NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES

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In the Matter of

Deloitte Financial Advisory Services LLP

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AGREEMENT

This Agreement ("Agreement"), in accordance with NewYork State Banking Law § 36.10 and Financial Services Law § 302(a), is made and entered by and between Deloitte Financial Advisory Services LLP, a Delaware limited liability partnership ("Deloitte FAS") and the New York State Department of Financial Services ("Department" or "DFS") (collectively, the "Parties") to resolve the Department's investigation of Deloitte FAS's actions in performing certain consulting services for the New York Branch of Standard Chartered Bank ("SCB") in 2004 and 2005 and to establish the basis for a constructive relationship to protect investors and the public.

Introduction

On August 6, 2012, the Department ordered SCB to appear before the agency and explain numerous apparent violations of law ("August 6 Order").[1] The violations identified in the August 6 Order related to SCB's money laundering and illegal U.S. dollar clearing activities on behalf of foreign entities subject to U.S. economic sanctions.[2]

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[1] *See, In the Matter of Standard Chartered Bank, New York Branch*, Order Pursuant to Banking Law § 39, August 6, 2012 (the "August 6 Order"). http://www.dfs.ny.gov/banking/ea120806.pdf.

[2] The charges alleged in the August 6 Order were settled pursuant to a Consent Order executed by SCB and the Department on September 21, 2012. *See, In the Matter of Standard Chartered Bank, New York Branch*, Order Pursuant to Banking Law § 44, September 21, 2012. http://www.dfs.ny.gov/banking/ea120921.pdf.

Following the August 6 Order, the Department continued its investigation of Deloitte FAS's anti-money laundering ("AML") work for SCB. The Department collected and analyzed additional information, and took sworn testimony from members of the Deloitte FAS engagement team primarily responsible for the SCB project.

Now, having fully considered the evidence, the Department and Deloitte FAS agree that Deloitte FAS violated Banking Law § 36.10 and Deloitte FAS's own policies by knowingly disclosing confidential supervisory information to SCB regarding other Deloitte FAS client banks.

Furthermore, by removing a recommendation regarding "cover payments" from its final report during the SCB engagement, Deloitte FAS did not demonstrate the necessary autonomy and objectivity that is now required of consultants performing regulatory compliance work for entities supervised by the Department.

The August 6 Order further stated that SCB's unlawful conduct was "apparently aided" by Deloitte FAS. Notwithstanding the conduct referenced above, the Department has found no evidence that Deloitte FAS intentionally aided and abetted or otherwise unlawfully conspired with SCB to launder money on behalf of sanctioned entities.

The Department and Deloitte FAS wish to establish a constructive relationship focused on protecting investors and the capital markets.

The Department and Deloitte FAS will work together to develop enhanced procedures and safeguards applicable to independent consultants in Department engagements that will address the issues identified during the Department's investigation of the SCB matter, and that will become the "gold standard" in conducting engagements with the Department.

ACCORDINGLY, in order to resolve this matter without proceedings, the Parties agree upon the following facts and settlement provisions:

Factual Background

1. On October 7, 2004, SCB executed a joint written agreement with the Federal Reserve Bank of New York (the "Reserve") and the New York State Banking Department (which subsequently became the Department), which identified several compliance and risk management deficiencies in the anti-money laundering and Bank Secrecy Act controls at SCB's New York Branch. The agreement required SCB to complete certain remedial actions, among them retaining a qualified independent consulting firm acceptable to the Reserve and the Department to conduct an historical review of account and transaction activity. The purpose of the review was to determine whether suspicious activity involving accounts or transactions at, by, or through the New York Branch was properly identified and reported in accordance with applicable suspicious activity reporting regulations ("Transaction Review").

2. On October 27, 2004, SCB formally engaged the predecessor entity of Deloitte FAS as its qualified independent consulting firm to conduct the Transaction Review.

