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 Clearstream Banking, S.A.

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. Clearstream Banking, S.A. (“Clearstream”) is a financial institution registered and organized under the laws of Luxembourg.

II. FACTUAL STATEMENT

3. Following a request for information from OFAC, Clearstream met with OFAC in late 2007 and early 2008 to discuss accounts it maintained in Luxembourg for Iranian entities. One such account was ultimately identified as an account for the Central Bank of Iran (“CBI”).

4. Securities entitlements held in the CBI’s account at Clearstream at that time included entitlements related to securities held in the United States. Specifically, Clearstream held interests in 26 corporate and sovereign bonds in its omnibus account at a U.S. financial institution in New York in which the CBI had a beneficial ownership interest, with a total nominal value of $2.813 billion. Central securities depositories in the United States served as the ultimate place of safekeeping for these securities.

5. Clearstream, as intermediary, exported custody and related services from the United States to the CBI with respect to the 26 securities described above. Clearstream served as the channel through which the CBI was able to hold an interest in these securities, as well as to transfer or sell those interests at a later date.

6. During its initial meeting with OFAC in December 2007, Clearstream stated that its Executive Board made the decision in October 2007 to close all accounts that it maintained...
for Iranian customers, regardless of whether such accounts involved securities held in custody in the United States. Clearstream indicated, however, that its Iranian customers were experiencing difficulties selling their securities entitlements or finding other financial institutions willing to take Clearstream’s place as custodian. Clearstream and OFAC discussed the risk posed by holding in the United States assets in which Iranian customers had an interest. In communications in early 2008, OFAC and Clearstream discussed the manner in which Clearstream would wind down its Iranian business to achieve the institution’s stated objective of terminating its Iranian business.

7. Between February 7, 2008, and February 29, 2008, Clearstream, acting on instructions from the CBI, transferred the aforementioned 26 securities entitlements from the CBI’s account at Clearstream to a recently-opened custody account for a European commercial bank at Clearstream. The European bank maintained two accounts at Clearstream – a proprietary account opened in the 1970s to hold its own assets, and a “customers” account that the bank opened in January 2008, just prior to the transfer of the 26 securities entitlements, to hold the assets of third parties. The transfers were made free-of-payment (“FOP”) to the European bank, meaning that there was no exchange of cash or other payment made within Clearstream’s settlement system to the CBI in return for the securities entitlements. Clearstream instructed relevant personnel to monitor the transfer instructions it received from the CBI for explicit references to an Iranian beneficiary, but did not otherwise take steps to determine whether the CBI was retaining beneficial ownership of the securities.

8. In fact, the European bank was acting as custodian for the CBI’s assets. The FOP transfers of the security entitlements were accomplished by internal accounting entries on the books of Clearstream. As a result of the transfers, the record of ownership on Clearstream’s books changed, but the beneficial ownership did not, resulting in the CBI’s interest being buried one layer deeper in the custodian chain. The ultimate place of custody of the securities remained in the United States, and the securities were still held in Clearstream’s account at a U.S. financial institution in New York. Thus, Clearstream’s exportation of services from the United States to the CBI continued after the securities entitlements were moved from the CBI’s account at Clearstream to the European bank’s custody account for the CBI.

9. Certain emails among, and other documents in the possession of, Clearstream employees around the time of the transfer of securities entitlements indicate that a number of employees – including at least one supervisor and one senior executive – knew or should have known that the beneficial ownership of the securities entitlements would not change with their FOP transfer. For instance, on March 10, 2008, a Clearstream employee wrote an email to his/her supervisor, a member of Clearstream’s Executive Management, in which he/she raised the possibility of transferring additional, non-U.S. Dollar (“USD”) denominated securities still in the CBI’s account at Clearstream to the same account to which the CBI transferred the 26 USD-denominated securities (a likely reference to the European bank’s custody account). The employee noted in his/her email, “I asked [CBI employee] to transfer more to the account to which they transferred but he does not want to take more credit exposure.” The CBI would not have had any credit exposure related to the securities if beneficial ownership had actually passed to another entity.
10. OFAC has reason to believe that Clearstream’s conduct described above resulted in activity prohibited by executive orders and/or regulations promulgated pursuant to the International Emergency Economic Powers Act (“IEEPA”), 50 U.S.C. §§ 1701-06.

11. From at least December 2007 through June 2008, Clearstream maintained an account at a U.S. financial institution in New York through which the CBI maintained a beneficial ownership interest in securities held in the United States, and performed certain associated services on behalf of the CBI, in apparent violation of the prohibition against the “exportation . . . directly or indirectly, from the United States . . . of any . . . services to Iran or the Government of Iran” (the “Apparent Violations”). See 31 C.F.R. § 560.204 of the Iranian Transactions and Sanctions Regulations (the “Regulations”).

12. The Apparent Violations described in this Agreement were not voluntarily self-disclosed to OFAC within the meaning of OFAC’s Economic Sanctions Enforcement Guidelines (the “Guidelines”). See 31 C.F.R. part 501, app A.

13. The Apparent Violations by Clearstream described above undermined U.S. national security, foreign policy, and other objectives of U.S. sanctions programs.

