

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

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| In the Matter of: |) | |
| |) | |
| LAURA AKAHOSHI , former Chief Compliance Officer |) | OCC AA-EC-2018-20 |
| |) | |
| Rabobank, N.A. |) | |
| Roseville, California |) | |
| |) | |
| |) | |

**NOTICE OF CHARGES FOR ORDER OF PROHIBITION AND
NOTICE OF ASSESSMENT OF A CIVIL MONEY PENALTY**

Take notice that on a date to be determined by the Administrative Law Judge, a hearing will commence in the Eastern District of California, or such other location to be determined by the Administrative Law Judge, pursuant to 12 U.S.C. § 1818(e) and (i), concerning the charges set forth herein to determine whether an Order should be issued against Laura Akahoshi, a former Chief Compliance Officer (Respondent), of Rabobank, N.A., Roseville, California (Bank), by the Comptroller of the Currency of the United States of America (Comptroller). Such Order would prohibit the Respondent from participating in any manner in the conduct of the affairs of any federally insured depository institution or any other institution, credit union, agency, or entity referred to in 12 U.S.C. § 1818(e), and require the Respondent to pay a civil money penalty.

After having considered the factors set forth in 12 U.S.C. § 1818(i)(2)(G), the Comptroller hereby assesses a civil money penalty in the amount of \$50,000 against the Respondent. The penalty is payable to the Treasurer of the United States.

The hearing afforded to the Respondent shall be open to the public unless the Comptroller, in his discretion, determines that holding an open hearing would be contrary to the public interest.

In support of this Notice of Charges for an Order of Prohibition and Notice of Assessment of a Civil Money Penalty (Notice), the Office of the Comptroller of the Currency (OCC) charges the following:

ARTICLE I JURISDICTION

At all times relevant to the charges set forth below:

- (1) The Bank was an “insured depository institution” as defined in 12 U.S.C. § 1813(c)(2).
- (2) Respondent was an officer of the Bank and was an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years from the date hereof. *See* 12 U.S.C. § 1818(i)(3).
- (3) The Bank was a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A).
- (4) Accordingly, the OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain these prohibition and civil money penalty actions against Respondent pursuant to 12 U.S.C. § 1818(e) and (i).

ARTICLE II BACKGROUND

- (5) Respondent was a commissioned national bank examiner with the OCC for about ten (10) years, from June 8, 1998 to February 16, 2008. On or about September 2, 2007,

Respondent was promoted to Compliance Lead Expert for the OCC Western District. As such, Respondent was responsible for providing expertise and answering questions of examiners regarding Bank Secrecy Act/Anti-Money Laundering (BSA/AML) matters. Respondent was also responsible for reviewing violations of law, Matters Requiring Attention, and enforcement actions that addressed BSA/AML compliance.

(6) Respondent participated as a national bank examiner in the OCC's target examination of the Bank's BSA/AML compliance program that commenced on June 7, 2007.

(7) As a result of the OCC's June 2007 BSA/AML target examination, the OCC issued a Formal Agreement against the Bank on January 23, 2008 for BSA/AML deficiencies.

(8) Shortly thereafter, on or about February 2008, the Bank hired Respondent to serve as Chief Compliance Officer (CCO). As CCO, Respondent was responsible for oversight of the Bank's BSA Officer and BSA/AML compliance program, including achieving compliance with the OCC Formal Agreement.

(9) Based on examination findings that the Bank was in compliance with all Articles of the 2008 Formal Agreement, the OCC terminated it on September 11, 2009.

(10) Respondent continued as the Bank's CCO until around July 2012, when she became Compliance Manager of Rabobank International in the Netherlands. Executive A became the Bank's CCO, replacing the Respondent. In or around March 2013, the Bank placed Executive A on forced leave, and the Respondent was named Acting CCO of the Bank. Respondent continued as CCO of the Bank until around September 2015, when the Bank terminated her employment for certain misconduct described herein.

(11) As an officer of the Bank, Respondent was obligated to comply with all applicable laws and regulations and to otherwise carry out her duties and responsibilities in a safe and sound manner.

**ARTICLE III
RESPONDENT MADE FALSE STATEMENTS TO THE OCC AND
CONCEALED BANK DOCUMENTS**

(12) This Article repeats and realleges all previous Articles in this Notice.

