



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MUL-473923

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Agreement") is made by and between the U.S. Department of the Treasury's Office of Foreign Assets Control and Credit Suisse AG.

I. PARTIES

1. The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and persons engaged in activities related to the proliferation of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

2. Credit Suisse AG ("Credit Suisse") is a financial institution registered and organized under the laws of Switzerland.

II. FACTUAL STATEMENT

3. Credit Suisse Securities (USA) LLC approached OFAC in early April 2006 about an internal investigation it was conducting related to U.S. securities transactions executed on behalf of an entity subject to U.S. sanctions, and made two additional supplemental disclosures later in 2006. In early 2007, after the New York County District Attorney's Office began looking into several suspicious wire transfers, Credit Suisse also informed OFAC of a separate internal investigation related to its activities as a U.S. dollar ("USD") correspondent for payments involving Iran, Sudan, Burma, Cuba, North Korea, and persons whose property and interests in property are blocked pursuant to OFAC regulations.

4. Information related to these investigations and provided to OFAC by Credit Suisse revealed a systemic pattern of conduct giving rise to apparent violations of OFAC sanctions involving Iran, Sudan, Libya, Burma, Cuba and the former Liberian Regime of Charles Taylor.

5. For a number of years up until late 2006, Credit Suisse engaged in payment processes that prevented U.S. financial institutions from identifying the involvement of U.S. sanctions targets in funds transfers processed to and through the United States. These practices

included omitting or removing information referencing sanctioned locations, entities or individuals; forwarding payment messages to U.S. financial institutions that referenced Credit Suisse as the ordering institution and that omitted the identity of the actual originating bank; filling the field on Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) payment messages that indicated the originator or replacing the names of ordering customers on such payment messages with references to Credit Suisse or with phrases such as “Order of a Customer”; and using cover payments to avoid referencing parties subject to U.S. sanctions.

6. Credit Suisse in Zurich had a standard procedure of structuring payments to avoid disclosing the sanctions nexus of transactions passed through the United States, deleting or omitting certain information when transactions were to be processed through the United States, and providing incorrect information in wire transfer instructions executed through the United States on behalf of U.S. sanctioned individuals and entities. This standard procedure was embodied in internal directives, memoranda, and e-mails involving, among others, a Credit Suisse Bank Payments sector head, Credit Suisse’s Treasury and Trade Finance departments, the head of Credit Suisse’s Iran desk, as well as in e-mails between Credit Suisse and its Iranian bank clients. The standard procedure evolved following the January 1986 imposition of U.S. sanctions against Libya when Credit Suisse established policies and adopted payment practices designed to allow the bank to process USD payments to or through the United States on behalf of Libyan banks or Libyan government organizations. An internal Credit Suisse directive dated January 15, 1986, outlined special procedures for executing payment orders to third country accounts in the United States or with U.S. banks abroad without stating the name of the ordering party. As early as 1991, Credit Suisse had programmed its payment application such that it did not automatically generate or forward field 52 (ordering institution) of SWIFT MT 103 payment messages except in very limited circumstances, primarily involving transfers within the Credit Suisse organization.¹ Credit Suisse eventually utilized the cover payment method to process payments involving persons sanctioned under the Sudan, Burma, Cuba, and Former Liberian Regime of Charles Taylor sanctions programs.

7. With regard to Iran, Credit Suisse in Zurich engaged in similar activity in the late 1990s when, initially at the behest of its Iranian bank customers, Credit Suisse’s Iran Desk began adding internal warnings to the accounts of its Iranian bank clients, instructing Credit Suisse employees: “Do not mention the name of the Iranian bank in payment orders.” Such warnings ensured that payment orders given by the Iranian banks would not be processed automatically, but rather would be manually reviewed and effected by Credit Suisse employees. Between 2000 and 2004, the Iran Desk of Credit Suisse provided similar instructions to its Iranian bank clients via a standard letter, which stated in part: “The most important issue is that you and/or your correspondents do not mention your good bank’s name in field 52.” The Iran Desk also informed Iranian bank clients that it would utilize cover payments to effect payments to or through the United States, stating, for example, “Our payment department will stop all USD-payments initiated by your fine bank in any case and shall be effected [by]... ‘Direct payment order and cover payment order.’”

