

AGREEMENT BY AND BETWEEN
Bank of China
New York, New York
and
The Comptroller of the Currency

Bank of China, New York, New York (“Branch”), a Federal branch of Bank of China Limited, Beijing, China (“HO” or “Home Office”), and the Office of the Comptroller of the Currency (“OCC”) wish to protect the interests of the depositors and other customers of the Branch, and, toward that end, wish the Branch to operate safely and soundly and in accordance with all applicable laws, rules, and regulations.

The OCC has identified Bank Secrecy Act/anti-money laundering (“BSA/AML”) deficiencies with the Branch’s internal controls, and a violation of 12 C.F.R. § 21.21(d)(1).

In consideration of the above premises, it is agreed, between the Branch, by and through its General Manager (“GM”), and the OCC, through the duly authorized representative of the Comptroller of the Currency (“Comptroller”), that the Branch 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) Pursuant to 12 C.F.R. § 5.51(c)(6)(ii), this Agreement shall not subject the Branch to the requirements of 12 C.F.R. § 5.51, unless otherwise informed in writing by the Comptroller.

(6) Pursuant to 12 C.F.R. § 28.12(f)(2), this Agreement shall not prevent the Branch from being considered an “eligible foreign bank” unless otherwise informed in writing by the Comptroller.

ARTICLE II

COMPREHENSIVE BSA/AML ACTION PLAN

(1) Within sixty (60) days of this Agreement, the GM shall submit to the Director for International Banking Supervision (“Director”) a plan containing a complete description of the actions that are necessary and appropriate to achieve full compliance with Articles III through VI of this Agreement (“Action Plan”). In the event the Director asks the Branch to revise the Action Plan, the Branch shall immediately make the requested revisions and resubmit the Action Plan to the Director. The Branch shall implement the Action Plan upon the Director’s issuance of a written determination of no supervisory objection. Following implementation, the Branch shall not take any action that will cause a significant deviation from, or material change to the Action Plan unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

(2) The GM shall ensure that the Branch achieves and thereafter maintains compliance with this Agreement, including, without limitation, successful implementation of the Action Plan.

(3) The Action Plan must specify timelines for completion of each of the requirements of Articles III through VI of this Agreement. The timelines in the Action Plan shall be consistent with any deadlines set forth in Articles III through VI.

(4) The GM shall ensure that the Branch has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Agreement, and that Branch management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement.

(5) Commencing with the first calendar quarter of 2016, within thirty (30) days after the end of each calendar quarter following the date of this Agreement, the GM shall submit to the Director a written progress report detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. The GM shall ensure that the progress report includes information sufficient to validate compliance with this Agreement. The Director may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

ARTICLE III

BSA/AML INTERNAL CONTROLS PROGRAM

(1) Within sixty (60) days of this Agreement, the GM shall submit to the Director for a written determination of no supervisory objection an acceptable written program to establish and maintain an effective system of internal controls adequate to ensure ongoing compliance with the Bank Secrecy Act, as amended, the regulations promulgated thereunder at 31 C.F.R. Chapter X and 12 C.F.R. §§ 21.11 and 21.21, and the rules and regulations of the Office of Foreign Assets Control (“BSA/AML Internal Controls Program”). At a minimum, the BSA/AML Internal Controls Program shall include:

- (a) the development and implementation of appropriate and comprehensive customer due diligence (“CDD”) and enhanced due diligence (“EDD”) policies, procedures, and processes;
- (b) the development and implementation of an adequate risk assessment program;
- (c) the development and implementation of appropriate policies, procedures, and processes for monitoring, detecting, and reporting suspicious activities, including the development of a project plan and a timeline for the effective implementation, validation, and optimization of the proposed upgrade to the transaction monitoring system; and
- (d) the development and implementation of adequate policies, procedures, and processes for the preparation, filing, and retention of currency transaction reports.

(2) Upon receipt of a written determination of no supervisory objection to the BSA/AML Internal Controls Program submitted pursuant to paragraph (1) of this Article, the GM shall ensure that the Branch implements and adheres to the BSA/AML Internal Controls Program. Any proposed changes or deviations from the approved BSA/AML Internal Controls Program shall be submitted in writing to the Director for prior review and determination of no supervisory objection by the Director.

ARTICLE IV

RISK ASSESSMENT / MANAGEMENT

(1) Within ninety (90) days of this Agreement, the GM shall ensure Branch management reviews, updates, and implements an enhanced written institution-wide, ongoing

BSA/AML Risk Assessment program that timely and accurately identifies the BSA risks posed to the Branch after consideration of all pertinent information (“BSA/AML Risk Assessment”).