(13) Not long after Executive A became CCO of the Bank in July 2012, she identified serious deficiencies in the Bank's BSA/AML program and communicated her findings to Bank management. Bank management disagreed with the findings of Executive A and did not find credible her assertions that the Bank's BSA/AML program had serious deficiencies.

(14) On November 10, 2012, the OCC commenced an on-site examination of the Bank's BSA/AML compliance program. The examination found the Bank's BSA/AML compliance program to be ineffective and in violation of 12 C.F.R. § 21.21.

(15) In or around December 2012, due in part to BSA/AML program concerns raised by Executive A, the Bank contracted with audit firm Crowe Horwath LLP to provide the Bank with an independent, written assessment of the Bank's BSA/AML compliance program (Crowe Report) to determine if there were deficiencies in the Bank's program. The independent review by Crowe was intended to provide some resolution to the disputed views of the program deficiencies as between the Bank and Executive A.

(16) On January 29, 2013, Senior Executive Officer 1 received an electronic copy of the Crowe Report, version 0.1, from Executive A. The findings of the Crowe Report corroborated the findings of Executive A and the OCC that the Bank's BSA/AML compliance program was deficient.

(17) The findings of the Crowe Report, which were received by Respondent and Senior Executive Officer 1, found:

- The Bank does not appear to maintain a strong ‘Culture of Compliance’ related to BSA/AML. While risk management policies have been established, evidence that they are executed consistently through the enterprise is limited. Indications of this are in the lack of robust training and the lack of awareness of money laundering detection techniques.
- Management has not implemented effective reporting to consistently and accurately identify AML trends and key risk indicators, provide management with operational analysis, or measure the effectiveness of the program.
- Program leadership has allowed significant backlogs of SAR filing and EDD reviews to persist, only recently addressing such issues.
- The AML department does not appear to be taking an accurate risk-based approach to focus mitigation efforts on the most significant money laundering risks to the institution.
- The BSA/AML self-testing and internal audit functions have not identified operational limitations which are likely resulting in a lack of compliance with Office of Comptroller of Currency (OCC) expectations.

(18) In the OCC examination exit meeting with Bank management on February 8, 2013, the OCC informed the Bank of its preliminary examination findings that the Bank’s BSA/AML compliance was ineffective in violation of 12 C.F.R. § 21.21.

(19) The OCC issued a letter to the Bank on February 8, 2013, which provided the OCC’s preliminary detailed examination findings and conclusion that the Bank’s BSA/AML compliance program was deficient in violation of 12 C.F.R. § 21.21 (OCC Notice Letter).

(20) The Bank called upon Respondent to return to the United States on or around February 6, 2013 to assist with the Bank’s response to the OCC’s examination findings and OCC Notice Letter.

(21) Respondent was in possession of and had full knowledge of the Crowe Report prior to drafting the Bank’s response to the OCC examination findings, including its conclusion that the Bank violated the law as a result of its ineffective BSA/AML compliance program.

(22) On February 13, 2013, Respondent transmitted an updated electronic copy of the Crowe Report, version 0.8 to Senior Executive Officer 1.

(23) On February 13, 2013, Senior Executive Officer 1 distributed the Crowe Report electronically to three members of the Board's BSA Executive Oversight Committee.

(24) On February 19, 2013, Senior Executive Officer 1 received an updated electronic copy of the Crowe Report, version 0.9. Three members of the Board BSA Executive Oversight Committee and four other Bank employees also received this email.

(25) On March 9, 2013, Senior Executive Officer 1 emailed a Bank Vice President to request that she email the Crowe Report to Respondent.

(26) On March 9, 2013, Respondent received an electronic copy of the Crowe Report, version 0.9, from the Bank Vice President. The Bank Vice President was assisting Respondent to produce a Bank action plan in response in part to the findings in the Crowe Report.

(27) On March 15, 2013, the Bank responded to the OCC's letter dated February 8, 2013 regarding BSA/AML deficiencies. Respondent and Senior Executive Officer 1 drafted the Bank's response. The Bank's response did not disclose the existence of the Crowe Report, or acknowledge its findings, which corroborated the OCC's examination findings. Instead, the Bank's response, drafted by Respondent and Senior Executive Officer 1, disputed the OCC's preliminary conclusion regarding the Bank's BSA/AML compliance program. The Bank's response asserted that the OCC's preliminary conclusions were based on incomplete and in some instances inaccurate information. The Bank's response claimed that "[t]he Bank and its management team pay very close attention to, and are very serious about compliance with, BSA/AML requirements." The Bank's response concluded that a closer examination of the

Bank's compliance program by the OCC would result in a finding of no deficiency in any of the four pillars of the Bank's BSA/AML compliance program.

