

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
FINANCIAL CRIMES ENFORCEMENT NETWORK**

**IN THE MATTER OF  
SOVEREIGN BANK,  
Wyomissing, PA**

**No. 2002-01**

**ASSESSMENT OF CIVIL MONEY PENALTY**

**I. INTRODUCTION**

The Secretary of the United States Department of the Treasury has delegated to the Director of the Financial Crimes Enforcement Network (“FinCEN”) the authority to determine whether a financial institution has violated the Bank Secrecy Act, 31 U.S.C. §§5311 et seq. and 31 CFR Part 103 thereunder (“BSA”), and what, if any, sanction is appropriate.

In order to resolve this matter, and only for that purpose, Sovereign Bank (“Sovereign” or the “Bank”) has entered into a CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY without admitting or denying FinCEN’s determinations described in Sections III and IV below, except as to jurisdiction in Section II below, which is admitted.

Sovereign’s CONSENT TO THE ASSESSMENT OF CIVIL MONEY PENALTY, dated April 3, 2002, is incorporated herein by this reference.

**II. JURISDICTION**

Sovereign is a federally chartered savings bank examined by the Office of Thrift Supervision. Sovereign, with headquarters in Wyomissing, Pennsylvania, had total assets of approximately \$35.6 billion as of December 31, 2001. Sovereign is a “financial institution” within the meaning of 31 U.S.C. §5312(a)(2) and 31 CFR §103.11 (c).

**III. FINCEN’S DETERMINATIONS**

**A. Failure to File Currency Transaction Reports**

FinCEN has determined that from June 1998, through May 2001, Sovereign failed to file timely approximately 2000 Currency Transaction Report (“CTR”) forms for currency transactions in amounts greater than \$10,000 as required by 31 CFR §103.22, promulgated under §5313 of the Bank Secrecy Act.

## B. Willful Violations

FinCEN has determined that Sovereign's failures to file CTRs were willful. Over a two-year period, Sovereign had experienced a number of extraordinary events, including several mergers and acquisitions and systems conversions. These events strained Sovereign's compliance systems, leading to the failure to file CTRs primarily for new cash management customers in Pennsylvania and New Jersey that had been acquired through the mergers and acquisitions. While Sovereign BSA compliance personnel or its internal auditors ultimately identified each of these problems, the recurring nature of the problems should have alerted Sovereign and particularly the group responsible for arranging cash pick ups and deliveries for these new customers ("Group"), to the need to more fully evaluate its BSA compliance procedures and systems completely and thoroughly at an earlier time.

In particular, Sovereign relied on third party vendors without adequate internal controls to assure BSA compliance. First, for a year after it acquired the cash management business, Sovereign believed that its outside vendors, several armored car services that picked up and delivered cash to and from the Bank's customers, prepared and filed the necessary CTRs for the pick-ups and deliveries for these customers. However, Sovereign did not have sufficient internal controls in place to verify this belief and did not monitor or test the vendors' performance of this function. In fact, the vendors did not prepare or file the CTRs for these customers. As a result, from June 1998 through March 1999, Sovereign failed to file about 1155 CTRs.

Second, when Sovereign discovered that neither the outside vendors nor the Bank's branches had filed the required CTRs, the Group assumed responsibility for preparing and filing CTRs. The Group obtained a list from the vendors of the customers taking advantage of the cash pick-up and delivery service but did not verify that the list was complete. Because some of these customers were not on the vendors' lists, Sovereign failed to file timely an additional approximately 241 CTRs for a five-month period between March and August 1999 for reportable cash transactions by customers missing from the list.

Lastly, from July 1999 through May 2001, the Group relied on a third party currency handling service to prepare reports of the currency orders by the Bank's customers who received cash from or delivered cash to these third party vendors. The Group would identify reportable transactions from the information in the vendor's reports and prepare and file the necessary CTRs. The BSA Compliance Department, in turn, would compare the CTRs prepared by the Group to the same vendor's report. Beginning in July 1999, however, the report provided by the vendor did not list all the transactions. The Bank did not test the accuracy of the vendor's reports against the Bank's own records of such currency transactions by these customers and did not monitor or test the accuracy of the resulting CTRs. Because of undetected inaccuracies in the vendor's reports, Sovereign failed to file over about 578 additional CTRs between July 1999 and May 2001.

FinCEN has determined that Sovereign failed to implement sufficient internal controls and testing to insure that it filed accurate and timely CTRs, even after it was on notice that there were significant deficiencies in its BSA compliance. Therefore, FinCEN has concluded that Sovereign's failures to file CTRs constitute willful violations of the BSA.

#### IV. CIVIL MONEY PENALTY

FinCEN has determined that by failing to file CTRs as described in Section III, above, Sovereign willfully violated the currency reporting provisions of the BSA and a civil money penalty is due pursuant to 31 U.S.C. §5321 and 31 CFR §103.57(f).

#### V. ASSESSMENT

THEREFORE, the Department of the Treasury assesses against Sovereign a civil money penalty of \$700,000.

By the execution of its CONSENT, Sovereign, without admitting or denying FinCEN's determinations described in Sections III and IV above, except as to jurisdiction in Section II, which is admitted, consents to the assessment of a civil money penalty in the sum of \$700,000.

THEREFORE, Sovereign shall, under the terms of its CONSENT:

1. Pay the amount of \$700,000 within five (5) business days of the date of this ASSESSMENT.
2. Such payment shall be:
  - a. made by certified check, bank cashier's check, or bank money order;
  - b. made payable to the United States Department of the Treasury;
  - c. hand-delivered or sent by overnight mail to Nicholas A. Procaccini, Assistant Director and Chief Financial Officer, FinCEN, P.O.Box 39, Vienna, Virginia 22183; and
  - d. submitted under a cover letter, which references the caption and file number in this matter.

VI. RELEASE

Execution of the CONSENT by Sovereign and compliance with the terms of the ASSESSMENT OF CIVIL MONEY PENALTY and the CONSENT constitute a complete settlement of civil liability for reporting violations of the Bank Secrecy Act, and the regulations promulgated thereunder, which were identified by Sovereign in its letters to FinCEN dated February 28, 2000, July 31, 2000, September 6, 2001 and March 18, 2002.

By: //signed// \_\_\_\_\_ April 8, 2002  
James F. Sloan, Director Date  
FINANCIAL CRIMES ENFORCEMENT  
NETWORK