3. On August 30, 2005, a senior member of the Deloitte FAS engagement team sent two consecutive emails to another Deloitte FAS engagement team member and an SCB employee. The SCB employee subsequently forwarded one of those emails to her SCB supervisor.

4. The emails attached copies of two transaction review reports that Deloitte FAS had previously performed for other client banks. One report contained an historical transaction review for suspicious activity – specifically, activity relating to U.S. dollar clearing and possible money laundering at the bank's New York branch. The other report involved also contained an

historical transaction review for suspicious activity, but addressed cash transactions, sales of monetary instruments and funds transfer activity in the retail operations of that bank.

5. The emails suggested that the two other bank reports be used as templates for drafting the SCB final report. The emails also directed the Deloitte FAS and SCB engagement managers to compare the draft SCB report against confidential supervisory information contained in one of the improperly disclosed reports. Specifically, the Deloitte FAS and SCB managers were directed to cross-check the "bad guy/bad bank" lists contained in each report in order to match up individuals and institutions "as to whom suspicious activity reports may have been previously filed" and, thus, "put on the bank's enhanced due diligence or watch list."

6. Both reports contained confidential supervisory information, which Deloitte FAS was legally barred by New York Banking Law § 36.10 from disclosing to any individual or entity without the Department's prior authorization. Deloitte FAS was not authorized by the Department to disclose those two reports to SCB.

7. In early October 2005, Deloitte FAS finalized the draft Transaction Review report. One or more drafts of the Transaction Review report included a recommendation generally explaining how certain wire messages or "cover payments" used by the Society for Worldwide Interbank Financial Telecommunication message system could be manipulated by banks to evade money laundering controls on U.S. dollar clearing activities and suggesting the elimination or restriction of such payments.

8. Based primarily on SCB's objection, Deloitte FAS removed the recommendation from the written final report before the written report was submitted to the Department.

9. The Department has found no evidence that Deloitte FAS intentionally advanced SCB's unlawful conduct.

Settlement Provisions

Monetary Payment

10. Within five (5) business days of executing the Agreement, Deloitte FAS will pay to the Department ten million U.S. dollars ($10,000,000). This payment represents in the aggregate the approximate amount of fees and expenses received by Deloitte FAS for its work on the Transaction Review and reimbursement to the Department for the costs of its investigation and for the costs to be incurred by the Department in connection with the development and implementation of the procedures and safeguards required by the Agreement.

Practice Reforms

11. Deloitte FAS will establish and implement, as promptly as possible but in any event within twelve (12) months from the date of this Agreement, the procedures and safeguards for engagements set forth in Exhibit A, which are intended to raise the standards now generally viewed as applicable to independent financial services consultants. The specific design and implementation of these procedures are subject to such modification or refinement as may be agreed between Deloitte FAS and the Department on the basis of further analysis and experience. The Department and Deloitte FAS will meet at least monthly to discuss Deloitte FAS's progress in implementing these procedures and safeguards.

12. The Department intends to use these procedures and safeguards as the model for establishing the standards that will govern all independent consultants who seek to be retained or approved by the Department.

Voluntary Abstention From Department Engagements

13. For one year from the date of this Agreement, while it develops and implements the best practices described above, Deloitte FAS will not accept any new engagements that

would require the Department to approve Deloitte FAS as an independent consultant or to authorize the disclosure of confidential information under New York Banking Law § 36.10 to Deloitte FAS, provided, however, that after at least six (6) months from the date of this Agreement, the Department (in its sole and unreviewable discretion) and Deloitte FAS may agree to an early termination of Deloitte FAS's voluntary practice abstention if Deloitte FAS has established and implemented the procedures and safeguards set forth in Exhibit A.

Breach of the Agreement

14. In the event that the Department believes that Deloitte FAS is in material breach of the Agreement, the Department will provide written notice to Deloitte FAS of the Breach and Deloitte FAS must, within ten (10) business days from the date of receipt of such notice, or on a later date if so determined in the sole discretion of the Department, appear before the Department to demonstrate that no Breach has occurred or, to the extent pertinent, that the Breach is not material or has been cured.

