

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

In the Matter of:)	Docket Nos.: 12-016-CMP-FBH
)	12-017-CMP-DEO
BANCO ESPIRITO SANTO S.A.)	
Lisbon, Portugal,)	Order to Cease and Desist
)	and Order of Assessment
and)	of a Civil Money Penalty
)	Issued Upon Consent
ESPIRITO SANTO E COMERCIAL)	
DE LISBOA, Inc.,)	
Newark, New Jersey)	
)	

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the host country supervisor in the United States of Banco Espirito Santo S.A., Lisbon, Portugal (“BES”), which is a foreign bank as defined in section 1(b)(7) of the International Banking Act, 12 U.S.C. § 3101(7) (the “IBA”), and a registered bank holding company, as defined in the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* (the “BHC Act”). BES conducts banking and other financial operations in the United States through branches and various other entities, including a state non-member bank in Florida and a broker-dealer. BES’s branch in the United States provides only wholesale banking services.

WHEREAS, Espirito Santo e Comercial de Lisboa, Inc., Newark, New Jersey (“ESCLINC”), a wholly owned subsidiary of BES, is a money transmitter primarily serving the Portuguese immigrant community, and has operated state-licensed offices in Rhode Island, New Jersey, Connecticut, Massachusetts (closed 2007), and California (closed 2004);

WHEREAS, BES never notified the Board of Governors, or applied for or received approval from the Board of Governors, pursuant to section 10(a) of the IBA,

12 U.S.C. § 3107(a), or Regulation K, 12 C.F.R. § 211.24, to operate representative offices of BES on or near the premises of ESCLINC's offices, or otherwise in connection with ESCLINC's operations;

WHEREAS, in connection with granting requests for foreign banks to operate representative offices in the United States or engage in certain money transmission activities through non-bank subsidiaries, the Board of Governors has required foreign banks to enter into binding commitments (conditions imposed in writing by the Board of Governors in connection with the granting of an application or other request within the meaning of 12 U.S.C. § 1818(b)) that ensure the appropriate separation of the representative office or other activities from money transmission services provided by non-bank affiliates;

WHEREAS, the Board of Governors and BES have mutually agreed to enter into this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent (the "Order"), with respect to the following allegations:

A. ESCLINC offices in the United States performed various administrative services for customers of BES, including serving as a point of contact for U.S. customers of BES concerning their banking and securities investment activities; and occasionally distributing credit cards, checks and checkbooks mailed from BES branches in Portugal to ESCLINC offices. BES identified ESCLINC offices in the United States as "representative offices" on BES's Portuguese language website. BES private banking officials also used ESCLINC offices in connection with their activities in the United States, including meeting BES private banking customers.

B. In connection with money transmission activities, by not later than 2005, ESCLINC offices in the United States only transferred funds to customer accounts at BES, and not to accounts at other banking institutions. ESCLINC personnel assisted its customers in

opening accounts at BES branches in Portugal, including filling out account opening forms and sending them to BES in Portugal. Funds transmitted from ESCLINC offices in the United States to BES were placed in customer accounts at BES where they remained on deposit for extended periods, or were used to purchase securities that had been sold through ESCLINC offices;

C. By virtue of the conduct set forth in paragraphs A and B above, without required notice or approval under the IBA, BES operated representative offices on the premises of ESCLINC offices in the United States in violation of the IBA.

WHEREAS, BES has determined to close ESCLINC's operations nationwide by September 15, 2012.

WHEREAS, BES and ESCLINC have previously consented to enforcement actions brought by the Securities and Exchange Commission, the State of Rhode Island and Providence Plantations Department of Business Regulation, the State of Connecticut Department of Banking, the Secretary of State of the Commonwealth of Massachusetts, the New Jersey Division of Consumer Affairs, Bureau of Securities, and the Attorney General of the State of New York, Investor Protection Bureau, with respect to the sale of unregistered securities to customers of BES and ESCLINC, which actions included restitution and civil money penalties and other relief;

WHEREAS, on March 29, 2012, the board of directors of BES and ESCLINC, adopted resolutions:

(1) authorizing and directing Jose Manuel and Antonio Gato to enter into this Order on behalf of BES and ESCLINC, respectively, and to consent to compliance by BES and ESCLINC, and their respective institution-affiliated parties, as defined

in sections 3(u) and 8(b)(3) and (4) of the Federal Deposit Insurance Act (12 U.S.C. §§ 1813(u) and 1818(b)(3) and (4)) (the “FDI Act”), with each and every provision of this Order; and

(2) waiving any and all rights that BES and ESCLINC may have pursuant to 12 U.S.C. § 1818 or 12 C.F.R. Part 263, or otherwise to:

(a) 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) a hearing for the purpose of taking evidence of any matters set forth in this Order; to judicial review of this Order; and

(c) to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and without this Order constituting an admission or denial by BES or ESCLINC of any allegation made or implied by the Board of Governors in connection with this matter, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED, pursuant to sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. § 1818 (b) & (i), that:

CIVIL MONEY PENALTY

1. BES is assessed and shall pay to the Board of Governors a civil money penalty in the amount of \$975,000;

2. Payment of the penalty shall be made prior to the date this Order becomes effective by a Fedwire transfer to the Federal Reserve Bank of Richmond, ABA No. 05 1000033,

to the order of the Board General Fund, FRBR General Ledger Account number 220 400 010, which penalty the Board of Governors, or the Federal Reserve Bank of Richmond on its behalf, shall remit to the United States Treasury as required by statute upon the date this Order becomes effective.

