PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Division of Law
124 Halsey Street - 5th Floor
P.O. Box 45029
Newark, NJ 07101

By: Anna M. Lascurain
Deputy Attorney General
(973) 648-2893

NEW JERSEY BUREAU OF SECURITIES
153 HALSEY STREET, 6TH FLOOR
NEWARK, NJ 07101
(973) 504-3600

IN THE MATTER OF

Banco Espirito Santo S.A.

Espirito Santo e Comercial de Lisboa, Inc.

CONSENT ORDER

This matter arises out of the investigation of Banco Espirito Santo S.A. ("BES") and Espirito Santo e Comercial de Lisboa, Inc. ("ESCLINC") by the New Jersey Bureau of Securities ("Bureau"). Pursuant to the authority granted to the Chief of the Bureau ("Bureau Chief") by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. ("Securities Law"), and after review and due consideration of the information revealed in the Bureau's investigation, BES, ESCLINC and the Bureau Chief now desire to resolve this matter and consent to the form and entry of this Consent Order.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Bureau Chief makes the following findings of fact and conclusions of law, which BES and ESCLINC neither admit nor deny:

The Business of Banco Espirito Santo S.A.

1. BES is a commercial bank headquartered in Lisbon, Portugal with a large network of branches. BES is listed on the Euronext Stock Exchange.
2. BES is the principal subsidiary of Espirito Santo Financial Group ("ESFG"), a Luxembourg-based holding company for the financial services-based business of the broader Espirito Santo Group. ESFG is a diversified financial services group that engages in a wide range of banking and insurance activities throughout the world via its subsidiaries, which are primarily located in Portugal.
3. BES is authorized by the Portuguese authorities, central banks and other regulatory authorities to operate in Portugal and in those countries where its international branches are located.
4. BES has a network of more than 700 branches throughout Portugal, a branch in Madeira, international branches in London, Madrid, New York, Nassau, the Cayman Islands and Cape Verde, and 12 overseas representative offices.

5. BES does not have a representative office in the United States, and the activities of its New York branch are limited to wholesale banking services.

6. Although BES has a New York branch and BES' affiliates have various other United States operations, including a bank and a broker-dealer, none of those United States operations were involved in the activities that are the subject of this Consent Order.

7. BES and its affiliates offered products to their customer base, including a number of products that are securities under the New Jersey Uniform Securities Law (1997) N.J.S.A. 49:3-47 et seq. ("Securities Law").

8. The securities included: (1) stocks and similar equity securities; (2) bonds and other similar debt securities, including those issued by BES and its affiliates; (3) Portuguese tax-advantaged retirement products known as *Planos Poupanca Reformas* ("PPRs") that are linked to the performance of a specified index or basket of securities or other securities-based benchmark; (4) guaranteed interest rate products ("GIRPs") that are linked to the performance of a specified index or basket of securities or other securities-based benchmark; (5) interests in Portuguese mutual funds; and (6) discretionary portfolio

management accounts known as *Gestao Discretionaria de Carteiras* accounts ("GDCs").

9. The securities identified in the previous paragraph, including the PPRs, GDCs and Portuguese mutual funds, were not registered with the Bureau as required by the Securities Law and they were marketed and sold in New Jersey by BES which was not registered with the Bureau in any capacity.

The Business Activities of BES in New Jersey

10. BES primarily utilized five (5) points of contact to solicit United States customers. These points of contact included the ES Contact Center in Lisbon, representatives at branches of BES in Portugal and Madeira, direct mailings from Portugal, United States relationship managers based outside of the United States who visited the country, and ESCLINC offices in the United States, including the ESCLINC office in Newark, New Jersey.

11. BES is a 41.7% indirect owner of the ES Contact Center, which BES uses as a customer call center. BES' ownership interest in the ES Contact Center is indirect in that the interest is held by BES' wholly owned subsidiary, ES Tech Ventures.

12. The ES Contact Center provides services to BES, and other

corporate clients, pursuant to a contractual arrangement. The ES Contact Center handles account-related inquiries and requests for all BES customers worldwide. Until October 2009, the ES Contact Center had two representatives dedicated to receiving and making calls to and from United States customers.

13. BES, through its ES Contact Center in Portugal and through ESCLINC, solicited American account holders to invest in securities.

14. New Jersey customers were contacted via telephone calls initiated by the ES Contact Center, which sought to inform the customers that certain of their BES banking investments, such as certificates of deposit, were maturing.

15. At other times, New Jersey customers that had received telephone calls from the ES Contact Center or other direct mailings from BES visited the Newark, New Jersey ESCLINC office, where ESCLINC representatives also assisted in processing orders for the sale of the securities described above.