15. The Parties understand and agree that Deloitte FAS's failure to timely appear before the Department in response to a notice provided in accordance with paragraph 14 is presumptive evidence of Deloitte FAS's Breach. Upon a finding of Breach, the Department has all remedies available to it under the New York Banking and Financial Services Laws, including but not limited to an order pursuant to Banking Law § 36.10 and Financial Services Law § 302(a) barring regulated financial institutions from sharing confidential supervisory information with Deloitte FAS, and may use any and all evidence available to the Department for all ensuing hearings, notices, orders and other remedies that may be available under the Banking and Financial Services Laws.

Waiver of Rights

16. The Parties further understand and agree that no provision of the Agreement is subject to review in any court or tribunal outside the Department.

Parties Bound by the Agreement

17. The Agreement is binding on the Department and Deloitte FAS, as well as their successors and assigns, but it specifically does not bind any federal or other state agencies or any law enforcement authorities.

18. No further action will be taken by the Department against Deloitte FAS or any of Deloitte FAS's past or present partners, principals or employees for conduct related to the Transaction Review, provided that Deloitte FAS complies with the terms of the Agreement. The Department will not consider Deloitte FAS's role in the SCB matter in determining whether to retain or approve Deloitte FAS as an independent consultant, or in authorizing the disclosure of confidential information to Deloitte FAS, in future engagements.

19. At the time Deloitte FAS has fully complied with the terms of the Agreement, the Department will confirm such compliance in writing and Deloitte FAS will be permitted to share the Department's written confirmation of compliance with prospective clients and other third parties.

20. This Agreement is not intended to affect engagements performed by any Deloitte entity other than Deloitte FAS. Neither the fact of this Agreement nor any of its terms is intended to be, or should be construed as, a reflection on any of the other practices of Deloitte-affiliated entities, including Deloitte & Touche LLP, Deloitte Consulting LLP, and Deloitte Tax LLP, or on the standing of those practices before the Department.

Notices

21. All communications regarding the Agreement shall be sent to:

Department of Financial Services

Daniel S. Alter
General Counsel
New York State Department of Financial Services
One State Street
New York, NY 10004

Gaurav Vasisht
Executive Deputy Superintendent for Banking
New York State Department of Financial Services
One State Street
New York, NY 10004

Deloitte Financial Advisory Services LLP

David S. Williams
Chief Executive Officer
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General Counsel
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Eric Dinallo, Esq.
Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022

Miscellaneous

22. This Agreement may not be amended except by an instrument in writing signed on behalf of all Parties to this Agreement.

23. Each provision of the Agreement will remain in force and effect until stayed, modified, terminated or suspended in writing by the Department.

24. No promise, assurance, representation, or understanding other than those contained in the Agreement has been made to induce any party to agree to the provisions of the Agreement.

25. Deloitte FAS shall, upon request by the Department, provide all documentation and information reasonably necessary for the Department to verify compliance with the Agreement.

26. This Agreement may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the Parties hereto.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of this 18th day of June, 2013.

Deloitte Financial Advisory Services LLP

By: _____
David S. Williams
Chief Executive Officer

New York State Department
of Financial Services

By: _____
Benjamin M. Lawsky
Superintendent

Exhibit A
New York Department of Financial Services
Independent Consultant Practices for Department Engagements

- When a firm is engaged by a financial institution ("Financial Institution") as an independent consultant (a "Consultant") pursuant to a Written Agreement, Consent Order or other type of regulatory agreement ("Consent Order") with the New York Department of Financial Services ("DFS"), the Consultant, the Financial Institution and DFS will adhere to the practices set forth below in order to provide DFS with better transparency regarding the work performed by the Consultant during the course of an engagement.

