



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MUL-464334

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made by and between the U.S. Department of the Treasury’s Office of Foreign Assets Control and Australia and New Zealand Banking Group, Ltd., and its subsidiaries.

I. PARTIES

1. The Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and persons engaged in activities related to the proliferation of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

2. Australia and New Zealand Banking Group, Ltd. (“ANZ”) is a financial institution registered and organized under the laws of Australia.

II. FACTUAL STATEMENT

3. The conduct at issue herein first came to the attention of OFAC in early January 2006, when a U.S. bank blocked a transaction following receipt of a SWIFT message from ANZ Australia’s New York branch. The blocked transaction referenced the Bank of Khartoum, a Government of Sudan financial institution that is on OFAC’s List of Specially Designated Nationals and Blocked Persons.

4. Subsequently, ANZ conducted a substantial review of OFAC-related transactions and provided detailed information to OFAC in a disclosure dated March 8, 2006, and in a report of November 24, 2006. This review identified the transactions described in paragraphs 5 and 6 below (the “Alleged Violations”), which ANZ disclosed to OFAC. ANZ’s review constituted substantial cooperation with OFAC.

5. From on or about June 3, 2004, to on or about January 6, 2006, ANZ processed, through correspondent accounts held at United States financial institutions, 16 export letters of

credit and reimbursement claims relating to trade with Sudan, in the aggregate amount of USD 28,170,185. ANZ structured transactions and utilized payment methods that concealed the identities of sanctioned entities, thereby impeding the ability of U.S. financial institutions to detect these apparent violations.

6. From on or about August 11, 2004, to on or about September 25, 2006, ANZ processed, through correspondent accounts held at United States financial institutions, 15 financial transactions in which the Government of Cuba or a Cuban national had an interest, in the aggregate amount of USD 77,705,751.

7. ANZ took prompt and thorough remedial action upon discovering the Alleged Violations.

8. OFAC had not initiated an enforcement action against ANZ in the five years preceding the Alleged Violations.

III. ALLEGED VIOLATIONS

9. On April 23, 2009, OFAC notified ANZ that OFAC had reason to believe that ANZ had violated the Sudanese Sanctions Regulations (“SSR”), 31 C.F.R. Part 538, promulgated pursuant to, *inter alia*, the International Emergency Economic Powers Act (“IEEPA”), and the Cuban Assets Control Regulations (“CACR”), 31 C.F.R. Part 515, promulgated pursuant to, *inter alia*, the Trading With the Enemy Act (“TWEA”).

10. In particular, OFAC notified ANZ that the conduct described in paragraph 5 above constituted apparent violations of 31 C.F.R. §§ 538.205 and 538.201(a), and that the conduct described in paragraph 6 above constituted apparent violations of 31 C.F.R. § 515.201.

11. The Alleged Violations of the CACR, which were not substantially similar to the Alleged Violations of the SSR, were considered by OFAC to have been voluntarily self-disclosed by ANZ to OFAC.

12. The Alleged Violations provided substantial economic benefit to Sudan and Cuba, thereby undermining U.S. national security, foreign policy, and other objectives of the sanctions programs.

IV. TERMS OF SETTLEMENT

IT IS HEREBY AGREED by OFAC and ANZ that:

13. ANZ has terminated the conduct described in its disclosures referenced in paragraph 4 and generally described in paragraphs 5 and 6 and agrees not to engage in any similar conduct in the future.

14. ANZ agrees to have its Internal Audit department conduct an independent and comprehensive agreed-upon procedures review of its operations globally to confirm that its OFAC compliance program is working effectively, and, as necessary, revise its policies and procedures to ensure, to the best of its ability, that transactions that would violate OFAC's regulations are not processed by or through United States financial institutions. The terms of ANZ's review are contained in the attached Exhibit B. ANZ further attests that its Internal Audit Department has the technical expertise to carry out this undertaking. ANZ understands that the Australian Prudential Regulation Authority ("APRA"), ANZ's primary Australian regulator, has agreed to review the results of the examination conducted by ANZ's Internal Audit Department and monitor the resolution of any adverse findings. The results of ANZ's examination shall be forwarded to APRA and to OFAC no later than December 31, 2010.

15. ANZ agrees to pay OFAC a penalty of USD 5,750,000 in settlement of the alleged violations of IEEPA, TWEA, the SSR, and the CACR as previously described to ANZ by OFAC and summarized in this Agreement.

16. OFAC agrees that, as of the date that ANZ satisfies the obligations set forth in paragraphs 13 through 15, OFAC will release and forever discharge ANZ from any and all civil liability, under the legal authorities that OFAC administers, in connection with the Alleged Violations described in paragraphs 5 and 6 above.

IV. MISCELLANEOUS PROVISIONS

17. The provisions of this Agreement shall not bar, estop, or otherwise prevent OFAC from taking any other action affecting ANZ with respect to any and all types of violations not set forth in its disclosures referenced in paragraph 4 and generally described in paragraphs 5 and 6 above or violations occurring after the date of execution of this Agreement. The provisions of this Agreement shall not bar, estop, or otherwise prevent other U.S. federal, state, or local officials from taking any other action affecting ANZ.

