

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

In the Matter of:)	
KeyBank, N.A.)	AA-EC-05-85
Cleveland, Ohio)	

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over KeyBank, N.A., Cleveland, Ohio (“Bank”) and has concluded that the Bank has violated 12 C.F.R. Part 21, 31 U.S.C § 5318(i), and 31 C.F.R. Part 103.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated October 17, 2005 that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

Article I

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors. The entire Board, or an already existing committee thereof, may serve as the Compliance Committee. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Deputy Comptroller. The

Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order. The Compliance Committee may fulfill any responsibilities imposed upon the Board in this Order.

(2) Within ninety (90) days of the date of this Order and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail the actions taken to comply with each Article of this Order.

(3) The Board shall forward a copy of the Compliance Committee's report, with any additional Board comments, to the Deputy Comptroller within ten (10) days of receipt.

(4) Creation of the Compliance Committee does not relieve the full Board of its responsibility to ensure full compliance with this Order.

Article II

BANK SECRECY ACT INTERNAL CONTROLS

(1) Within sixty (60) days of the date of this Order, in response to the risks assessed as set forth in this Article, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to provide for compliance with the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 et seq.), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C, and the rules and regulations of the Office of Foreign Assets Control (“OFAC”) (collectively referred to as the “Bank Secrecy Act” or “BSA”) and for the appropriate identification and monitoring of high-risk transactions. This program to ascertain the risk level inherent in its customer base should include the following:

- (a) a process to assess, identify, and assign risk to customers, products, services, and geographies that identifies and addresses gaps in management of BSA risks – this risk assessment should be consistent with the Quantity of Risk Matrix included as

Appendix J to the Bank Secrecy Act Anti-Money Laundering Examination Manual (“Manual”);

- (b) implementation of suspicious activity monitoring controls for all appropriate lines of business and functional areas (“LOB”) that is commensurate with the level of risk identified in each LOB to ensure suspicious activity monitoring in all LOB’s;
- (c) a governance structure, with clear lines of responsibility beginning with senior management and including each effected LOB, in which accountability for BSA compliance is clearly communicated and enforced;
- (d) procedures that indicate the tools or processes to be used for all LOB’s with BSA risk for identifying and monitoring high risk transactions;
- (e) well-defined procedures for investigating and resolving the Bank’s response to transactions that it identifies as unusual or suspicious;
- (f) enhanced procedures for recording, maintaining, and recalling information about transactions that it identifies as unusual or suspicious;
- (g) reasonable procedures that comply with 31 C.F.R. § 103.121 for the opening of new accounts; this information should be readily retrievable for independent review or upon the request of regulators;
- (h) policies, operating procedures, due diligence programs, and quality control systems that ensure: (i) at least an annual risk-focused assessment of the Bank’s customer base; (ii) the evaluation, documentation, and monitoring of BSA risk in the Bank’s existing customer base; (iii) the appropriate level of due diligence is applied when opening and monitoring all accounts, including those of money services businesses; (iv) high-risk customers are accurately identified at the time of account-opening or thereafter; (v) enhanced due diligence and monitoring is

conducted for high-risk accounts; (vi) consideration and, as appropriate, implementation of all regulatory guidance addressing BSA risks, including, but not limited to, the Manual; (vii) periodic review of account due diligence to ensure information is sufficient given the customer's risk; (viii) review of pouch activity received throughout the Bank; (ix) monitoring of all foreign correspondent accounts and any sub-accounts of those accounts; and (x) timely correction of any deficiencies identified;

- (i) implementation of investigation case file standards that are consistent with the SAR Decision-Making Process section of the Manual; and
- (j) a method for evaluating new products and services that ensures that the procedures governing new products and services are consistent with the Bank's program for compliance with the BSA.

(2) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures in each LOB for which the Bank determines there is compliance risk under the BSA to provide for the Bank's monitoring of suspicious cash, monetary instrument, wire transfer, and other activities for all types of transactions, accounts, customers, products, services, and geographic areas. The program shall be consistent with the standards set forth in the Manual, particularly in the sections discussing Suspicious Activity Reporting, Funds Transfers, and Purchase and Sale of Monetary Instruments. The program shall require submission of SAR's based on these reviews and analyses as appropriate.