¹ Credit Suisse reported that its internal investigation found no historical documents to explain the motivation for the programming of this payment application.

8. Teams of employees at two Credit Suisse payment centers in Zurich implemented several other methods for manually processing USD payments to or through the United States on behalf of Credit Suisse's Iranian bank clients without including references to Iran or an Iranian bank. In order to prevent straight-through processing of all payment orders sent by Iranian banks, Credit Suisse configured its payment system to interdict the payments for manual review. Credit Suisse employees then reviewed the payments to ensure that they contained no references to Iran. If such references were detected, Credit Suisse employees would either delete the reference or contact the Iranian banks to request further instructions. Over time, Credit Suisse employees developed practices to omit information on the involvement of Iranian banks, including (1) entering in an empty field, or replacing the name of the Iranian banks with, "Order of a Customer" or a similar phrase instead of the ordering institution in payment messages; (2) forwarding payment messages received from Iranian banks falsely referencing "Credit Suisse" or its Bank Identifier Code instead of an Iranian bank as the originating institution; and (3) on other occasions, inserting "Credit Suisse" as the ordering institution in payments originating with an Iranian bank. In addition, Credit Suisse employees removed references to Iranian names, addresses, cities, and telephone numbers from customer payments.

9. In a May 2003 e-mail, a Bank Payments sector head at Credit Suisse in Zurich objected: "Today, in part, our Iranian banks send us Swift orders with CS indicated as the ordering bank in the corresponding field. --> *In my opinion this must not be done, since the procedure is not in accordance with the rules, we are supporting wrong facts.*" [emphasis original] Shortly thereafter, in July 2003, a Credit Suisse employee, identified in documents provided to OFAC by Credit Suisse as "Executive 4," requested that an employee from the European Banking Federation anonymously inquire from OFAC the conditions under which payments from Iran into the United States were permitted. The European Banking Federation's employee replied to Executive 4 by email on July 24, 2003, that:

"1. The transaction [*sic*] must go through a non-US and a non-Iranian off-shore correspondent bank (which is the case in your situation)

2. The citizen beneficiary of the money in the US will have to provide an affidavit to US bank mentioning that the money is for pure personal use (no commercial or other purpose)."

Executive 4 then requested that the head of the Iran Desk ask a Customer Payments team leader to analyze the characteristics of the payments from Iran into the United States that were processed by Credit Suisse in June 2003. On July 30, 2003, the head of the Iran Desk reported back to Executive 4: "The volume is rather considerable... The average amount... does not quite correspond to the criteria of small private payments."

10. In August 2003, Credit Suisse reached an agreement with the London branches of a number of Iranian banks to take over their USD clearing activity. As a result of this agreement, Credit Suisse became one of the main USD clearing banks for the Iranian banking system. In or around March 2004, the risk committee of the Credit Suisse Group board conducted a review of

the procedures Credit Suisse had in place to prevent OFAC violations. The practice of ensuring that USD payments did not identify the Iranian origin continued after that point.

11. In July 2004, an ordinance issued by the Swiss Federal Banking Commission on money laundering to implement the Financial Action Task Force's Special Recommendation on Terrorist Financing VII entered into force. The ordinance required the disclosure of the remitter in payment orders, and prompted Credit Suisse to issue an internal directive prohibiting the use of the "Order of a Customer" method when making international wire transfers. In preparation for the implementation of the ordinance, in April 2004 Credit Suisse's Iran Desk began to inform its Iranian bank clients that neither "Order of a Customer" nor "Credit Suisse" could be used to replace references to Iranian banks on payment messages. Credit Suisse again provided information about the use of the cover payment method to send USD payments. Although Credit Suisse's payment processing units ceased completely the use of the "Order of a Customer" method following the issuance of the Swiss Federal Banking Commission ordinance, other practices persisted in which Credit Suisse employees removed or altered information in SWIFT payment messages sent to a U.S. correspondent bank.

