

ENFORCEABLE UNDERTAKING
CREDIT EUROPE BANK (DUBAI) LIMITED

This Enforceable Undertaking is made under and for the purposes described in Article 89 of the *Regulatory Law (DIFC Law No 1 of 2004)*.

The commitments in this Enforceable Undertaking are offered to the Dubai Financial Services Authority by Credit Europe Bank (Dubai) Limited, Mr Cenk Atmaca and Mr Sajad Ahmed.

Capitalised terms not otherwise defined in this Enforceable Undertaking have the meanings given to them in the *DFSA Rulebook, Glossary Module*.

Definitions

2010 Internal Audit Report	A report by the Internal Audit function of CEBD carried out in November 2010.
Ahmed	Sajad Ahmed, the Compliance Officer of CEBD
Atmaca	Cenk Atmaca, the SEO of CEBD
CEBD	Credit Europe Bank (Dubai) Limited
CEB NV	Credit Europe Bank N.V, the parent company of CEBD domiciled in the Netherlands
Demirkaya	Ozkan Demirkaya, the former Head of Treasury at CEBD.
DFSA	Dubai Financial Services Authority
Fake Forward Position	A falsified forward transaction created by Demirkaya on 8 May 2011
FX	Foreign Exchange
GEN	<i>DFSA Rulebook, General Module</i>

Internal Investigation	The internal investigation conducted by the Internal Audit Department of CEB NV into the Long Position and the Fake Forward Position
Long Position	An unauthorised FX position created by Demirkaya on 5 May 2011
Operations	The Operations Department of CEBD, which performed back office functions for Treasury
Regulatory Law	<i>Regulatory Law (DIFC Law No 1 of 2004)</i>
Treasury	The Treasury Department of CEBD, formerly headed up by Demirkaya

Background and Admitted Facts

CEBD

1. CEBD was Licensed and Authorised by the DFSA on 24 September 2008 to undertake the Financial Services of Accepting Deposits, Providing Credit, Dealing in Investments as Principal, Dealing in Investments as Agent, Arranging & Advising and Arranging Custody.
2. CEBD is a wholly owned subsidiary of CEB NV. CEB NV is domiciled in the Netherlands and regulated by the De Nederlandsche Bank, the Central Bank of the Netherlands.

CEBD Trading Authorities and Limits

3. In early 2010, CEBD executed a Treasury Limit Memorandum for 2010 which established trading authorities and limits within Treasury. The Treasury Limit Memorandum for 2010 was in place and effective at all material times.
4. Under the Treasury Limit Memorandum for 2010, Demirkaya:
 - 4.1 was authorised to trade on behalf of CEBD to generate trading income;
 - 4.2 had a trading limit for FX (spot and options) transactions of up to an exposure of USD43,000,000; and
 - 4.3 had a stop loss limit for FX (spot and options) transactions of USD100,000.

2010 Internal Audit Report

5. On 7 February 2010, CEBD received the 2010 Internal Audit Report. The report identified a number of weaknesses in CEBD's internal controls for its Treasury activities.
6. CEBD agreed to address those weaknesses by:
 - 6.1 establishing a middle office function within Treasury;
 - 6.2 providing internal training to the Operations staff responsible for performing Treasury back office functions; and

- 6.3 formalising its Treasury back office function by implementing procedures.
7. However, following the 2010 Internal Audit Report, CEBD did not take adequate steps to implement all agreed actions referred to in paragraph 6 above.
 8. CEBD states that it did not fully implement the agreed actions from the 2010 Internal Audit Report because, shortly after receipt of the 2010 Internal Audit Report, a decision was made by CEB NV to change the legal structure of CEBD from a subsidiary to a branch. Such a change in legal structure would require an application to, and the approval of, CEB NV's regulator, the De Nederlandsche Bank, Netherlands and the DFSA. According to CEBD, if the necessary approvals were obtained and CEBD was converted into a branch then all Treasury activities would be undertaken by CEB NV and there would be no such activities undertaken by CEBD.
 9. The DFSA was notified of CEBD's intention to apply to convert from a subsidiary to a branch on 26 June 2011. CEB NV and CEBD have since applied to convert CEBD from a subsidiary to a branch. However, CEBD's failure to fully implement the agreed actions as set out in the 2010 Internal Audit Report was a significant factor which enabled Demirkaya to execute the Long Position and create the Fake Forward Position.