The BSA/AML Risk Assessment program shall reflect a comprehensive analysis of the Branch’s vulnerabilities to money laundering and financial crimes activity and provide strategies to control risk and limit any identified vulnerabilities. The BSA/AML Risk Assessment methodology shall follow the risk assessment expectations and logic set forth in the *2014 FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual* (Rev. December 2, 2014) (“FFIEC BSA/AML Examination Manual”) and shall include:

- (a) the identification of all activities and other elements that pose BSA/AML risk to the Branch, including, but not limited to, the Branch’s: (i) products and services; (ii) customers and entities; (iii) transactions; (iv) geographic locations; and (v) methods that the Branch uses to interact with its customers (collectively, the “specific risk categories”);
- (b) a detailed analysis of all pertinent data obtained regarding the specific risk categories, including but not necessarily limited to: (i) volumes and types of transactions and services by geographic location, and (ii) numbers of customers that typically pose higher BSA/AML risk, both by type of risk and by geographic location, so as to permit the Branch to revise or develop, as necessary, and implement appropriate policies, processes, and procedures to monitor and mitigate the Branch’s BSA/AML risks within those risk categories. The analysis to be conducted shall include an evaluation of all relevant information obtained through the Branch’s Customer Identification Program (“CIP”), CDD, and EDD;

- (c) an assessment of BSA/AML risk both individually within the Branch's business lines and on a consolidated basis across all Branch activities and product lines;
- (d) that the Risk Assessment be updated at least every twelve (12) months so as to identify and respond to changes in the Branch's risk profile (such as when new products or services are introduced, existing products or services change, there is a material change to high-risk customer accounts or profiles, or the Branch expands through mergers or acquisitions);
- (e) maintenance of appropriate documentation, including CDD and EDD information, so as to be able to support the Risk Assessment's conclusions; and
- (f) independent testing to validate the accuracy and reasonableness of the most recent BSA/AML Risk Assessment. The written results of the independent testing shall be completed not more than ninety (90) days following the review and approval of the BSA/AML Risk Assessment by the GM pursuant to paragraph (3) of this Article.

(2) Within ninety (90) days of this Agreement, and at least annually thereafter, the GM shall ensure Branch management reviews, updates, and implements an enhanced written institution-wide, ongoing Office of Foreign Assets Control ("OFAC") Risk Assessment program that is separate from the BSA/AML Risk Assessment program. The OFAC Risk Assessment program and methodology shall include the criteria in Paragraph (1) of this Article, as applicable.

(3) Within one-hundred twenty (120) days of this Agreement, the GM shall review and approve the BSA/AML Risk Assessment and OFAC Risk Assessment programs and actual

assessments. The GM shall review and approve each Risk Assessment at least annually thereafter, and upon receipt of any updates or changes to each Risk Assessment.

(4) Within ninety days (90) of this Agreement, the GM shall develop, implement, and thereafter ensure Branch adherence to a written program that documents the level and types of BSA/AML risk that the Branch is willing to assume. This written program shall be designed to ensure the Branch's BSA/AML and OFAC risk management processes are commensurate with the level of BSA/AML risk at the Branch, are consistent with both of the Branch's annual Risk Assessments, and include, at a minimum, the following:

- (a) procedures to ensure business lines have incentives and means to act as an effective first line of defense, including rewards among business lines for successful management of BSA/AML risks; and
- (b) reassessment of the role and qualifications of the Branch's Chief Risk Officer to ensure significant stature and command within the U.S. branch network and HO to effectively manage BSA/AML compliance.

ARTICLE V

BSA/AML DOCUMENTATION

(1) Within sixty (60) days of this Agreement, the GM shall adopt, implement, and thereafter ensure Branch adherence to a program to ensure that the Branch maintains adequate documentation of the Branch's customer due diligence, enhanced due diligence, and suspicious activity monitoring policies, procedures, and processes, including, at a minimum:

- (a) analyses associated with the due diligence process;
- (b) risk-rating methodologies;
- (c) selection of filtering criteria and thresholds used by the Branch's

automated transaction monitoring systems, including an analysis of how such criteria are appropriate for the Branch's risks;

- (d) investigation and evaluation of identified unusual activity, from initial detection to disposition; and
- (e) Suspicious Activity Report ("SAR") decision-making, including specific reason(s) for filing or not filing a SAR.