18. No amendment to the provisions of this Agreement shall be effective unless executed in writing by OFAC and by ANZ.

19. The provisions of this Agreement shall be binding on ANZ and its successors and assigns.

20. No representations, either oral or written, except those provisions as set forth herein, were made to induce any of the parties to agree to the provisions as set forth herein.

21. This Agreement consists of 4 pages and expresses the complete understanding of OFAC and ANZ regarding resolution of OFAC's civil penalty matter involving the Alleged Violations. No other agreements, oral or written, exist between OFAC and ANZ regarding resolution of this matter.

22. OFAC will post this entire Agreement on its website, as well as a brief description of the Alleged Violations substantially in the form attached as Exhibit A. OFAC also may issue a press release containing the information in Exhibits A and B.

23. Use of facsimile signatures shall not delay the approval and implementation of the terms of this Agreement. In the event any party to this Agreement provides a facsimile signature, the party shall substitute the facsimile with an original signature. The Agreement may be signed in multiple counterparts, which together shall constitute the Agreement. The effective date of the Agreement shall be the latest date of execution.

Respondent accepts the terms of this Settlement Agreement this 21st day of August, 2009.

Richard B. Santamaria
Signature

RICHARD B. SANTAMARIA
Printed Name of ANZ's Duly Authorized Representative

GROUP GENERAL COUNSEL
Printed Title of ANZ's Duly Authorized Representative

Adam Szubin
Signature
Director
Office of Foreign Assets Control

Exhibit A

Australia and New Zealand Bank Group, Ltd., Settles Allegations of Violations of the Sudanese Sanctions Regulations and Cuban Assets Control Regulations: Australia and New Zealand Bank Group, Ltd., Melbourne, Australia (“ANZ”), remitted \$5,750,000 to settle allegations of violations of the Sudanese Sanctions Regulations, 31 C.F.R. Part 538, and the Cuban Assets Control Regulations, 31 C.F.R. Part 515. The international trade finance and foreign currency exchange activities at issue in the settlement occurred from 2004 to 2006 and involved ANZ’s processing of transactions through U.S. correspondent accounts. ANZ actively manipulated the SWIFT messages related to the Sudanese transactions by removing references to Sudan or the names of entities subject to sanctions in the United States, thereby concealing the identities of the targets of U.S. sanctions and impeding the ability of U.S. banks to detect these violations. The settlement covers 16 transactions in the aggregate amount of approximately \$28 million alleged to have violated the Sudanese Sanctions Regulations, and 15 transactions in the aggregate amount of \$78 million alleged to have violated the Cuban Assets Control Regulations.

OFAC mitigated the total potential penalty based on ANZ’s substantial cooperation, its prompt and thorough remedial response, and the fact that ANZ had not been subject to an OFAC enforcement action in the five years preceding the transactions at issue. Although ANZ did not voluntarily self-disclose the apparent violations of the Sudanese Sanctions Regulations, ANZ substantially cooperated with OFAC by conducting an extensive review of transactions. This review identified additional apparent violations of the Sudanese Sanctions Regulations of which OFAC was not aware, as well as apparent violations of the Cuban Assets Control Regulations, which ANZ voluntarily self-disclosed to OFAC.

As part of its remedial response, ANZ re-engineered its current operating model to enhance its ability to identify and resolve operational gaps and weaknesses. ANZ enhanced key OFAC procedures and policies to establish more effective controls with respect to potential OFAC violations. As part of its settlement with OFAC, ANZ has agreed to examine and, as necessary, further revise its policies and procedures to ensure, to the best of its ability, that transactions that would be in violation of OFAC’s regulations are not processed by or through United States financial institutions. ANZ will report findings of its examination to OFAC. The Australian Prudential Regulation Authority, ANZ’s primary Australian regulator, has agreed to review the results of the examination conducted by ANZ and monitor the resolution of any adverse findings.

Exhibit B

Scope of Internal Audit Review

ANZ Internal Audit will conduct an independent and comprehensive agreed-upon procedures review (the "Review") of its operations globally to confirm that its OFAC compliance program is working effectively.

The Review, under the direction of the ANZ Group Head of Internal Audit, will commence in the 4th quarter of 2009 with the final results presented to OFAC no later than December 31, 2010. ANZ will provide an interim report on the results of the Review to OFAC by September 30, 2010. Where necessary, ANZ's Internal Audit resources will be supplemented with the appropriate external expertise to ensure it has the skills necessary to effectively carry out this work.

The scope of the Review will comprise the following:

- governance and oversight arrangements;
- operational procedures and controls;
- screening technology;
- resourcing; and
- training of staff.

The Review will follow a risk based approach and consist of:

- a desktop review of the relevant documentation;
- interviews with key personnel in each region; and
- sample testing of controls and transactions where appropriate.

A detailed work program for the Review will be provided to OFAC within eight weeks of the date of this Agreement being signed. The recently announced acquisition of the Royal Bank of Scotland's assets in Asia will be excluded from the scope of the Review. The Australian Prudential Regulation Authority, ANZ's primary Australian regulator, has agreed to review the results of the examination conducted by ANZ and monitor the resolution of any adverse findings.