16. Although BES asserts it was authorized to perform such activities under applicable Portuguese law at all relevant times, BES and its agents and employees of the

ES Contact Center and ESCLINC were not registered as either agents or as investment adviser representatives with the Bureau. Furthermore BES was not registered as either a broker-dealer or as an investment adviser in the United States or with the Bureau.

BES' Sales Organization

A. The ES Contact Center

17. One avenue through which BES personnel sold securities products to United States customers, including New Jersey customers, from within Portugal was via the ES Contact Center. The Departmento de Gestores de Relacao a Distancia, i.e., the Remote Relationships Department ("GRD Department") of the ES Contact Center was tasked with communicating telephonically with BES' customers residing outside Portugal.

18. The representatives in the GRD Department were typically assigned to customers from specific countries. Prior to October 2009, there were two representatives dedicated to receiving and making calls to and from United States customers.

19. Most of the conversations between the ES Contact Center representatives and United States customers were in Portuguese, and ES Contact Center representatives who

interfaced with United States customers received on average approximately 5-6 calls per day from the United States.

20. The United States dedicated representatives were responsible, among other things, for initiating telephone calls to United States customers to alert them of maturing investments.

21. During these phone calls, the ES Contact Center representatives would inform United States customers of available financial products in which they could invest their funds.

22. The products that the representatives identified came from BES' standard retail offering, a list of products that were offered to all BES retail customers, which included traditional deposit accounts, demand and term deposits, savings accounts, certificates of deposit, Portuguese mutual funds, GDCs and PPRs.

B. ESCLINC

23. ESCLINC has United States operations in New Jersey as a money transmitter currently licensed with the New Jersey Department of Banking and Insurance, and provided money remitter services to the Portuguese immigrant community living in the United States.

24. Over time, ESCLINC expanded its United States presence to include offices in Connecticut, Rhode Island and Massachusetts.

25. Over the course of time, ESCLINC's role vis-a-vis United States customers expanded from providing money remitting services to assisting BES customers with additional administrative functions such as processing securities transactions.

26. United States customers, in some instances, filed complaints with BES that ESCLINC representatives made material misrepresentations concerning the purchase or sale of securities. Some United States investors alleged they were told their investments were guaranteed or would not lose value.

27. BES engaged outside counsel to conduct an internal investigation relating to BES' activities concerning current, former and prospective customers resident in the United States. In response, BES' outside counsel prepared an Investigative Report, which was provided to the Bureau.

28. While the Investigative Report could not substantiate the allegations of these alleged material misrepresentations, it did determine that BES could not demonstrate that it

had adequately explained the nature of those securities and the potential risk of loss to the customers.

29. The Investigative Report claimed that BES' failure to comply with United States securities laws stemmed from its ignorance of United States law and/or mistaken beliefs.

30. The results of an internal investigation commissioned by BES regarding the bank's business practices in the United States concluded that as a many as 1,393 investors with a New Jersey address had purchased securities from BES.

31. The internal investigation noted the following examples of securities (and/or other products likely constituting securities) in the accounts of United States customers: (1) stocks and other similar equity securities; (2) bonds and similar debt securities, including those issued by BES and its affiliates; (3) PPRs that are linked to the performance of a specified index or basket of securities or other securities-based benchmark; (4) GIRPs that are linked to the performance of a specified index or basket of securities or other securities-based benchmark; (5) interests in Portuguese mutual funds; and (6) GDCs.

32. The internal investigation found that since November 1, 2004, there were approximately 3,800 United States

customers with securities positions in the investment vehicles noted above in paragraph 31, with 1,393 New Jersey customers comprising approximately 37% of the total customers.

Complaints from BES' United States Customers

A. The Structure for Processing Customer Complaints

33. During the course of its internal investigation, BES discovered that certain United States customers had complained regarding the securities in their accounts. Certain of these complaints alleged that BES personnel made false or misleading statements and/or sold unsuitable securities to BES customers.

34. BES' Quality Service Department ("QSD") is based in Lisbon and is the central repository for complaints made by BES customers. QSD is staffed with approximately thirty-six (36) employees and is also responsible for developing protocols and procedures for customer service. QSD logs BES customer complaints and also coordinates BES' response to customer complaints.

35. With the exception of certain easily resolvable complaints that could be handled without the involvement of QSD, customer complaints received by BES representatives and entities - including but not limited

to, BES' branches, the ES Contact Center, ESCLINC and the United States relationship managers - were forwarded to QSD for review and resolution.

36. QSD maintains an electronic database of all complaints received. The database can be searched by, *inter alia*, name and residence address. A separate hard copy file is also kept for each complaint.

