

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

In the Matter of:	)	
	)	
The Federal Branch of Arab Bank PLC,	)	AA-EC-05-11
New York, New York	)	
	)	

**CONSENT ORDER**

The Acting Comptroller of the Currency of the United States of America (“Comptroller”), through her national bank examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), is conducting an examination and investigation of the New York branch of Arab Bank PLC (the “New York Branch” or “Branch”), a Federal branch of Arab Bank PLC, Amman, Jordan (“Bank”), and has identified deficiencies in the Branch’s internal controls.

The OCC and the Branch agree that the Branch will take immediate action to preserve and maintain the assets of the Branch. In that regard, the New York Branch, by and through its General Manager (“GM”), duly authorized by the Bank, has executed a “Stipulation and Consent to the Issuance of a Consent Order,” (“Stipulation and Consent”) dated February 8, 2005 on behalf of the Branch, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the New York Branch has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

As a result of the examination and investigation, and pursuant to the authority vested in her by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, and the

International Banking Act of 1978, as amended, 12 U.S.C. §§ 3102(b), 3102(g) & 3108(a), the Comptroller hereby orders that:

**ARTICLE I**  
**CAPITAL EQUIVALENCY DEPOSIT**

(1) Effective immediately, the Branch shall increase its Capital Equivalency Deposit (“CED”) to, and thereafter maintain its CED at, an amount at least equal to the greater of:

(a) 200% of its insured deposits determined under Schedule O of the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks for the period ending December 31, 2004, or

(b) 20% of all liabilities required to be included in computing the CED under 12 C.F.R. § 28.15.

(2) All assets in the CED must be free from any security interest, lien, charge, right of setoff, credit or preference in connection with any claim by the depository bank or any other party (other than the OCC).

(3) Within three (3) days, the Branch shall take such actions necessary to revise the account agreement for the CED with the depository bank, in a manner acceptable to the OCC, so that:

(a) the OCC is a party to the agreement;

(b) the CED may not be reduced in aggregate amount without the prior written consent of the OCC; and

(c) the agreement complies with 12 C.F.R. § 28.15(d) in all other respects.

**ARTICLE II**  
**ASSET MAINTENANCE REQUIREMENT**

- (1) Effective February 8, 2005, and at all times thereafter, the Branch shall:
  - (a) maintain total assets of no lower quality than those at the Branch on the date of this Order, and meeting the criteria of 12 C.F.R. § 28.20, in an amount at least equal to \$420 million; and
  - (b) limit the amount of liabilities to nonrelated parties to an amount no greater than that reported on Schedule K of the Branch's Report of Asset and Liabilities of U.S. Branches and Agencies of Foreign Banks for the period ending December 31, 2004.
- (2) In computing eligible total assets, all real estate holdings, as well as the exclusions required under 12 C.F.R. § 28.20(d) shall be excluded.
- (3) Effective immediately and at all times thereafter, the Branch shall maintain Liquid Assets of no lower quality than those at the Branch on the date of this Order, and meeting the criteria of 12 C.F.R. § 28.20, in an amount at least equal to the amount of Liquid Assets reported by the Branch on its the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks for the period ending December 31, 2004.
- (4) All assets used to meet the asset maintenance requirement must be free from any security interest, lien, charge, right of setoff, credit or preference in connection with any claim by any party, except for the security interests granted to the OCC and to the Federal Deposit Insurance Corporation ("FDIC").
- (5) Unless a more specific requirement is imposed by this Article, the Branch shall comply with the requirements of 12 C.F.R. § 28.20.

(6) Commencing on the second day after the effective date of this Order and thereafter on each day on which the Branch conducts business, the Branch shall provide the Deputy Comptroller for Special Supervision with a daily e-mail report of its assets, including the types, current value, and location of all assets. The GM shall attest to the validity of the report.