The Long Position

10. On Thursday 5 May 2011, at approximately 14:01hrs, Demirkaya executed the Long Position, which was an FX transaction of an amount of EUR2.5 million (long) against USD at a rate of 1.4831, for CEBD's own account.
11. The counterparty to the proprietary transaction was CEB NV. The transaction had a settlement date of 9 May 2011. CEBD was closed for business on 6 and 7 May 2011.
12. Between 5 May 2011 and 8 May 2011, the EUR/USD market rate declined. As a result, CEBD suffered an unrealised loss from the Long Position exceeding the stop loss limit of USD100,000 (approximately USD120,000 by the morning of 8 May 2011).
13. In accordance with the Treasury Limit Memorandum for 2010, Demirkaya was to close the Long Position once the stop loss limit was exceeded. However, he did

not do so and consequently the Long Position became an unauthorised open position.

The Fake Forward Position

14. On Sunday 8 May 2011, Demirkaya created the Fake Forward Position, which was a falsified forward FX transaction of an amount of EUR2.3 million (short) against USD at a rate of 1.4309, with a back-value date of 6 May 2011 and a settlement date of 13 October 2011.
15. Demirkaya created the Fake Forward Position to conceal the loss arising from the Long Position.
16. Demirkaya created a manual deal ticket for the Fake Forward Position and caused the Fake Forward Position to be entered into CEBD's transaction booking system.
17. Operations authorised the Fake Forward Position in CEBD's transaction booking system and, at Demirkaya's request, cancelled the sending of an outgoing SWIFT confirmation message with respect to the transaction.
18. Operations staff were not sufficiently experienced to:
 - 18.1 identify that the manual deal ticket created by Demirkaya did not relate to an actual transaction; or
 - 18.2 understand that a SWIFT confirmation should not be cancelled for a forward transaction without clear explanation and prior management approval.
19. The effect of the Fake Forward Position was that it partially covered the unrealised loss resulting from the Long Position in CEBD's system over the period from 6 May 2011 (the value date entered for the transaction) until 12 October 2011, when the Fake Forward Position was cancelled by CEBD.

Disclosure to CEBD 12 October 2012

20. At approximately 9:30hrs on 12 October 2011, one day prior to the cash settlement date of the Fake Forward Position, Demirkaya disclosed his conduct to CEBD, including the Long Position, the Fake Forward Position and the resulting loss incurred by CEBD (which was later determined to be USD266,110).

21. At approximately 11:00hrs, when CEB NV opened, CEBD notified CEB NV of the issue.
22. On 12 October 2011, Demirkaya resigned from CEBD.
23. On 13 October 2011, the Internal Investigation was commenced.
24. On 13 October 2011, CEBD sent a memorandum to CEB NV describing the Long Position, Fake Forward Position and Demirkaya's disclosure on 12 October 2011.
25. On 14 October 2011, at 18:40hrs, the senior CEB NV Internal Audit Director responsible for the Internal Investigation sent an email from Dubai to the Chief Risk Officer of CEB NV providing a summary of the initial findings of the Internal Investigation. The SEO of CEBD was verbally advised of the initial findings of the Internal Investigation on or about the evening of 14 October 2011. On 27 October 2011, a first draft of the Examination Report was sent by CEB NV's internal audit department to the SEO of CEBD and after several reviews the final report was sent to CEBD on 21 December 2011.