12. Credit Suisse also informed OFAC that between 2000 and 2006 it executed trades involving U.S. securities, in apparent violation of U.S. sanctions, on behalf of a then-designated Libyan state-owned investment company and a bank located in Sudan. These trades were authorized by Credit Suisse Asset Management London and processed through Credit Suisse Securities (USA) LLC or its predecessor, Credit Suisse First Boston LLC (collectively "Credit Suisse USA"). Credit Suisse Asset Management London also utilized code names to disguise the names of the sanctioned persons and maintained sub-accounts in these code names in its omnibus accounts maintained at Credit Suisse USA.

13. An August 2000 memorandum from a then-Managing Director of Credit Suisse Asset Management London issued to those responsible for managing assets of its two clients described in paragraph 12 above that were "domiciled in countries that are currently the subject of US sanctions," and copied to the then-Director of Legal & Compliance of Credit Suisse Asset Management London, set out procedures for those clients that varied from the standard operating procedures. These procedures were designed to: use the code names at all times; restrict knowledge of the clients' identities internally and externally; restrict communications from the client to the client teams and the legal and compliance departments; and prevent U.S. citizens employed by Credit Suisse Asset Management from working on the accounts.

14. In August 2005, amidst an ongoing discussion of the feasibility of continuing business in U.S.-sanctioned countries, Credit Suisse began to significantly reduce its business relationships with Iran. That same month Credit Suisse also established a formal special task force to review the status of its business with U.S.-sanctioned countries. On December 20, 2005, the Credit Suisse Group Executive Board decided to discontinue business, with certain limited exceptions, with U.S.-sanctioned countries. In January 2006, Credit Suisse established a "sensitive countries" task force to implement the exit decision and ultimately ceased USD clearing transactions for Iran in November 2006.

15. On December 4, 2009, OFAC notified Credit Suisse that OFAC had reason to believe that Credit Suisse had engaged in certain conduct prohibited by Executive Orders and/or regulations promulgated 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. §§ 1-44.

16. Specifically, from on or about August 19, 2003, to on or about November 1, 2006, Credit Suisse processed 4,775 electronic funds transfers, in the aggregate amount of USD 480,072,032.00, through financial institutions located in the United States to the benefit of the Government of Iran and/or persons in Iran, including various Iranian financial institutions, in apparent violation of the prohibition against the "exportation, ... directly or indirectly, from the United States, ... of any ... services to Iran or the Government of Iran," 31 C.F.R. § 560.204.

17. From on or about August 19, 2003, to on or about December 21, 2006, Credit Suisse processed 64 electronic funds transfers, in the aggregate amount of USD 367,103.00, through financial institutions located in the United States, in some cases to the benefit of entities listed in the Annex to Executive Order 13310 of July 28, 2003 ("E.O. 13310"), in apparent violation of the prohibitions against (i) "the exportation or re-exportation of financial services to Burma, directly or indirectly, from the United States...", 31 C.F.R. § 537.202, and/or (ii) dealing in property and interests in property that "come within the United States" of persons listed in the Annex to E.O. 13310, 31 C.F.R. § 537.201.

18. From on or about August 19, 2003, to on or about November 24, 2006, Credit Suisse processed 42 electronic funds transfers, in the aggregate amount of USD 12,864,540.00, and from on or about September 9, 2002, to on or about June 21, 2006, Credit Suisse Asset Management London processed 169 securities transactions, in the aggregate amount of USD 148,477,297.85, to the benefit of the Government of Sudan and/or persons in Sudan, through financial institutions located in the United States in apparent violation of the prohibitions against (i) the "exportation or re-exportation, directly or indirectly, to Sudan of...services from the United States," 31 C.F.R. § 538.205, and/or (ii) dealing in property and interests in property of the Government of Sudan that "come within the United States," 31 C.F.R. § 538.201.

