, by and through its designated representative, and the Branch, by and through its General Manager, in the interest of compliance and cooperation, consent to the issuance of a Consent Order, dated December 18, 1997 (□Order□) and appended hereto;

In consideration of the above premises, the Comptroller, through his authorized representative, and the Board of Directors of the Bank, by and through its designated representative, and the

Branch, by and through its General Manager, hereby stipulate and agree to the following:

ARTICLE I

(1) The Branch is a Federal branch licensed and examined by the Comptroller pursuant to the International Bank Act, as amended, 12 U.S.C. 3101 *et seq.*

(2) The Comptroller is "the appropriate Federal banking agency" with regulatory and supervisory responsibility for the Branch pursuant to 12 U.S.C., 1813(q), 1818(b) and 3108(b).

(3) The Branch is an insured depository institution within the meaning of 12 U.S.C. 1813(c)(3) and 1818(b)(1).

ARTICLE II

(1) The Bank and the Branch, without admitting or denying any wrongdoing, hereby consent and agree to the issuance of the Order by the Comptroller. The Bank and the Branch further agree that said Order shall be deemed an "order issued with the consent of the depository institution" as defined in 12 U.S.C. 1818(h)(2), and consent and agree that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. 1818(i) and 3101 *et seq.*

ARTICLE III

(1) The Bank and the Branch, by signing this Stipulation and Consent admit to the

jurisdiction of the Comptroller with respect to the matters set forth in the Order pursuant to 12 U.S.C. 1818(b);

- (2) The Bank and the Branch, by signing this Stipulation and Consent, hereby waive:
 - (a) any and all procedural rights available in connection with the issuance of the Order including the right to an administrative hearing and all post-hearing procedures;
 - (b) all rights to seek any type of administrative or judicial review of the Order, including all such rights provided by 12 U.S.C. 1818(h);
 - (c) any and all rights to challenge or contest the validity of the Order; and
 - (d) entry of findings of fact and conclusions of law.

ARTICLE IV

(1) The Bank and the Branch agree that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank and the Branch if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/ Fred Finke

1/8/98

Fred Finke
Deputy Comptroller
Northeast District

Date

IN TESTIMONY WHEREOF, the undersigned, the designated representative of the Board of Directors of the Bank, and the General Manager of the Branch, have hereunto set their hands, on behalf of the Bank and the Branch, respectively:

Signed

01/08/98

Manoel Campinha Garcia Cid
Designated Representative and
Director Presidente
Banco do Estado do Parana

Date

Signed

01/08/98

Valdir Antonio Perin
General Manager
Banco do Estado do Parana (Federal Branch)

Date