37. QSD reviews each complaint, determines whether BES was at fault and, if appropriate, assesses the cost to resolve the complaint. To facilitate the review and resolution of customer complaints, QSD consults with the relevant BES employees and departments that communicated with the customers prior to the filing of the complaint to determine whether they may have knowledge of the matters discussed in the customer complaint.

38. Typically, upon reaching the appropriate determination as to resolution of the complaint, QSD contacts the customer (usually by letter) with an explanation of the review and, if appropriate, the proposed remedy. To the extent that QSD decides that the complaint has no merit, a letter is sent explaining why BES is unable to take further action on the complaint.

39. Alternatively, if QSD determines that a particular

complaint has merit, it is authorized to resolve low-value claims without the intermediation of BES management. Resolutions above a nominal amount must be authorized by a branch level manager or other senior executive, while resolutions of complaints that involve significant payments - generally around the one hundred thousand dollar ($100,000) level - require authorization by BES' senior management.

B. Complaints by United States Customers

40. As part of BES' internal investigation, it reviewed United States customer complaints dating back to 2004. Several of the complaints involved allegations that BES personnel made misrepresentations in connection with the purchase and/or sale of securities or insurance products or the alleged unauthorized sale of such products.

BES Self-Reports Potential Violative Conduct

41. As noted, in October 2009, BES engaged outside counsel to conduct an internal investigation relating to BES' activities concerning current, former and prospective customers in the United States

42. Among other things, BES asked its outside counsel to review BES' general interactions with United States customers and was directed by BES' senior management to

review whether those activities violated applicable federal and state securities laws and regulations. BES requested that outside counsel then determine the number of potentially affected United States customers and whether those United States customers were entitled to any compensation for investment losses. On or about November 4, 2009, BES senior management also directed that any and all activities that failed to comply with United States law must cease immediately.

43. On or about May 17, 2010, BES' outside counsel completed its internal investigation, which was summarized in the Investigative Report.

44. BES reported the results of its internal investigation to the Bureau in May 2010, providing the Bureau a copy of the Investigative Report, and informing the Bureau of BES' unregistered securities activities, including the offer and sale of unregistered securities by unregistered agents, including approximately 1,393 New Jersey residents who had accounts with BES.

45. BES has cooperated fully with the Bureau by responding to inquiries, providing documents and other materials, and providing the Bureau with access to information relating to the investigation.

The Bureau's Investigation

46. Following its receipt of the Investigative Report, the Bureau launched an investigation of BES' reported activities within the United States.

47. BES was on notice of its violative conduct within the United States as early as March 2008 and no later than April 2009.

48. Notwithstanding this knowledge, BES and its affiliates continued to market and sell unregistered and/or non-exempt securities and provide investment advice to New Jersey residents, absent compliance with the applicable securities registration requirements, during the intervening months.

49. The Bureau has jurisdiction over this matter pursuant to the Securities Law.

50. The securities sold by BES and ESCLINC were not registered with the Bureau, not "federally covered," nor exempt from registration but were required to be registered with the Bureau pursuant to N.J.S.A. 49:3-60.

51. Each offer and sale of unregistered securities constitutes a separate violation of N.J.S.A. 49:3-60 and is cause for the imposition of a civil monetary penalty for each separate violation pursuant to N.J.S.A. 49:3-

70.1.

52. By engaging in the above conduct, BES and ESCLINC acted as unregistered broker-dealers in connection with the sale of the unregistered securities to or from New Jersey, in violation of N.J.S.A. 49:3-56(a).

53. Each offer and sale to investors constitutes a separate violation of N.J.S.A. 49:3-56(a) and is cause for the imposition of a civil monetary penalty for each separate violation pursuant to N.J.S.A. 49:3-70.1.

54. By engaging in the above conduct, BES and ESCLINC acted as unregistered investment advisers in connection with the purchase and sale of securities in violation of N.J.S.A. 49:3-56(a).

55. Each violation of N.J.S.A. 49:3-56(a) is a separate violation and cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

56. By engaging in the above conduct, BES and ESCLINC employed unregistered agents in connection with the offer and sale of securities, in violation of N.J.S.A. 49:3-56(h).

57. Each violation of N.J.S.A. 49:3-56(h) is a separate violation and cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

58. By engaging in the above conduct, BES and ESCLINC employed unregistered investment adviser representatives, in violation of N.J.S.A. 49:3-56(j).

59. Each violation of N.J.S.A. 49:3-56(j) is a separate violation and is cause for the imposition of a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1.