19. From on or about August 19, 2003, to on or about December 29, 2006, Credit Suisse processed 32 electronic funds transfers in which the Government of Cuba or a Cuban national had an interest, in the aggregate amount of USD 323,648.00, through financial institutions located in the United States in apparent violation of the prohibition against "[a]ll transfers of credit and all payments between, by, through, or to any banking institution or banking institutions wheresoever located, with respect to any property subject to the jurisdiction of the United States," 31 C.F.R. § 515.201(a).

20. From on or about August 19, 2003, to on or about April 29, 2004, Credit Suisse processed 224 electronic funds transfers, in the aggregate amount of USD 150,524,864.00, and from on or about November 22, 2002, to on or about December 11, 2002, Credit Suisse Asset Management London processed 7 securities transactions, in the aggregate amount of USD 3,823,428.33 to or for the benefit of the Government of Libya and persons in Libya, through

financial institutions located in the United States, in apparent violation of the then-applicable prohibitions against (i) the export of services “to Libya from the United States,” 31 C.F.R. § 550.202 (repealed 2004) and/or (ii) dealing in property and interests in property of the Government of Libya that “come within the United States,” 31 C.F.R. § 550.209 (repealed 2004).

21. On or about September 13, 2005, Credit Suisse processed a USD 105,824.00 electronic funds transfer, to the benefit of a person designated pursuant to Executive Order 13348 of July 22, 2004 (“E.O. 13348”) (“Blocking Property of Certain Persons and Prohibiting the Importation of Certain Goods from Liberia”), through financial institutions located in the United States in apparent violation of the prohibition against dealing in property and interests in property that “come within the United States” of persons designated pursuant to E.O. 13348, 31 C.F.R. § 593.201.

22. The apparent violations arising from the securities transactions were voluntarily self-disclosed to OFAC within the meaning of OFAC’s Economic Sanctions Enforcement Guidelines (the “Guidelines”). *See* 74 Fed. Reg. 57,593 (Nov. 9, 2009). The apparent violations arising from the electronic funds transfers were not voluntary self-disclosed to OFAC as defined in the Guidelines because another government agency or official had discovered one or more apparent violations substantially similar to the disclosed transactions prior to the date that Credit Suisse disclosed the transactions to OFAC.

23. The apparent violations by Credit Suisse described above provided substantial economic benefit to Iran, Burma, Sudan, Cuba, Libya, and a person designated pursuant to E.O. 13348, thereby undermining the U.S. national security, foreign policy, and other objectives of the related sanctions programs.

24. After deciding to discontinue its business with U.S. sanctioned countries in 2005, Credit Suisse took thorough remedial action through extensive, global measures, including imposing restrictions on Credit Suisse’s ability to engage in transactions that may be subject to U.S. sanctions and ensuring that its investment banking and asset management divisions have taken steps to confirm that they have no additional clients from OFAC-sanctioned countries. Credit Suisse also provided extensive and substantial cooperation to OFAC by conducting an extensive look-back to identify weaknesses in its compliance program and providing well-organized information regarding the apparent violations in a timely fashion.

25. OFAC had not issued a penalty notice or Finding of Violation against Credit Suisse in the five years preceding the apparent violations.

III. TERMS OF SETTLEMENT

IT IS HEREBY AGREED by OFAC and Credit Suisse that:

26. Credit Suisse has voluntarily terminated the conduct described in paragraphs 5 through 21 above and agrees not to engage in any similar conduct in the future.

27. Credit Suisse agrees to provide OFAC with copies of all submissions to the Board of Governors of the Federal Reserve System ("Board of Governors"), in the same form provided to the Board of Governors, pursuant to the Order to Cease and Desist Issued Upon Consent to Credit Suisse on December 16, 2009, by the Board of Governors (Docket No. 09-210-B-FB).

28. Credit Suisse waives any claim by or on behalf of Credit Suisse, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to the civil penalty matter that resulted in this Agreement, including but not limited to OFAC's investigation of the apparent violations and any possible legal objection to this Agreement at any future date.