CEBD Notification to the DFSA

26. On Tuesday 20 December 2011, CEBD requested a meeting with the DFSA.
27. On 21 December 2011, CEBD met with the DFSA and:
 - 27.1 notified the DFSA about the Long Position and the Fake Forward Position; and
 - 27.2 provided the DFSA with a copy of a draft Examination Report prepared as a result of the Internal Investigation.
28. On 2 January 2012, CEBD provided the DFSA with a copy of the finalised Examination Report, which CEBD had received on 30 December 2011, signed by relevant senior officers at CEB NV and CEBD. This report contained findings in relation to:
 - 28.1 Demirkaya's conduct concerning the Long Position and the Fake Forward Position; and

- 28.2 a number of related internal control failures within CEBD relating to its Treasury trading activities.
29. On 21 February 2012, CEBD provided the DFSA with a copy of a follow-up Examination Report also prepared by CEB NV's internal audit department and dated 15 February 2012. The follow-up Examination Report was received by CEBD on 21 February 2011.

DFSA Investigation

30. On 11 March 2012, the DFSA commenced an investigation, pursuant to Article 78 of the Regulatory Law, which focused on whether:
- 30.1 CEBD, and where relevant its Authorised Individuals, contravened DFSA administered Laws and Rules by failing to:
- 30.1.1 ensure that CEBD had adequate systems and controls in relation to its the trading activities; and
- 30.1.2 notify the DFSA immediately once it became aware of Demirkaya's conduct and the associated systems and controls failures within CEBD; and
- 30.2 Dermirkaya had contravened DFSA administered Laws and Rules.

Areas of Concern

31. CEBD acknowledges the DFSA's concerns set out below in regard to its conduct as a DFSA licensed firm.

CEBD Contraventions related to Systems and Controls

32. The DFSA is concerned that CEBD has, by virtue of Article 85(1) of the Regulatory Law, contravened the following DFSA administered Rules:
- 32.1 GEN Rule 5.3.1(1) – which requires that an Authorised Firm must establish and maintain systems and controls, including but not limited to financial and risk systems and controls, that ensure its affairs are managed effectively and responsibly by its senior management;

- 32.2 GEN Rule 4.2.3 (Principle 3 of the Principles for Authorised Firms - Management, systems and controls) – which requires that an Authorised Firm must ensure that its affairs are managed effectively and responsibly by its senior management, and to have adequate systems and controls to ensure, as far as it is reasonably practical, that it complies with legislation applicable in the DIFC;
- 32.3 GEN Rule 5.3.28 – which requires that an Authorised Firm must establish and maintain effective systems and controls to deter and prevent suspected fraud against it and to report suspected fraud and other financial crimes to the relevant authorities;
- 32.4 GEN Rule 5.3.19(1)(b) (Version 27/02-11) (now GEN Rule 5.3.20(b)) – which requires that an Authorised Firm must ensure, as far as reasonably practical, that its employees are competent and capable of performing the functions assigned to them; and
- 32.5 GEN Rule 4.2.4 (Principle 4 of the Principles for Authorised Firms - Resources) – which requires an Authorised Firm to maintain and be able to demonstrate the existence of adequate resources to conduct and manage its affairs, including adequate financial and system resources as well as adequate and competent human resources.

33. The DFSA's investigation found that:

- 33.1 CEBD did not have in place appropriate systems and controls to effectively manage the trading activities of Treasury;
- 33.2 The weaknesses in CEBD's systems and controls in relation to the trading activities of Treasury directly contributed to CEBD not preventing and detecting the Fake Forward transaction;
- 33.3 CEBD failed to implement and maintain adequate systems and controls to monitor and manage Demirkaya's trading activities. In particular:
 - 33.3.1 There was no effective system in place to monitor Demirkaya's trading, and his compliance with trading and stop-loss limits, as follows:

- 33.3.1.1 no Treasury middle office function was established, despite such a function having been included in relevant CEBD procedures from early 2009 and the establishment of this function being an action point arising from the 2010 Internal Audit Report;
 - 33.3.1.2 the consolidated daily reports produced within CEBD were not effective for monitoring compliance with trading and stop loss limits; and
 - 33.3.1.3 CEBD did not enforce a requirement under its Treasury Limit Memorandum for 2010 for Demirkaya to report his trading positions to the SEO of CEBD on a daily basis;
- 33.3.2 CEBD's systems and controls related to the booking of transactions, were inadequate in that they relied on the:
- 33.3.2.1 manual entry of a transaction into CEBD's transaction booking system; and
 - 33.3.2.2 manual release of SWIFT confirmation messages to counterparties, which could be bypassed;
- 33.3.3 The Treasury back office function performed by Operations was inadequate because:
- 33.3.3.1 Operations employees responsible for performing this function were not competent - whilst they were experienced in performing back office functions in respect of other business activities, they were not experienced in performing treasury back office functions for trading activities and did not receive adequate training from CEBD in relation to the trading activities of Treasury;
 - 33.3.3.2 formal procedures were not properly implemented with respect to the entry and booking of trading transactions executed by Treasury - procedure documents existed but relevant employees claimed

they had not seen them and they did not reflect the procedure actually followed within CEBD; and

33.3.3.3 whilst there was a general policy in place governing the conduct of employees and the reporting of misconduct, there was no formal process in place for the escalation of potentially suspicious instructions to senior management, such as the cancellation of outgoing SWIFT confirmations or the entering of back valued transactions; and

33.3.4 the administration (filing) of transaction documents over the relevant period was not organised in a way such that would allow for the efficient identification of missing documentation (such as SWIFT confirmations); and

33.3.5 The intercompany reconciliation process between CEBD and CEB NV was inadequate over the relevant period because CEBD manually submitted reports to CEB NV each month, but relied on CEB NV to reconcile CEB NV's and CEBD's open positions. CEB NV's reconciliation process did not identify any anomalies which would have led to queries being made about the Long Position or the Fake Forward Position; and

33.4 The 2010 Internal Audit Report identified a number of weaknesses in CEBD's internal control arrangements concerning the trading activities of CEBD's Treasury Department. The internal control improvement actions agreed to by CEBD, in that report, were not implemented and the decision for CEBD not to implement these agreed actions was not documented. The failure by CEBD to implement those actions contributed to CEBD's failure to prevent and detect the Fake Forward position executed by Demirkaya.

34. The DFSA notes that the:

34.1 Examination Report referred to in paragraph 28 above, which was signed by the senior management of CEBD and CEB NV, identified a number of internal control failures that contributed to CEBD's failure to prevent and

detect the Fake Forward Position. Those findings are largely consistent with the findings of the DFSA's investigation; and

34.2 The follow-up Examination Report referred to in 29 above, also signed by the senior management of CEBD and CEB NV, found that CEBD had taken steps to improve its systems and controls relating to the trading activities of Treasury by implementing most, but not all, of the recommended actions in the Examination Report.

35. Accordingly, the DFSA considers that CEBD has contravened GEN Rules 4.2.3, 4.2.4, 5.3.1(1), 5.3.19(1)(b) (Version 27/02-11) (now GEN Rule 5.3.20(b)) and 5.3.28.

CEBD Contraventions Related to the Failure to Notify the DFSA

36. The DFSA considers that CEBD has, by virtue of Article 85(1) of the Regulatory Law, contravened the following DFSA administered Rules:

36.1 GEN Rules 11.10.7(b) and (g) – which requires that an Authorised Firm must advise the DFSA immediately it becomes aware, or has reasonable grounds to believe, that any of the following matters may have occurred or may be about to occur:

36.1.1 a matter which could have a significant adverse effect on the firm's reputation; and

36.1.2 any significant failure in the Authorised Firm's systems and controls, including a failure reported to the Authorised Firm by the firm's auditor;

36.2 GEN Rules 11.10.13(b), (d) and (e) – which requires that an Authorised Firm must notify the DFSA immediately if one of the following events arises in relation to its activities in or from the DIFC:

36.2.1 a serious fraud has been committed against it;

36.2.2 it identifies significant irregularities in its accounting or other records, whether or not there is evidence of fraud; and

36.2.3 it suspects that one of its employees who is connected with the Authorised Firm's Financial Services may be guilty of serious misconduct concerning his honesty and integrity.