(28) Executive A continued to elevate concerns about the BSA/AML program to Bank management. In March of 2013, Bank management placed Executive A on forced leave, and Respondent became the Acting CCO. On or about March 18, 2013, Executive A became a whistleblower by alerting the OCC to the findings of the Crowe Report, which corroborated the OCC examination findings. Executive A revealed to the OCC that she had been placed on forced leave and precluded from providing input into the Bank's March 15, 2013 response to the OCC.

(29) Upon learning of the existence of the Crowe Report, on March 21, 2013, an OCC examiner emailed Respondent to request a copy of the Crowe Report:

Can you please provide us with a copy of the assessment report of the Bank's BSA program that Crowe Horowath LLC was engaged to perform in January 2013? Thank you.

(30) Respondent forwarded the OCC examiner's email to Senior Executive Officer 1.

Respondent wrote:

I think the right answer is that Crowe did not perform an assessment. That while they were engaged to perform a market study/peer benchmark for management and the board, the project was shelved before any report could be issued.

(31) Senior Executive Officer 1 responded to Respondent:

I wonder why they are asking for this now?

To the best of my knowledge, Crowe never provided a final report. As you note, they were engaged to provide an assessment and road map. They did produce a draft that was shared with management and perhaps Terry? My guess is that copies of the draft are floating around although our intention was to not keep any draft documents. So I believe your statement is accurate, although should we say no 'final report was issued'? The obvious concern is they then ask for the draft from Crowe.

(32) On March 22, 2013, Respondent emailed Senior Executive Officer 1 a draft response to the OCC examiner and requested comments.

(33) Later on March 22, 2013, Respondent replied to the OCC examiner:

Crowe did not complete an assessment. While they were engaged to perform a market study/peer benchmark analysis for the benefit of management and the board, the project was suspended before any report was issued. The decision to suspend was made in light of information coming out of the internal investigation being done to develop the OCC response. In part, it became clear that Crowe had not been provided all facts necessary to understand the organization so the emerging observations and action plan were not tailored to our situation. Rather than move in a direction that wasn't reflective of the current state of affairs, management elected to take some time to more thoughtfully determine next steps.

Having taken this time to better consider where we need to go in enhancing our program, we have recently asked Crowe to assist us on several projects, including the BSA/AML risk assessment. We anticipate having a draft in time for the next board meeting in early May. I'd be happy to send you a copy of the draft report.

Respondent forwarded her email to Senior Executive Officer 1 and Senior Executive Officer 2.

(34) On March 25, 2013, the OCC examiner emailed Respondent:

Thank you for your response. In going through the information that we have, it was our understanding that Crowe Horwath provided management with a report or documents of some type related to BSA. We would like a copy of what bank management received from Crowe, even if it was only preliminary or partial.

(35) Respondent forwarded the OCC examiner's email to Senior Executive Officer 1

and Senior Executive Officer 2, and wrote:

It sounds as though [the OCC] may have the early assessment even though it was never issued and certainly never accepted by management. To my knowledge we didn't make any statement to the OCC that management received a 'report or document of some type'.

Let's meet to discuss some time today.

(36) Later on March 25, 2013, Respondent replied to the OCC, and copied Senior Executive Officer 1 and Senior Executive Officer 2:

I've spoken with both [Senior Executive Officer 1] and [Senior Executive Officer 2] regarding the existence of a draft report coming out of the January BSA Program Review by Crowe Horwath. They each reported the same information which is that Crowe had a discussion with the board and members of executive management at the February 4th meeting. And while Crowe did utilize a PowerPoint presentation during the discussion, it was not provided to the Bank, as indicated by the fact that it was not included in the board packet. In this meeting and in subsequent conversations, both board members and executive management were very critical of the information being provided noting that there lacked foundation and that assumptions appeared to be based on inaccurate information. ... I've attached a copy of a proposal Crowe submitted to the Executive Oversight

Committee on March 1, 2013, which outlines their recommendations for next steps, as described above, and which we've generally accepted.