29. Without this Agreement constituting an admission or denial by Credit Suisse of any allegation made or implied by OFAC in connection with this matter, and solely for the purpose of settling this matter without a final agency finding that a violation has occurred, Credit Suisse agrees to pay the aggregate amount of USD 536,000,000 in global settlement of alleged violations of IEEPA, TWEA, the Executive Orders, and OFAC regulations as previously described to Credit Suisse by OFAC and summarized in this Agreement, and in satisfaction of Credit Suisse's payment obligations under the Deferred Prosecution Agreements between Credit Suisse and the New York Country District Attorney's Office and the United States Department Justice.

30. Should OFAC determine that Credit Suisse has breached its obligations under paragraphs 27 or 29 of this Agreement, OFAC shall provide written notice to Credit Suisse of the alleged breach and provide Credit Suisse with 30 days from the date of Credit Suisse's receipt of such notice, or longer as determined by OFAC, to demonstrate that no breach has occurred or that any breach has been cured. In the event that OFAC ultimately determines that a breach of this Agreement has occurred, OFAC will provide notice to Credit Suisse of its determination, and this Agreement shall be null and void, and the statute of limitations applying to funds transfer activity occurring on or after August 19, 2003, and securities transactions occurring on or after September 5, 2002, shall be deemed tolled until a date 90 days following Credit Suisse's receipt of notice of OFAC's determination that a breach of the Agreement has occurred.

IV. MISCELLANEOUS PROVISIONS

31. The provisions of this Agreement shall not bar, estop, or otherwise prevent OFAC from taking any other action affecting Credit Suisse with respect to any and all violations not arising from or related to the conduct described in paragraphs 3 through 21 above or violations occurring after the date of this Agreement. The provisions of this Agreement shall not bar,

estop, or otherwise prevent other U.S. federal, state, or county officials from taking any other action affecting Credit Suisse.

32. Each provision of this Agreement shall remain effective and enforceable according to the laws of the United States of America until stayed, modified, terminated, or suspended by OFAC.

33. No amendment to the provisions of this Agreement shall be effective unless executed in writing by OFAC and by Credit Suisse.

34. The provisions of this Agreement shall be binding on Credit Suisse and its successors and assigns.

35. No representations, either oral or written, except those provisions as set forth herein, were made to induce any of the parties to agree to the provisions as set forth herein.

36. This Agreement consists of 9 pages and expresses the complete understanding of OFAC and Credit Suisse regarding resolution of OFAC's civil penalty matter involving the alleged violations arising from or related to the conduct described in paragraphs 3 through 21 above. No other agreements, oral or written, exist between OFAC and Credit Suisse regarding resolution of this matter.

37. OFAC, in its sole discretion, may post on OFAC's website this entire Agreement and the facts set forth in paragraphs 3 through 21 of this Agreement, including the identity of any entity involved, the satisfied settlement amount, and a brief description of the alleged violations. OFAC also may issue a press release including this information.


38. Use of facsimile signatures shall not delay the approval and implementation of the terms of this Agreement. In the event any party to this Agreement provides a facsimile signature, the party shall substitute the facsimile with an original signature. The Agreement may be signed in multiple counterparts, which together shall constitute the Agreement. The effective date of the Agreement shall be the latest date of execution.

39. All communications regarding this Agreement shall be addressed to:

Elton Ellison
Assistant Director, Civil Penalties
Office of Foreign Assets Control
U.S. Department of the Treasury
1500 Pennsylvania Ave., N.W., Annex
Washington, D.C. 20220

Credit Suisse AG
Attn: General Counsel
Paradeplatz 8
8070 Zurich, Switzerland

AGREED:



Signature

Romeo Cerutti
Printed name of Credit Suisse's
Duly Authorized Representative



Adam J. Szubin
Director
Office of Foreign Assets Control

DATED: December 16, 2009

General Counsel
Printed title of Credit Suisse's
Duly Authorized Representative

DATED: December 16, 2009



Signature

Tobias Guldemann
Printed name of Credit Suisse's
Duly Authorized Representative

Chief Risk Officer
Printed title of Credit Suisse's
Duly Authorized Representative

DATED: December 16, 2009