(3) Upon adoption, a copy of the written policies required by paragraph 1 of this Article and each LOB's written procedures shall be promptly submitted to the Deputy Comptroller.

(4) Within seventy-five (75) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank maintenance of an accurate system, manual or automated, to produce periodic reports for all Bank LOB's designed to identify unusual or suspicious activity, including patterns of activity, and to monitor and evaluate unusual or suspicious activity. At a minimum, the system should include:

- (a) The ability to link related accounts to evaluate patterns of activity; and
- (b) Appropriate and effective thresholds for filtering accounts, transactions, and customers for further monitoring, review, and analysis.

(5) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to provide for the application of appropriate monitoring of all types of high-risk transactions, accounts, customers, products, services, and geographic areas. At a minimum, this written program shall include:

- (a) a list of all accounts, maintained either manually or through the Bank's electronic information systems, associated with a relationship, a foreign country, or a PEP;
- (b) periodic reports with information on all high-risk accounts that are newly-established, renewed, or modified as well as on any type of subpoena received by the Bank and on any law enforcement inquiry directed to the Bank and any action taken by the Bank on the effected account; and
- (c) ensuring that appropriate customer due diligence is obtained for all high-risk accounts, customers, products and services.

(6) Upon adoption, a copy of the written monitoring program shall be submitted promptly to the Deputy Comptroller.

(7) Before beginning its next annual review of exemptions, the Bank must enhance its annual Currency Transaction Report (“CTR”) exemption reviews to ensure appropriate due diligence is conducted to determine the validity of each exemption.

(8) Within thirty (30) days, the Bank shall enhance its process to identify all accounts that require enhanced due diligence for non-United States persons under Section 312 of the USA PATRIOT Act, including all legal or beneficial owners and primary owners and aggregate account relationships.

Article III

BANK SECRECY ACT COMPLIANCE FUNCTION

(1) Within thirty (30) days of the date of this Order, the Board shall determine whether any changes are needed regarding the BSA Officer’s supporting staff, including the responsibilities, authority, structure, independence, competencies, or capabilities of the supporting staff, including BSA compliance staff within the LOB’s.

(2) The BSA Officer, in conjunction with the internal auditors, should ensure the adequacy of the identification of BSA deficiencies, the adequacy of BSA-related internal controls throughout the Bank, the adequacy of testing risks and BSA-related internal controls, and the timeliness of corrective action.

Article IV

SUSPICIOUS ACTIVITY REPORTS

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to an enhanced written program to establish a system of internal controls and processes to ensure compliance with the requirements to file Suspicious Activity Reports set forth in 12 C.F.R. § 21.11. At a minimum, this written program shall establish comprehensive procedures for each LOB for identifying suspicious activity arising from or relating to the

opening of new accounts, the monitoring of current accounts, funds transfers through the Bank, and non-customer transactions.

(2) Upon adoption, a copy of the written program required by paragraph 1 of this Article shall be promptly submitted to the Deputy Comptroller.

Article V

BANK SECRECY ACT AUDIT

(1) Within thirty (30) days of the date of this Order, the Board, or a designated committee of the Board, shall adopt, implement, and thereafter ensure Bank adherence to an independent internal audit program, including its scope, testing, and documentation, sufficient to:

- (a) determine the Bank's level of compliance with the BSA;
- (b) evaluate the Bank's adherence to established BSA policies and procedures;
- (c) perform an appropriate level of testing to support the BSA audit findings; and
- (d) establish an annual BSA audit plan that allows for a Bank-wide BSA compliance assessment.

(2) Upon adoption, a copy of the internal audit program required by paragraph 1 of this Article shall be promptly submitted to the Deputy Comptroller.

(3) Within thirty (30) days of the date of this Order, the Board shall expand the Bank's existing BSA audit procedures to include:

- (a) prompt management response and follow-up to all exceptions or other recommendations of any Bank auditor for BSA matters; and
- (b) requirement of a response by senior management or the Audit Committee for all repeat exceptions found by any Bank auditor concerning BSA matters.