(7) For purposes of this Article, the term “Liquid Assets” –

(a) means assets denominated in dollars and held in the United States;

(b) includes:

(i) cash

(ii) balances due from non-related depository institutions,

(iii) Federal Funds sold with non-related depository institutions,

(iv) securities purchased under agreements to resell,

(v) investment securities eligible for investment by national banks

and Federal branches under 12 C.F.R. Part 1, but

(c) does not include encumbered or pledged assets by lien, right of set off, preference or otherwise; nor any other asset pledged as security in any financial transaction with the Branch, the Bank, or any subsidiary or affiliate of the Bank, or any other party.

### **ARTICLE III** **RESTRICTIONS ON FUNDS TRANSFERS**

(1) Effective immediately, the Branch shall cease engaging in all funds transfer activities, unless the funds transfer is permitted under this Article. The Branch may complete any funds transfer already in process.

(2) The Branch may conduct only the following funds transfers:

(a) transfers to receive funds or assets necessary to maintain the Branch's compliance with Articles I and II of this Order;

(b) transfers related to the sale, purchase, or transfer of Branch assets, provided that the Branch continues to hold the amount of assets required under Articles I and II of this Order;

(c) transfers related to the repayment, renewal, or transfer of Branch liabilities, provided that the Branch continues to hold the amount of assets required under Articles I and II of this Order;

(d) transfers effecting payment of Branch obligations to creditors, vendors, and other accounts payable, provided that the Branch continues to hold the amount of assets required under Articles I and II of this Order;

(e) transfers effecting receipt of payments owed to the Branch;

(f) transfers out of customer deposit accounts at the Branch existing on the date of this Order, and transfers necessary to accommodate customer transactions in customer transaction deposit accounts at the Branch existing on the date of this Order, provided that the Branch continues to hold the amount of assets required under Articles I and II of this Order;

(g) transfers necessary to effect sending or receipt of payment on letters of credit and bankers' acceptances outstanding at the Branch on the date of this Order, provided the transaction is accompanied by documentation fully and accurately describing the underlying trade transaction, and provided further that the Branch continues to hold the amount of assets required under Articles I and II of this Order;

(h) transfers necessary to effect sending or receiving payments related to loan and loan commitments outstanding at the Branch on the date of this Order, provided that the Branch continues to hold the amount of assets required under Articles I and II of this Order;

(i) transfers necessary to effect sending or receiving payments related to the foreign exchange, interest rate or other futures contracts, options, and swaps outstanding at the Branch on the date of this Order, provided that the Branch continues to hold the amount of assets required under Articles I and II of this Order; and

(j) other transfers with the prior written supervisory non-objection of the OCC.

(3) Notwithstanding the foregoing, a funds transfer shall be permitted under this Article only if:

(a) the transfer does not result in the Branch's assets falling below the types and amounts required under Articles I and II;

(b) the aggregate daily amount of transfers does not exceed \$10 million, unless the Branch obtains prior OCC supervisory non-objection for a higher amount;

(c) the transfer is supported by written documentation or other information maintained at the Branch that fully satisfies the Branch's compliance with the Bank Secrecy Act and its implementing regulations and the USA PATRIOT Act and its implementing regulations and complies with the requirements of 12 C.F.R. § 28.18(a) and (c); and

(d) the transfer is inputted at the Branch by Branch personnel under the direct supervision of Branch management.

(4) Commencing on the second day after the effective date of this Order and thereafter on each day on which the Branch conducts business, the Branch shall provide the Deputy Comptroller with a daily e-mail report of its funds transfer activities. The GM shall attest to the validity of the report. The report shall include:

- (a) all wire transfers and other transfers by electronic means; and
- (b) the name of the customer, the type of transaction, and the amount of the transaction.

(5) The Branch shall immediately notify all parties that its funds transfer activities are restricted, including notifying other financial institutions via SWIFT.

(6) For purposes of this Order,

(a) the term “funds transfer” includes the origination of, receipt of, or other participation in the transfer of funds, securities, or other assets by means of internal book entries at the Branch or elsewhere within the Bank, automated clearinghouse transactions, Fedwire, other wire transfers, or any other electronic means.