U.S. Law Compliance Program

3. Within 90 days of this Order, BES shall submit to the Federal Reserve Bank of New York (the “Reserve Bank”) an acceptable compliance program, including a timetable for implementation, to ensure BES’s compliance with all applicable banking laws of the United States of America (“U.S. Compliance Program”). At a minimum, the program shall address, consider, and include:

- a. the responsibilities of BES’s North American Business Oversight and Compliance Committee, which reports to the Executive Committee of BES’s Board of Directors, to monitor BES’s compliance with the U.S. Compliance Program;
- b. measures to ensure the executive officer of BES who is responsible for managing the U.S. Compliance Program has sufficient responsibility and authority, within BES’s management framework, to successfully implement and manage the U.S. Compliance Program;
- c. measures to ensure adequate staffing and funding of the U.S. Compliance Program;
- d. policies and procedures to ensure that BES and its affiliates are in compliance with all applicable provisions of all relevant banking laws, including the IBA, the BHC Act, and the FDI Act;
- e. policies and procedures necessary to ensure that BES and its affiliates submit all notifications and receive all regulatory approvals required by U.S. state and federal

regulators with respect to BES's business activities in the United States, and that the activities are thereafter conducted in accordance with such notifications and approvals;

f. a training program for employees (whether located in the United States or elsewhere) of BES and its affiliates who have responsibility for BES's business activities in the United States, which training shall be appropriate to the employee's job responsibilities, shall include the subject matter of the U.S. Compliance Program as applicable, and be provided on an ongoing, periodic basis;

g. an audit program designed to test BES's operations in the United States for compliance with U.S. law and regulation.

Approval, Implementation and Progress Reports

4. BES shall submit a written program that is acceptable to the Reserve Bank within the applicable time period set forth in paragraph 3 of this Order.

5. Within 10 days of approval by the Reserve Bank, BES shall adopt the approved program. Upon adoption, BES shall promptly implement the approved program and thereafter fully comply with it.

6. During the term of this Order, the approved program and the policies and procedures and training program adopted pursuant to the approved program shall not be amended or rescinded without the prior written approval of the Reserve Bank.

7. Within 45 days of the end of each quarter following the date of this Order commencing with the quarter ending June 30, 2012, BES shall submit to the Reserve Bank a written progress report detailing the form and manner of all actions taken to secure compliance with the provisions of this Order, and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

EFFECT AND TERMS OF THE ORDER

8. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors or any other U.S. federal or state agency or department from taking any other action affecting BES or any of their current or former subsidiaries, or affiliates based on facts other than those encompassed in the allegations recited in this Order.

9. Each provision of this Order shall remain effective and enforceable according to the laws of the United States of America until stayed, modified, amended, terminated, or suspended in writing by the Board of Governors. BES may apply to the Board of Governors to have this Order terminated, modified, suspended or amended.

10. The provisions of this Order shall be binding on BES, and its successors and assigns according to the laws of the United States of America.

11. Notwithstanding any provision of this Order, the Reserve Bank may in its sole discretion, grant written extensions of time to BES to comply with any provision of this Order.

12. All communications regarding this Order shall be addressed to:

(a) Richard Ashton
Deputy General Counsel
Board of Governors of the
Federal Reserve System
20th & C Streets NW
Washington, DC 20551

(b) Thomas Dolan
Supervising Examiner
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

(c) Head of Compliance
Banco Espírito Santo S.A.
Rua Castilho, 50-3º
1250-071 Lisboa
Portugal

(d) General Manager
Espírito Santo e Comercial de Lisboa, Inc.
73-75 Ferry Street
Newark, NJ 07105

With a copy to:

(c) Mark J. Menting, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004-2498

Andrew R. Gladin, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004-2498

By order of the Board of Governors of the Federal Reserve System, effective this ____ day
of _____, 2012.

BANCO ESPÍRITO SANTO, S.A.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ _____
Jose Manuel
Executive Director

By: _____
Jennifer J. Johnson
Secretary of the Board

ESPÍRITO SANTO e COMERCIAL
de LISBOA, Inc.

By: /s/ _____
Antonio Gato
President

(c) Head of Compliance
Banco Espírito Santo S.A.
Rua Castilho, 50-3º
1250-071 Lisboa
Portugal

(d) General Manager
Espírito Santo e Comercial de Lisboa, Inc.
73-75 Ferry Street
Newark, NJ 07105

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Andrew R. Gladin, Esq.
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125 Broad Street
New York, NY 10004-2498

By order of the Board of Governors of the Federal Reserve System, effective this 2nd day
of April, 2012.

BANCO ESPÍRITO SANTO, S.A.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: _____

By: /s/ _____
Robert deV. Frierson
Deputy Secretary of the Board

ESPÍRITO SANTO e COMERCIAL
de LISBOA, Inc.

By: _____