36.3 GEN Rule 4.2.10 (Principle 10 of the Principles for Authorised Firms - Relations with regulators) – which requires that an Authorised Firm must deal with Regulators in an open and cooperative manner and keep the DFSA promptly informed of significant events or anything else relating to the Authorised Firm of which the DFSA would reasonably expect to be notified.

37. The DFSA considers that CEBD was aware of key facts concerning Demirkaya's conduct in relation to the Long Position and the Fake Forward Position on or by 14 October 2011. On 13 October 2011, CEBD provided a memorandum about the conduct to CEB NV and, in the evening of 14 October 2011, the SEO of CEBD was advised of the initial findings of the Internal Investigation.

38. The DFSA's investigation found that, on or by 14 October 2011, CEBD understood that:

38.1 it had reasonable grounds to believe that a significant failure in its systems and controls had occurred;

38.2 an event had occurred that could have a significant adverse effect on the firm's reputation;

38.3 a fraud had been committed against it;

38.4 it had identified significant irregularities in its accounting records, whether or not there was evidence of fraud;

38.5 it suspected that one of its employees (Demirkaya) may be guilty of serious misconduct concerning his integrity and honesty; and

38.6 Dermikaya's disclosure to CEBD was a significant event relating to CEBD of which the DFSA would reasonably expect to be notified.

39. Each of the events described in paragraphs 38.1 to 38.5 above requires immediate notification to the DFSA pursuant to GEN Rules 11.10.7 and 11.10.13. The event described in paragraph 38.6 above requires prompt notification to the

DFSA pursuant to GEN Rule 4.2.10 (Principles for Authorised Firms, Principle 10 – Relations with Regulators).

40. CEBD decided to wait until it had received the formal findings of the Internal Investigation before notifying the DFSA. CEBD informed the DFSA that it wished to ensure that it had established and verified all facts concerning the conduct of Demirkaya before notifying the DFSA of the conduct. CEBD notified the DFSA on 21 December 2011 shortly after receiving the draft Examination Report referred to in 27.2 above.
41. The DFSA accepts that the decision referred to in 40 above was taken in good faith, however, the DFSA considers that CEBD had sufficient information on or by 14 October 2011 to make the required notification of the conduct to the DFSA.
42. Accordingly, the DFSA considers that CEBD has contravened GEN Rules 4.2.10, 11.10.7 and 11.10.13.

Acknowledgment by Authorised Individuals

43. Atmaca acknowledges the DFSA's concerns set out in paragraphs 32 to 42 above. Furthermore, Atmaca acknowledges that, as an Authorised Individual of CEBD carrying out a Licensed Function, namely Senior Executive Officer, he was responsible for the day-to-day management, supervision and control of Financial Services carried on by CEBD including the matters resulting in the contraventions set out in paragraphs 32 and 36 above.
44. Ahmed acknowledges the DFSA's concerns set out in paragraphs 32 to 42 above. Furthermore, Ahmed acknowledges that, as Authorised Individual of CEBD carrying out a Licensed Function, namely Compliance Officer, he was responsible for compliance matters in relation to Financial Services carried on by CEBD including the matters resulting in the contraventions set out in paragraphs 32 and 36 above.

CEBD Cooperation with the DFSA's Investigation

45. The DFSA acknowledges that CEBD, Atmaca and Ahmed have:
 - 45.1 Notified the DFSA about the Fake Forward Transaction on 21 December 2011;

- 45.2 cooperated fully with the DFSA's investigation; and
- 45.3 from November 2011, taken steps to improve CEBD's systems and controls related to trading conducted by Treasury.

Terms and Conditions of Undertaking

46. CEBD undertakes that it will not conduct proprietary trading activities until all of the internal control weaknesses identified by the DFSA have been addressed to the satisfaction of the DFSA.
47. CEBD undertakes to pay a financial penalty of US\$50,000 to the DFSA in respect of the matters set out in this Enforceable Undertaking. The total amount of the financial penalty is payable within 30 days of the date of this Enforceable Undertaking.
48. The DFSA accepts the undertakings by CEBD specified in 46 and 47 above.
49. CEBD, Atmaca and Ahmed agree to comply with any reasonable and lawful directions given to them by the DFSA, in relation to compliance with their obligations under this Enforceable Undertaking within a reasonable period prescribed at the sole direction of the DFSA.
50. CEBD, Atmaca and Ahmed undertake that they will not make any public statement that in any way conflicts with the intent and purpose of this Enforceable Undertaking or that disputes the determinations reached by the DFSA as recorded in this Enforceable Undertaking.