(b) “already in process” includes a payment related to an interbank transaction in which Arab Bank is a counterparty acting as a principal and not as an agent for a customer, the transaction was entered into with an unrelated bank prior to the date of this Order, and the instructions for payment at maturity were established at the time the transaction was initiated. The Branch shall cause Arab Bank, by February 15, 2005, to identify any such transactions that have not yet matured and to instruct the bank counterparty to redirect the payment to a correspondent bank account.

**ARTICLE IV**  
**GENERAL PROVISIONS**

(1) The provisions of this Order are effective upon issuance by the Comptroller, through her authorized representative, whose hand appears below, and shall remain effective and enforceable, except to the extent that any provisions shall have been amended, suspended, waived, or terminated in writing by the Comptroller, and until an Order including terms substantially similar to those included herein is issued by the Comptroller.

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

(3) It is expressly and clearly understood that nothing herein shall preclude any proceedings brought by the Comptroller to enforce the terms of this Order, and that nothing herein constitutes, nor shall the Branch or the Bank contend that it constitutes, a waiver of any right, power, or authority of any other representatives of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

(4) All reports, information, and documentation required under this Order and any other correspondence related to this Order shall be sent by overnight mail, e-mail, hand delivery, or facsimile to:

John W. Quill  
Deputy Comptroller for Special Supervision  
Office of the Comptroller of the Currency  
250 E Street, S.W.  
Washington, D. C. 20219  
Facsimile Number: (202) 874-5214



E-mail Address: John.Quill@occ.treas.gov

(5) Any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 8th day of February 2005.

/s/ Timothy W. Long  
Timothy W. Long  
Senior Deputy Comptroller  
Midsize/Community Bank Supervision  
Office of the Comptroller of the Currency

2/08/05  
Date

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

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**In the Matter of:**

The Federal Branch of Arab Bank PLC  
New York, New York

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AA-EC-05-11

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) has initiated informal proceedings against the New York branch of Arab Bank, PLC, (the “New York Branch” or the “Branch”), a Federal branch of Arab Bank, PLC, Amman, Jordan, (“Bank”) pursuant to 12 U.S.C. § 3101 *et seq.*, and is considering whether to initiate proceedings pursuant to 12 U.S.C. § 1818(b).

The Branch, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated February 8, 2005 (“Order”).

In consideration of the above premises, the Comptroller, through her authorized representative, and the New York Branch, by and through the Executive Vice President and Regional Manager, duly authorized by the Bank, hereby stipulate and agree to the following:

Article I

Jurisdiction

(1) The Branch is a Federal branch licensed and examined by the Comptroller pursuant to the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Branch pursuant to 12 U.S.C. §§ 1813(q), 1818(b) and 3108(b).

## Article II

### Agreement

(1) The Branch, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Branch further agrees 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 consents and agrees 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.*

(3) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Branch under its supervisory powers, including 12 U.S.C. § 1818(i), not as a matter of contract law. The Branch expressly acknowledges that neither the Branch nor the Comptroller has any intention to enter into a contract.

(4) The Branch also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of its supervisory responsibilities.

## Article III

### Waivers

(1) The Branch, by signing this Stipulation and Consent, hereby waives:

- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
- (b) any and all procedural rights available in connection with the issuance of the Order;
- (c) all rights to seek any type of administrative or judicial review of the Order; and
- (d) any and all rights to challenge or contest the validity of the Order.

Article IV

Other Action

(1) The Branch agrees 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 Branch if, at any time, he/she deems it appropriate to do so to fulfill the responsibilities placed upon him/her by the several laws of the United States of America.

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

*/s/ Timothy W. Long*

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Timothy W. Long  
Senior Deputy Comptroller  
Midsize/Community Bank Supervision  
Office of the Comptroller of the Currency

*2/8/05*

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Date

IN TESTIMONY WHEREOF, the undersigned, the Executive Vice President and Regional Manager, duly authorized by the Bank, has hereunto set his hand on behalf of the Branch.

*/s/*

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Nofal S. Barbar  
Executive Vice President and Regional Manager  
Arab Bank, PLC  
On behalf of Arab Bank, PLC, New York Branch

*2/8/05*

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Date