

AGREEMENT BY AND BETWEEN
Trustco Bank, N.A.
Glenville, New York
and
The Office of the Comptroller of the Currency

Trustco Bank, N.A., Glenville, NY (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination, dated January 7, 2002 (ROE).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the Articles of this Agreement.

ARTICLE I

JURISDICTION

- 1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).
- 2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

- 3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.
- 4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).
- 5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller Roger Graham
Office of the Comptroller of the Currency
Syracuse Field Office
231 Salina Meadows Parkway, Suite 105
Syracuse, NY 13212

ARTICLE II

COMPLIANCE COMMITTEE

- 1) Within fifteen (15) days, the Board shall appoint a Compliance Committee of at least three (3) directors, of whom no more than one (1) shall be an employee of the Bank or an affiliate (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. The names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.
- 2) The Compliance Committee shall meet at least monthly.
- 3) Within thirty (30) days of this Agreement’s effective date and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:
 - (i) actions taken to comply with each Article of this Agreement; and
 - (ii) the results of those actions.

4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

ARTICLE III

BANK SECRECY ACT – AUDIT FUNCTION

1) Within ninety (90) days, the Board shall review and evaluate the level of service and ability of the audit function currently being provided by its internal auditor with respect to the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 – 5330), the regulations promulgated there under at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C (including, but not limited to, Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) (collectively referred to herein as the Bank Secrecy Act), the USA PATRIOT Act,¹ and the rules and regulations of the Office of Foreign Assets Control (OFAC). The written assessment should include the Board's expectations of how the audit function (which may involve the retention of external auditors or independent consultants) can assist in ensuring the Bank's compliance with the Bank Secrecy Act, CTR and SAR procedures, and the rules and regulations of OFAC, and forwarded to the Assistant Deputy Comptroller upon completion.

2) Within sixty (60) days, the Board shall expand the Bank's existing audit procedures to include:

- (a) the institution of an independent testing program, to be conducted by Bank personnel or by an outside party, which is designed to ensure compliance with the provisions of the Bank Secrecy Act;
- (b) prompt management response and follow-up to all audit exceptions, OCC

¹ The USA PATRIOT Act is an acronym for the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act, Pub. L No. 107-56 (October 26, 2001).

noted issues, or other recommendations of the Bank's external and internal auditor;

- (c) a risk-based approach to Bank Secrecy Act compliance that includes transactional testing and verification of data for higher risk accounts or geographic areas of specific concern; and
 - (d) audits of cash aggregation reports of both cash-in and cash-out transactions.
- 3) Within ninety (90) days, the Board shall ensure Bank adherence to an independent, internal audit program relating to the Bank Secrecy Act sufficient to:
- (a) detect irregularities in the Bank's operations;
 - (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
 - (c) evaluate the Bank's adherence to established policies and procedures;
 - (d) ensure adequate audit coverage of all currency transactions;
 - (e) ensure scope of review and testing covers all compliance risks and areas; and
 - (f) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. Audit staff shall not be assigned operational duties outside of their audit function. All written reports prepared by the audit staff shall be filed directly with the Board, which shall ensure immediate actions are undertaken to remedy deficiencies cited in the audit reports and a written record is maintained by the auditors describing those actions.

- 4) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to experience level, expertise, and number of the individuals employed.
- 5) The audit staff shall have access to any records necessary for the proper conduct of its activities. National Bank Examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.
- 6) As part of this Bank Secrecy Act audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.
- 7) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller for determination of no supervisory objection.

ARTICLE IV

BANK SECRECY ACT – INTERNAL CONTROLS

- 1) Within ninety (90) days, the Board shall revise, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to ensure ongoing compliance with the Bank Secrecy Act as defined in Article III of this Agreement. At a minimum, this written program shall include:
 - (a) a system of internal controls, including independent testing and auditing as noted in Paragraph III(3), to ensure ongoing compliance with the Bank Secrecy Act;
 - (b) operating procedures for the monitoring of current and high risk accounts;
 - (c) adequate controls and procedures to ensure that all suspicious and large currency transactions are identified and reported. Procedures should be comprehensive as to all points of cash entry and exit;

- (d) procedures to ensure that records are maintained on monetary instrument transactions and funds transfers, as required by the Bank Secrecy Act;
- (e) comprehensive procedures to identify and report to appropriate management personnel:
 - (i) frequent or large volume cash deposits or wire transfers or book entry transfers to or from offshore or domestic entities or individuals;
 - (ii) wire transfers or book entry transfers that are deposited into several accounts;
 - (iii) receipt and disbursement of wire transfers or book entry transfers without apparent business reasons;
 - (iv) receipt and disbursement of wire transfers or book entry transfers when they are inconsistent with the customer's business;
 - (v) receipt and disbursement of currency or monetary instruments when they are inconsistent with the customer's business; and
 - (vi) bank accounts opened in the name of any "financial institution" as defined in 31 C.F.R. § 103.11(n) (bank, broker/dealer, currency dealer or exchanger, issuer or seller or redeemer of traveler's checks or money orders, transmitter of funds, telegraph company, casino, etc.); and
- (f) the Board shall ensure "all bank personnel...who have contact with customers," as defined in the Comptroller's Handbook on Bank Secrecy Act/Anti-Money Laundering,² comply with compliance procedures and

² All bank personnel, including senior management, who have contact with customers (whether in person or by phone), who see customer transaction activity, or who handle cash in any way, receive appropriate training. Those employees include persons involved with branch administration; customer service; lending,

information requests from Internal Audit staff and the Compliance staff; and comprehensive guidelines, procedures, and systems for compliance with the rules and regulations of OFAC.