(37) On April 8, 2013, the Assistant Deputy Comptroller ("ADC") for the OCC's San Francisco Field Office called Senior Executive Officer 2. The ADC informed Senior Executive Officer 2 that the OCC was aware the Bank possessed a written report from Crowe Horwath, and directed Senior Executive Officer 2 to produce the Crowe materials in the Bank's possession.

(38) On April 18, 2013, Respondent emailed the Crowe Report to the OCC. Senior Executive Officer 1 received a copy of the email.

(39) Respondent attached a cover letter to her production of the Crowe Report. The cover letter was drafted by Respondent and Senior Executive Officer 1, and signed by Senior Executive Officer 2. The cover letter stated, in part:

Prior to the OCC request for the 'Crowe Report' on March 25, 2013, the bank was not in possession of the Deck, which was used by Crowe Horwath to present observations at a meeting of the Compliance Committee on February 5, 2013. The PAR [Crowe Report], dated January 31, 2013, was provided only to [Executive A] with a copy to [Senior Executive Officer 1]. It was left with [Executive A] who continued to work with Crowe Horwath to develop an execution plan. Management now understands from correspondence sent to the OCC by [Manager A] that [Executive A] shared the document with [Manager A]. We are not aware of further distribution.

(40) Respondent violated 12 U.S.C. § 481 because she continuously concealed the Crowe Report from the OCC throughout March of 2013 until April 18, 2013, despite unambiguous, repeated, and direct requests by the OCC for the Crowe Report.

(41) The whistleblower's disclosure of the Crowe Report and additional information regarding the deficiencies in the Bank's BSA/AML program to the OCC led OCC examiners to reopen the 2012 examination of the Bank's BSA/AML compliance program. When OCC returned to the Bank in May 2012, the findings of the Crowe Report and information from the whistleblower were critical, as essential personnel with in-depth knowledge regarding the

BSA/AML program—the then CCO (Executive A), the Bank’s BSA Officer, and the manager of the Monitoring & Investigation Unit—were all on leave.

(42) As a result of the OCC’s follow-up examination of the Bank, examiners found deficiencies in all four pillars of the Bank’s BSA/AML program, which resulted in the OCC issuing a comprehensive BSA Consent Order against the Bank on December 5, 2013 and, in part, assessing a \$50 million civil money penalty against the Bank on February 6, 2018.

(43) Respondent violated 18 U.S.C. § 1001 because she knowingly and willfully made materially false statements regarding the Bank’s possession of the Crowe Report to the OCC continuously and repeatedly throughout March of 2013 until April 18, 2013.

(44) As a former OCC commissioned national bank examiner, Respondent understood that providing complete and accurate information to examiners is critical to the function to the regulators of national banks. Respondent acknowledged as much in the Bank’s March 13, 2013 response to the OCC, which stated that “it is the Bank’s responsibility to provide complete, accurate and timely information to the OCC in the examination process.”

(45) Respondent’s violations of 12 U.S.C. § 481 and 18 U.S.C. § 1001 and/or unsafe or unsound practices occurred continuously and repeatedly throughout March 2013 until April 18, 2013, and benefited Respondent through her continued employment at the Bank until the Bank became aware of the extent of Respondent’s concealment from, and false statements to, the OCC in August of 2015. The Bank terminated Respondent in September 2015 following an internal investigation conducted by the law firm Milbank Tweed for the Bank, which also found that Respondent had concealed the Crowe Report from the OCC and that Respondent had made continuous and repeated false statements to the OCC. Hence, Respondent received financial gain and other benefit from her misconduct in the form of salary and bonuses for over two years.

(46) Respondent's violations of 12 U.S.C. § 481 and 18 U.S.C. § 1001 and/or unsafe or unsound practices continuously and repeatedly throughout March 2013 until April 18, 2013, resulted in financial loss and other damage to the Bank. Respondent's continuous concealment of the Crowe Report from the OCC and false statements to the OCC throughout March 2013 until April 18, 2013, resulted in the Bank's guilty plea to conspiracy to obstruct an OCC examination in violation of 18 U.S.C. §§ 371 and 1517, entered on February 7, 2018 in the United States District Court in the Southern District of California, which caused the Bank to suffer losses including, but not limited to, the forfeiture of \$368,701,259 and an OCC \$50 million civil money penalty assessed against the Bank. The Bank also suffered significant reputational harm as a result of Respondent's conduct that led to the Bank's guilty plea; this constitutes "other damage" to the Bank.