ARTICLE VI

BSA/AML INTERNAL AUDIT

(1) Within ninety (90) days of this Agreement, the GM shall adopt, implement, and thereafter ensure Branch adherence to an effective, independent BSA/AML audit program so that its scope, testing, documentation, and follow-up testing are sufficient to:

- (a) detect irregularities in the Branch's operations;
- (b) perform a sufficient audit quality assurance review to ensure adequate internal controls, including that alert dispositions are accurate and properly supported;
- (c) determine the Branch's level of compliance with all applicable laws, rules, regulations, and regulatory guidance;
- (d) determine the root cause for BSA/AML deficiencies;
- (e) evaluate the Branch's adherence to established policies and procedures;
- (f) perform an appropriate level of testing to support the audit findings; and
- (g) ensure adequate audit coverage and audit frequency in all areas.

(2) The GM shall ensure that the person(s) or external firm responsible for implementing the BSA/AML audit program described in paragraph (1) of this Article reports

directly to the GM, or a designated committee, which shall have the sole power to direct the audit activities. All reports prepared by the internal audit staff with respect to any external BSA/AML audit shall be filed directly with the GM, or a designated committee, and not through any intervening party.

(3) The GM, or designated committee, shall ensure appropriate oversight of the BSA compliance audit function, with particular emphasis on an adequately staffed BSA/AML audit department or outside firm with respect to the necessary expertise and knowledge regarding BSA/AML and OFAC, experience, and number of individuals employed.

(4) All audit reports prepared by internal audit staff or an independent third party shall be in writing and supported by adequate work papers, which must be provided to the Branch. The GM, or a designated committee, shall ensure the Branch takes immediate actions to remedy deficiencies cited in audit reports, and that the auditors maintain a written record describing those actions.

(5) The audit staff shall have access to any records necessary for the proper conduct of its activities. The OCC shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

ARTICLE VII

CLOSING

(1) Although the GM by this Agreement is required to submit certain proposed actions, programs, plans, and reports for the review or prior written determination of no supervisory objection by the Director, the GM has the ultimate responsibility for proper and sound management of the Branch as well as compliance with all of the provisions contained in this Agreement.

(2) In each instance in this Agreement in which the GM is required to take action, ensure adherence to, and undertake to perform certain obligations of the Branch, including the obligation to implement plans, policies, or other actions, it is intended to mean that the GM shall:

- (a) ensure the Branch has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Agreement and that Branch management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement;
- (b) authorize, direct, and adopt such actions on behalf of the Branch as may be necessary for the Branch to perform its obligations and undertakings under the terms of this Agreement;
- (c) require appropriate, adequate, and timely reporting by Branch management of such actions directed by the GM to be taken under the terms of this Agreement;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(3) Each citation or referenced guidance in this Agreement includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation, or guidance.

(4) 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 OCC, through the Comptroller's designated representative.

(5) Except as otherwise provided herein, any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement.

(6) If the Branch requires a waiver or suspension of any provision or an extension of any timeframe within this Agreement, the GM shall submit a written request to the Director asking for relief. Any written request submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any provision or an extension of a timeframe within this Agreement.

(7) The Director's written decision concerning a request submitted pursuant to paragraph (6) of this Article is final and not subject to further review.

(8) 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 United States, the OCC, or any officer, employee, or agent of the OCC. 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 Branch under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Branch expressly acknowledges that neither the Branch nor the OCC has any intention to enter into a contract. The Branch also expressly acknowledges that no officer, employee, or agent of the OCC 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, employee, or agent 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 prior arrangements between the parties, whether oral or written.

(9) It is expressly and clearly understood that if, at any time, the OCC deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America to undertake any action affecting the Branch, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OCC from so doing.

(10) All correspondence related to this Agreement, and any information or documentation required hereunder to be submitted to the Director, shall be sent by overnight mail or hand delivery to:

Marci A. Heppner
Director for International Banking Supervision
340 Madison Avenue, 9th Floor
New York, New York 10173

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

s/Vance S. Price
Vance S. Price
Deputy Comptroller
Large Bank Supervision

12/16/15
Date

IN TESTIMONY WHEREOF, the undersigned, the General Manager of the Branch, has hereunto set his hand on behalf of the Branch.

s/Chen Xu, General Manager

12/1/2015

Chen Xu, General Manager
Bank of China
New York Federal Branch

Date