- 2) Upon adoption, a copy of the written program shall be promptly submitted to the Assistant Deputy Comptroller for determination of no supervisory objection.

ARTICLE V

BANK SECRECY ACT – TRAINING

1) Within ninety (90) days, the Board shall revise, if needed, fully implement, and thereafter ensure Bank adherence to a comprehensive training program for “all bank personnel... who have contact with customers.”³ Such a training program shall ensure the awareness of and compliance with the Bank Secrecy Act, USA PATRIOT Act, and OFAC, including the currency reporting, monetary instrument and funds transfer recordkeeping requirements, the reporting requirements associated with SARs pursuant to 12 C.F.R. Part 21, Subpart B, as well as current developments and changes. A comprehensive program shall:

- (a) include training in analyzing daily cash aggregation reports, analyzing CTR filings, analyzing wire transfer activities, as well as analyzing cash purchases of monetary instruments for Bank Secrecy Act and OFAC requirements;
- (b) ensure awareness of and adherence with Internal Audit and Compliance reporting procedures; and

private, or personal banking; correspondent banking (international and domestic); trust; discount brokerage; funds transfer; safe deposit/custody; and vault activities.” “Bank Secrecy Act/Anti-Money Laundering,” CCE-BSA, Comptroller’s Handbook, September 2000, p7.

³ See “Bank Secrecy Act/Anti-Money Laundering,” CCE-BSA, Comptroller’s Handbook, September 2000, p.7.

- (c) include the consequences of an employee's failure to comply with established policy and procedures and provide personnel with guidance and direction in terms of bank policies and available resources.
- 2) The Board shall ensure Bank adherence to documenting and monitoring the training, the training content and the training dates.
- 3) Upon adoption, a copy of the compliance and training programs shall be promptly submitted to the Assistant Deputy Comptroller for determination of no supervisory objection.

ARTICLE VI

BANK SECRECY ACT – COMPLIANCE OFFICER

- 1) The Board shall continue to vest in the Compliance Officer sufficient authority and resources to effectively administer, monitor and ensure the Bank's compliance with a comprehensive compliance program as required under the Bank Secrecy Act and the USA PATRIOT Act, as defined in Article III of this Agreement, and the rules and regulations of OFAC. This Officer shall be responsible for the complete and timely filing of all reports required under the Bank Secrecy Act, including, but not limited to, CTRs, SARs, Reports of International Transportation of Currency or Monetary Instruments (CMIRs), and Reports of Foreign Bank and Financial Accounts (FBARs).
- 2) The Compliance Officer shall be responsible for ensuring the maintenance of all cash aggregation records.

ARTICLE VII

VIOLATIONS OF LAW

- 1) To the extent not already corrected, the Board, shall ensure, within ninety (90) days, that Bank management corrects each violation of law, rule or regulation cited in the ROE.
- 2) The Compliance Committee's monthly progress reports, as required under Article II of this Agreement, shall include the date, manner in which each correction has been effected, and who effected each correction during that reporting period.
- 3) Within thirty (30) days of receipt of any subsequent Report of Examination that cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE.

ARTICLE VIII

CLOSING

- 1) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the programs developed pursuant to all Articles in this Agreement.
- 2) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall: (i) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement; (ii) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement; (iii) follow-

up on any non-compliance with such actions in a timely and appropriate manner; and (iv) require corrective action be taken in a timely manner of any non-compliance with such actions.

3) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

4) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing. Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

5) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

6) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into

a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

Signed

Roger Graham
Assistant Deputy Comptroller
Syracuse Field Office

8/22/02

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting

Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed

Barton A. Andreoli

8-19-02

Date

Signed

Robert T. Cushing

8/19/02

Date

Signed

Joseph Lucarelli

8/19/02

Date

Signed

Anthony J. Marinello, M.D., Ph.D.

8/19/02

Date

Signed	8-19-02
Robert A. McCormick	Date
Signed	8-19-02
Nancy A. McNamara	Date
Signed	8/19/02
James H. Murphy, D.D.S.	Date
Signed	8-19-02
Richard J. Murray, Jr.	Date
Signed	8/19/02
William D. Powers	Date
Signed	8/19/02
William J. Purdy	Date