(4) The Board, or a designated committee of the Board, shall ensure that the audit program is independent. The persons responsible for implementing the BSA audit program

described above shall report directly to the Board, or a designated committee of the Board, which shall have the sole power to direct those activities. All BSA audit reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(5) The Board, or a designated committee of the Board, shall ensure that immediate actions are undertaken to remedy deficiencies cited in BSA audit reports.

Article VI

BANK SECRECY ACT TRAINING

(1) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a comprehensive training program for all appropriate personnel to ensure their awareness of their responsibility for compliance with the requirements of the BSA, including customer due diligence procedures, the Bank's customer identification program, and SAR reporting requirements pursuant to 12 C.F.R. Part 21, Subpart B.

(2) Upon adoption, a copy of the training program shall be promptly submitted to the Deputy Comptroller.

(3) The Bank shall ensure that employees in each LOB with BSA risk receive additional training concerning suspicious activity in and other BSA risks specific to that LOB.

Article VII

VIOLATIONS OF LAW

(1) The Board immediately shall take all necessary steps to ensure that Bank management corrects each violation of law or regulation about which examiners have made the Bank aware for the most recent examination of the Bank's BSA compliance. The quarterly progress reports required by Article I of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) The Board shall ensure that the Bank has policies, personnel, and control systems to ensure implementation of and adherence to the programs and procedures developed pursuant to this Order.

Article VIII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed programs for the review of the Deputy Comptroller, the Board has ultimate responsibility for the Bank's proper and sound management.

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

(3) Any time limitations imposed by this Order shall begin to run from the Order's effective date. Such time limitations may be extended in writing by the Deputy Comptroller for good cause upon written application.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings pursuant to this Order;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(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 17th day of October, 2005.

/s/ Grace E. Dailey

Grace E. Dailey
Deputy Comptroller
Large Bank Supervision

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

In the Matter of:)	
KeyBank, N.A.)	AA-EC-05-85
Cleveland, Ohio)	

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

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against KeyBank, N.A., Cleveland, Ohio (“Bank”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice for a violation of 12 C.F.R. § 21.21.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated October 17, 2005 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

Article I

Jurisdiction

- (1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*
- (2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).
- (3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).
- (4) As a result of this Order,

- (a) Pursuant to 12 C.F.R. § 5.3(g)(4), the Bank is not an eligible bank for the purposes of 12 C.F.R. part 5 unless otherwise informed in writing by the OCC.
- (b) Pursuant to 12 C.F.R. § 5.51(c)(6)(ii), this Order shall not subject the Bank to the requirements of 12 C.F.R. § 5.51 unless otherwise informed in writing by the OCC.
- (c) Pursuant to 12 C.F.R. § 359.1(f)(1)(ii)(C) and 12 C.F.R. § 5.51(c)(6)(ii), this Order shall not subject the Bank to the requirements of 12 C.F.R. part 359 unless otherwise informed in writing by the OCC.
- (d) Pursuant to 12 C.F.R. § 24.2(e)(4), the Bank shall continue to be an eligible bank for the purposes of 12 C.F.R. part 24 unless otherwise informed in writing by the OCC.

Article II

Agreement

- (1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.
- (2) The Bank 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). 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 Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly

acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller 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 his supervisory responsibilities.

Article III

Waivers

- (1) The Bank, 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 a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

Article IV

Other Action

(1) The Bank 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 Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

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

/s/ Grace E. Dailey

Grace E. Dailey
Deputy Comptroller
Large Bank Supervision

10/17/05

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/ Robert B. Heisler, Jr.

Robert B. Heisler, Jr.

10/17/05

Date

/s/ Michael P. Barnum

Michael P. Barnum

10/13/05

Date

/s/ Kevin M. Blakely

Kevin M. Blakely

10/17/05

Date

/s/ George E. Emmons

George E. Emmons

10/17/05

Date

/s/ Linda A. Grandstaff

Linda A. Grandstaff

10/17/05

Date

/s/ Paul N. Harris

Paul N. Harris

10/17/05

Date

/s/ Charles S. Hyle

Charles S. Hyle

10/17/05

Date

/s/ Timothy J. King

Timothy J. King

10/17/05

Date

/s/ Jeffrey B. Weeden

Jeffrey B. Weeden

10/17/05

Date