Therefore, based on the findings of fact, conclusions of law and certain mitigating factors, it is on this 18th day of May 2011, **HEREBY ORDERED AND AGREED:**

60. BES, ESCLINC, their affiliates, representatives, agents, assigns, successors in interest and those persons in active concert or participation with them shall cease and desist from violating the Securities Law or any regulation or order under the Securities Law;

61. Pursuant to N.J.S.A. 49:3.70.1, BES and ESCLINC are jointly and severally assessed a civil monetary penalty in the amount of $1.9 million ($1,900,000), which is payable to the "State of New Jersey, Bureau of Securities" within ten (10) days of receipt of this signed Consent Order by certified or cashier's check, attorney trust account check or wire transfer.

62. BES shall offer all eligible New Jersey customers rescission consistent with N.J.S.A. 49:3-71. The terms of

the offer shall include, but not be limited to, the following:

a) On or before sixty (60) days after the entry of this Consent Order, BES shall have identified all eligible New Jersey customers ("New Jersey Eligible Customers") who, on or after November 1, 2004, held a security that was sold by or through BES and/or ESCLINC and/or their affiliates in violation of the Securities Law, by compiling a list of such customers ("The List"). The List will contain all necessary contact information for the New Jersey eligible customers including, but not limited to, name, last known address, telephone number(s), e-mail address (if applicable) and, with respect to the security held, the name of the security held, the name of the security, the amount held and prices of purchases and dispositions;

b) The securities that are subject to the rescission offer are: (1) stocks and other similar equity securities; (2) bonds and other similar debt securities, including those issued by BES and its affiliates; (3) PPRs that are linked to the performance of a specified index or basket of securities or other securities-based benchmark; (4) GIRPs that are linked to the performance of a specified

index or basket of securities or other securities-based benchmark; (5) interests in Portuguese mutual funds; and (6) GDCs;

c) Valuation of investment positions as of March 31, 2011;

d) To the extent the present addresses for New Jersey Eligible Customers are not known, BES shall make all reasonable efforts to identify a valid location for the affected New Jersey Eligible Customers, so that actual notice of the offer may be received. Upon securing an accurate forwarding address of such customers, BES shall provide the offer of rescission, consistent with terms set forth herein, which offer shall remain open for thirty (30) days after confirmed receipt by the customers;

e) Within sixty (60) days after the entry of this Consent Order, BES shall send to New Jersey Eligible Customers, via certified mail or similar means designed to ensure confirmation of receipt, an offer of rescission consistent with N.J.S.A. 49:3-71(c). The language of the offer notice shall be in both Portuguese and English. The offer of rescission package shall also include an acceptance/rejection form, along with a postage-paid, pre-addressed reply envelope, for completion by the

customer;

f) BES shall maintain a log of all certified mail or similar confirmations, as well as any other communications with New Jersey Eligible Customers. BES shall also keep a record of all acceptances and rejections of the rescission offer. BES shall make such information available to the Comissao do Valores Mobiliarios and the Bureau may obtain such information through appropriate means upon request;

g) A running tally of the number of all acceptances and rejections with the actual acceptance/rejection forms shall be available to the Bureau Chief upon request; and

h) To assist in the processing of New Jersey Eligible Customers' inquiries following the publication of an offer of rescission, BES shall establish and maintain a toll free telephone line.

GENERAL PROVISIONS

63. By its signature below, in consideration of its desire to resolve the issues herein and having had full opportunity to consult with counsel, BES and ESCLINC hereby consent to the jurisdiction of the Bureau and voluntarily waive any right to assert any defenses, or to raise any challenge that they otherwise may have had to the Consent

Order.

64. This Consent Order shall not bind any person not a party thereto. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.

65. BES and ESCLINC agree that for purposes of this matter or future proceedings to enforce this Consent Order that this Consent Order shall have the same effect as if proven and ordered after a full hearing pursuant to N.J.S.A. 52:14B-1 et seq.

66. BES and ESCLINC shall not represent or imply that any act or practice hereinafter used or engaged in has been required or approved, in whole or in part, by the State of New Jersey, the Attorney General of New Jersey, the Division of Consumer Affairs, the Bureau of Securities, or any of the State's agencies, agents or subdivisions.

Amy Kopleton
Acting Bureau Chief
Bureau of Securities

PAULA T. DOW
Attorney General of New Jersey
Counsel for the New Jersey Bureau of Securities

By: Anna M. Lascurain (von) Dated: May 18, 2011
Anna M. Lascurain
Deputy Attorney General/Section Chief

The undersigned has reviewed this Consent Order, and had legal counsel before signing it, and agrees to be bounds by the terms herein.

BANCO ESPIRITO SANTO S.A.

By: _____ Dated: May 18, 2011

Jose Manuel Espirito Santo Silva
Member of the Executive Committee

The undersigned has reviewed this Consent Order, and had legal counsel before signing it, and agrees to be bounds by the terms herein.

ESPIRITO SANTO E COMERCIAL DE LISBOA, INC.

By: _____ Dated: May 18, 2011
Antonio Gato, President