14. Clearstream has taken remedial action by strengthening its sanctions compliance controls and implementing enhanced policies and procedures, customer due diligence, automated transaction screening, and employee training. Specifically, measures adopted by Clearstream to strengthen its sanctions compliance controls include, among other things: (i) conducting enhanced customer due diligence as well as account and transaction monitoring in order to increase Clearstream’s understanding about the beneficial ownership of securities in its system – including, for example, requiring information about customers’ relationships with any sanctioned persons or countries; (ii) limiting which of its customers are eligible to hold omnibus accounts based on the risk profile of the customer and other compliance standards; and (iii) requiring customers to certify that they will not use or permit the indirect use of their accounts with Clearstream for any transaction, service, or relationship that would violate applicable sanctions law.

15. Clearstream cooperated with OFAC by engaging outside firms to conduct a comprehensive investigation into the facts surrounding the Apparent Violations; providing substantial and well-organized information regarding the Apparent Violations for OFAC’s assessment; tolling the statute of limitations with respect to the Apparent Violations; and responding to multiple additional inquiries and requests for information.

16. OFAC has not issued a penalty notice or Finding of Violation against Clearstream in the five years preceding the date of the earliest transaction giving rise to the Apparent Violations.

III. TERMS OF SETTLEMENT

IT IS HEREBY AGREED by OFAC and Clearstream that:
17. Clearstream represents that it has terminated its conduct described in paragraphs 3 through 9 above and has put in place, and agrees to maintain, policies and procedures that prohibit, and are designed to prevent the recurrence of, similar conduct in the future.

18. Without this Agreement constituting an admission or denial by Clearstream of any allegation made or implied by OFAC in connection with this matter, and solely for the purpose of settling this matter without a final agency finding that a violation has occurred, Clearstream agrees to pay the amount of $151,902,000 for potential civil liability arising out of the Apparent Violations of IEEPA and the Regulations referenced in this Agreement.

19. Should OFAC determine, in the reasonable exercise of its discretion, that Clearstream has materially breached its obligations under paragraph 18 of this Agreement, OFAC shall provide written notice to Clearstream of the alleged breach and provide Clearstream with 30 days from the date of Clearstream’s receipt of such notice, or longer as determined by OFAC, to demonstrate that no material breach has occurred or that any such breach has been cured. In the event that OFAC ultimately determines that a material breach of paragraph 18 of this Agreement has occurred, OFAC will provide notice to Clearstream of its determination, and this Agreement shall be null and void, and the statute of limitations applying to activity occurring on or after February 19, 2008, shall be deemed tolled until a date 180 days following Clearstream’s receipt of notice of OFAC’s determination that a breach of the Agreement has occurred.

20. OFAC agrees that, as of the date that Clearstream satisfies the obligations set forth in paragraph 18 above, OFAC will release and forever discharge Clearstream from any and all potential civil liability, under the legal authorities that OFAC administers, in connection with any and all violations arising from or related to the conduct disclosed during the course of the investigation, including that described in paragraphs 3 through 9 above and the Apparent Violations described in paragraph 11 above.

21. Clearstream waives any claim by or on behalf of Clearstream, its employees and agents, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, and/or its officials and employees arising out of the facts giving rise to this Agreement, including but not limited to OFAC’s investigation of the Apparent Violations and any possible legal objection to this Agreement at any future date.

IV. MISCELLANEOUS PROVISIONS

22. The provisions of this Agreement shall not bar, estop, or otherwise prevent OFAC from taking any other action affecting Clearstream with respect to any and all violations not arising from or related to the conduct disclosed during the course of the investigation, including that described in paragraphs 3 through 9 above and the Apparent Violations described in paragraph 11 above or violations occurring after the dates of that conduct. The provisions of this Agreement shall not bar, estop, or otherwise prevent other U.S. federal, state, or county officials from taking any other action affecting Clearstream.
23. Each provision of this Agreement shall remain effective and enforceable according to the laws of the United States of America until stayed, modified, terminated, or suspended by OFAC.

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

25. The provisions of this Agreement shall be binding on Clearstream and its successors and assigns.

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

27. This Agreement consists of six pages and expresses the complete understanding of OFAC and Clearstream regarding resolution of the Apparent Violations arising from or related to the conduct described in paragraphs 3 through 9 above. No other agreements, oral or written, exist between OFAC and Clearstream regarding resolution of this matter.

28. OFAC may, in its sole discretion, issue a public statement about the facts of this Agreement, on its Web site or otherwise, including the identity of any entity involved, the settlement amount, and a description of the Apparent Violations; OFAC may also, in its sole discretion, publish this Settlement Agreement on its Web site or otherwise.

29. 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.
30. All communications regarding this Agreement shall be addressed to:

Clearstream Banking, S.A.
42 Avenue JF Kennedy
L-1855 Luxembourg
Luxembourg

With a copy to:
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York, 10017

Office of Foreign Assets Control
U.S. Department of the Treasury
Attn. Sanctions Compliance & Evaluation
1500 Pennsylvania Avenue, N.W., Annex
Washington, DC 20220

AGREED:

[Signature]
Jeffrey Toddler
Chief Executive Officer
Clearstream Banking S.A.

[Dated]
Mark Gem
Member of the Executive Board
Clearstream Banking S.A.

DATED 15 JANUARY 2014