**ARTICLE IV
LEGAL BASES FOR REQUESTED RELIEF**

(47) This Article repeats and realleges all previous Articles in this Notice.

(48) By reason of Respondent's misconduct described in Article III, the Comptroller seeks a Prohibition Order against Respondent pursuant to 12 U.S.C. § 1818(e) on the following grounds:

- (a) Respondent violated laws and regulations, including 12 U.S.C. § 481 and 18 U.S.C. § 1001, and/or engaged in unsafe or unsound practices in conducting the affairs of the Bank;
- (b) By reason of Respondent's misconduct, the Bank suffered financial loss or other damage and Respondent received financial gain or other benefit; and

- (c) Respondent's violations and/or unsafe or unsound practices involved personal dishonesty and/or demonstrated a willful or continuing disregard for the safety or soundness of the Bank.

(49) By reason of Respondent's misconduct as described in Article III, the Comptroller seeks imposition of a civil money penalty against Respondent pursuant to 12 U.S.C.

§ 1818(i)(2)(A) because Respondent violated laws and regulations, including 12 U.S.C. § 481 and 18 U.S.C. § 1001.

(50) By reason of Respondent's misconduct as described in Article III, the Comptroller seeks imposition of a civil money penalty against Respondent pursuant to 12 U.S.C.

§ 1818(i)(2)(B) on the following grounds:

- (a) Respondent violated laws and regulations, including 12 U.S.C. § 481 and 18 U.S.C. § 1001, and/or recklessly engaged in unsafe or unsound practices in conducting the affairs of the Bank; and
- (b) Respondent's violations and/or practices were part of a pattern of misconduct, resulted in pecuniary gain or other benefit to the Respondent, and/or caused more than minimal loss to the Bank.

ARTICLE V ANSWER AND OPPORTUNITY FOR HEARING

Respondent is directed to file a written Answer to this Notice within twenty (20) days from the date of service of this Notice in accordance with 12 C.F.R. § 19.19(a) and (b). The original and one copy of any Answer shall be filed with the Office of Financial Institution Adjudication, 3501 North Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500.

Respondent is encouraged to file any Answer electronically with the Office of Financial Institution Adjudication at ofia@fdic.gov. A copy of any Answer shall also be filed with the

Hearing Clerk, Office of the Chief Counsel, Office of the Comptroller of the Currency, Washington, D.C. 20219, hearingclerk@occ.treas.gov, and with the attorneys whose names appear on the accompanying certificate of service. **Failure to Answer within this time period shall constitute a waiver of the right to appear and contest the allegation contained in this Notice, and shall, upon the Comptroller's motion, cause the administrative law judge or the Comptroller to find the facts in this Notice to be as alleged, upon which an appropriate order may be issued.**

Respondent is also directed to file a written request for a hearing before the Comptroller, along with the written Answer, concerning the Civil Money Penalty assessment contained in this Notice within twenty (20) days after date of service of this Notice, in accordance with 12 U.S.C. § 1818(i) and 12 C.F.R. § 1919(a) and (b). The original and one copy of any request shall be filed, along with the written Answer, with the Office of Financial Institution Adjudication, 3501 North Fairfax Drive, Suite VVS-D8113, Arlington, VA 22226-3500. Respondent is encouraged to file any request electronically with the Office of Financial Institution Adjudication at ofia@fdic.gov. A copy of any request, along with the written Answer, shall also be served on the Hearing Clerk, Office of the Chief Counsel, Office of the Comptroller of the Currency, Washington, D.C. 20219, hearingclerk@occ.treas.gov, and with the attorneys whose names appear on the accompanying certificate of service. **Failure to request a hearing within this time period shall cause this assessment to constitute a final and unappealable order for a civil money penalty against Respondent pursuant to 12 U.S.C. § 1818(i).**

PRAYER FOR RELIEF

The Comptroller prays for relief in the form of the issuance of an Order of Prohibition pursuant to 12 U.S.C. § 1818(e); and an Order for a Civil Money Penalty Assessment in the amount of \$50,000 against the Respondent pursuant to 12 U.S.C. § 1818(i).

Witness, my hand on behalf of the Office of the Comptroller of the Currency, given at Washington, D.C. this 16th day of April, 2018.

/s/ Michael R. Brickman

Michael R. Brickman
Deputy Comptroller for Special Supervision