Remedies for Breach of Undertaking

51. CEBD, Atmaca and Ahmed acknowledge the right of the DFSA, in its sole discretion, to reasonably determine that CEBD, Atmaca and Ahmed have failed to satisfy the terms and conditions of this Enforceable Undertaking.
52. In the event the DFSA determines that a failure to satisfy the terms and conditions of this Enforceable Undertaking has occurred, then the DFSA reserves the right to pursue any remedy available to it in law without further

notice, including but not limited to those specified in Article 89(4) of the Regulatory Law.

Address for Service of Documents or Process

53. CEBD, Atmaca and Ahmed agree that their address for service of any letter, document or process in relation to this Enforceable Undertaking is:

Credit Europe Bank (Dubai) Limited
Level 7, Unit 7
Al Fattan Currency House
Dubai International Financial Centre
PO Box 506719, Dubai, UAE

Acknowledgements

54. This undertaking is drafted and agreed to as between the DFSA and CEBD, Atmaca and Ahmed.
55. A person who is not a party to this Enforceable Undertaking has no rights under Part 10 of the *Contract Law (DIFC Law No.6 of 2004)* or otherwise to enforce any term of this Enforceable Undertaking.
56. Subject to paragraph 57 below, the facts and matters contained in this Enforceable Undertaking are without prejudice to the DFSA, CEBD, Atmaca and Ahmed in that they may not be used, produced or relied upon in any other proceedings, including, without limitation any civil, administrative or criminal actions or proceedings that may be brought by any other person or agency.
57. Paragraph 56 above does not prevent the DFSA from seeking any court order in relation to this matter or bringing any action to enforce a term or condition of this Enforceable Undertaking.
58. This Enforceable Undertaking is governed by and shall be construed in accordance with the laws of the DIFC. The parties irrevocably agree that the DIFC Court shall have exclusive jurisdiction to settle any claim, dispute or matter

of difference which may arise out of, or in connect with this Enforceable Undertaking.

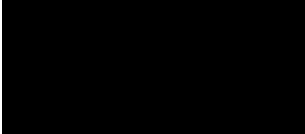
59. This Enforceable Undertaking does not affect the DFSA's power to investigate or take further action against CEBD, Atmaca and Ahmed in relation to any other concerns, or arising from future conduct or findings, other than the facts and concerns set out in this Enforceable Undertaking.
60. The DFSA may issue a media release upon execution of this Enforceable Undertaking referring to its terms and the concerns of the DFSA that led to its execution. Further, the DFSA may make this Enforceable Undertaking available for public inspection.
61. This Enforceable Undertaking takes effect on the date on which it is executed by the DFSA's authorised delegate.



19/9/2012

Cenk Atmaca
Senior Executive Officer
Credit Europe Bank (Dubai) Limited
On behalf of Credit Europe Bank (Dubai) Limited

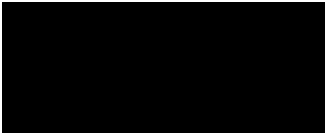
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19/9/2012

Cenk Atmaca
Senior Executive Officer
Credit Europe Bank (Dubai) Limited

Date

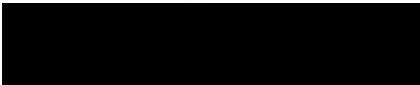


19/9/2012

Sajad Ahmed
Compliance Officer
Credit Europe Bank (Dubai) Limited

Date

Accepted by the Dubai Financial Services Authority under Article 89 of the Regulatory Law 2004 by its authorised delegate:



19.9.12

Stephen Glynn
Senior Director and Head of Enforcement
Dubai Financial Services Authority

Date