- The process by which DFS determines whether a Consultant engaged by a Financial Institution pursuant to a Consent Order is acceptable to DFS shall include disclosure by the Financial Institution and the Consultant of all prior work by the Consultant (not including non-U.S. member firms or non-U.S. affiliates) for the Financial Institution in the previous 3 years, subject to privilege and confidentiality constraints.

    - DFS shall directly contact the Consultant and the Financial Institution if it believes that any of the prior work may impair the Consultant's independence with respect to the services to be provided pursuant to the Consent Order.

    - Resolution of the issue shall be discussed among the parties prior to a final determination by DFS.

- The engagement letter between the Consultant and the Financial Institution shall require that although the Consultant may take into account the expressed views of the Financial Institution, the ultimate conclusions and judgments will be that of the Consultant based upon the exercise of its own independent judgment.

- The Consultant and the Financial Institution shall submit a work plan to DFS setting forth the proposed procedures to be followed during the course of the engagement and the proposed timeline for the completion of the work.

    - The work plan submitted to DFS by the Financial Institution and the Consultant shall, among other components, confirm the location(s) from which the transaction and account data planned to be reviewed during the engagement will be obtained, as applicable.

    - Any material modifications or additions to the work plan shall be submitted to DFS for approval prior to commencement of the modified or additional work.

- DFS and the Consultant will maintain an open line of communication during the course of the engagement.

    - DFS will identify key personnel at DFS with whom the Consultant will have ongoing contact. The Consultant shall do the same. The Consultant will notify

DFS and the Financial Institution in writing should there be a need to make a change in the identity of any key personnel at the Consultant.

- The Financial Institution will consent that contacts between the Consultant and DFS may occur outside of the presence of the Financial Institution, during which information can be shared, including information regarding difficult or contentious judgments made in the course of the engagement. Such meetings shall take place on a monthly basis unless otherwise agreed among the parties.

- Should a disagreement about a material matter relating to the engagement arise between the Consultant and the Financial Institution during the course of an engagement relating to the work plan, a particular finding by the Consultant, the scope of the review, interpretation of the engagement letter, or the inclusion or exclusion of information from the final report, and the disagreement cannot be resolved through discussions between the Consultant and the Financial Institution, such disagreement shall be brought to the attention of DFS. Such a procedure should be memorialized in the Consent Order.

- The Consultant and Financial Institution shall maintain records of recommendations to the Financial Institution relating to Suspicious Activity Report filings that the Financial Institution did not adopt, and provide such records to DFS at DFS's request. The Financial Institution should consent to provision of such records to DFS in the engagement letter governing the project or such a requirement should be memorialized in the Consent Order.

- The Consent Order shall require that a final report be issued by the Consultant in an engagement. The Consultant may share drafts of the final report with the Financial Institution prior to submission. The Financial Institution shall be required by the Consent Order to disclose to the Consultant who within the Financial Institution has reviewed or commented on drafts of the findings, conclusions and recommendations to be included in the final report. The final report shall contain a listing of all of the personnel from the Financial Institution made known to the Consultant who substantively reviewed or commented on drafts of the findings, conclusions and recommendations to be included in the final report.

- The Consultant shall have in place policies and procedures designed specifically to maintain the confidentiality of bank supervisory material, which would provide, among other things, that such material would not be shared with anyone who was not authorized by law or regulation to receive such material.

- The Consultant shall develop a comprehensive training program regarding the requirements of New York Banking Law § 36(10) governing confidential supervisory information, and shall provide such training to all of its partners, principals and employees assigned to engagements in which it is expected that the Consultant will have access to materials covered by New York Banking Law § 36(10).

- Deloitte FAS shall draft, in consultation with DFS, a handbook providing guidance as to what materials are covered by New York Banking Law § 36(10) governing confidential

supervisory information and how such materials should be handled. DFS shall approve the final version of the handbook. The Consultant shall circulate copies of the handbook to its personnel assigned to engagements in which it is expected that the Consultant will have access to materials covered by New York Banking Law § 36(10).

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