

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

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<b>In the Matter of:</b>	)	
	)	
Bank of China, New York Branch	)	AA-EC-2018-18
New York, New York	)	
	)	
A Federal Branch of	)	
	)	
Bank of China Limited	)	
Beijing, People’s Republic of China	)	
_____	)	

**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) through his national bank examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), has supervisory authority over and has conducted examinations of the Bank of China, New York Branch, New York, New York (“Branch”), a Federal branch of Bank of China Limited, Beijing, China (“Home Office”). The OCC has identified deficiencies in the Branch’s Bank Secrecy Act/anti-money laundering (“BSA/AML”) compliance program that resulted in violations of 12 C.F.R. § 21.21 (BSA/AML compliance program) and 12 C.F.R. § 21.11 (suspicious activity report filings), and deficiencies in the Branch’s compliance with the requirements of the Office of Foreign Asset Control (“OFAC”), and has informed the Branch of the findings resulting from the examinations.

The Branch, by and through its General Manager (“GM”), duly authorized by the Home Office, has executed a Stipulation and Consent to the Issuance of a Consent Order, dated April 18, 2018, that is accepted by the Comptroller (“Stipulation”). By this Stipulation, which

is incorporated herein by reference, the Branch has consented to the issuance of this Consent Order (“Order”). The Branch has begun corrective action, and has committed to taking all necessary and appropriate steps to remedy the deficiencies identified by the OCC, and to enhance the Branch’s BSA/AML and OFAC compliance programs.

## ARTICLE I

### COMPTROLLER’S FINDINGS

The Comptroller finds, and the Branch neither admits nor denies, the following:

(1) The Branch violated 12 C.F.R. § 21.21 and 12 C.F.R. § 21.11. Specifically, the Branch failed to adopt and implement a compliance program that adequately covered the required BSA/AML program elements, and the requirements of OFAC, and the Branch failed to timely file Suspicious Activity Reports (“SARs”) related to suspicious customer activity.

(2) Some of the critical deficiencies in the elements of the Branch’s BSA/AML compliance program that resulted in a violation of 12 C.F.R. § 21.21, included the following:

- The Branch had an inadequate system of internal controls, ineffective independent testing, a weak BSA Officer function, and insufficient training.
- The Branch had systemic deficiencies in its transaction monitoring systems, which resulted in monitoring gaps. These systemic deficiencies resulted in alert and investigation backlogs, and led to a failure to file SARs in a timely manner.
- The Branch had systemic deficiencies in its customer due diligence (“CDD”), enhanced due diligence (“EDD”), and customer risk rating processes.

(3) The Branch failed to file the necessary SARs concerning suspicious customer activity in a timely manner, in violation of 12 C.F.R. § 21.11.

(4) Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. §1818, the Comptroller hereby ORDERS that:

ARTICLE II

COMPREHENSIVE BSA/AML AND OFAC ACTION PLAN

(1) Within ninety (90) days of this Order, the GM shall submit to the Director for International Banking Supervision (“Director”) an acceptable plan containing a complete description of the actions that are necessary and appropriate to achieve full compliance with Articles III through VIII of this Order (“Action Plan”) and which complies with the requirements of this Article.

(2) The GM shall ensure that the Branch achieves and thereafter maintains compliance with this Order, including, without limitation, successful implementation of the Action Plan. The GM shall further ensure that, upon implementation of the Action Plan, the Branch achieves and maintains effective BSA/AML and OFAC compliance programs, in accordance with applicable laws and regulations. In order to comply with these requirements, the GM shall:

- (a) Require timely and accurate reporting by Branch management of such actions directed by the GM to be taken under this Order;
- (b) Follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (c) Require corrective action be taken in a timely manner for any non-compliance with such actions.

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

(4) The Action Plan must ensure that, to the extent the Branch is responsible for or provides BSA/AML or OFAC compliance program guidance, evaluation, policies, procedures reporting or other services to the Home Office's other Federal branches ("Sister Branches"), such activity must be consistent with the provisions of Articles III through VIII of this Order. The term "enterprise-wide" as used in this Order shall mean the Branch and Sister Branches. The term "Group Affiliates" as used in this Order shall mean the Bank of China Home Office and all affiliated banks and branches.

(5) The Action Plan must satisfactorily address any current BSA/AML and OFAC Matters Requiring Attention ("MRAs").

(6) Upon request by the Director, the Branch shall modify the Action Plan to address any BSA/AML and OFAC MRAs, or citations of violations of law concerning BSA/AML or OFAC matters, which the OCC may issue to the Branch following the effective date of this Order.

(7) 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 Order, and that Branch management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order. The Action Plan must specify in detail budget outlays and staffing, including aggregated staff compensation information in a format acceptable to the Director, that are necessary to achieve and maintain full compliance with Articles III through VIII of this Order.

(8) Any independent consultant or auditor engaged by the Branch to assist in the assessment of the Action Plan or other compliance with this Order must have demonstrated and specialized experience with the BSA/AML or OFAC matters that are the subject of the engagement, and must not be subject to any conflict of interest affecting the consultant's or auditor's independence.

(9) If the Director recommends changes to the Action Plan, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branch shall adopt, implement and adhere to the Action Plan upon the Director's issuance of a written determination of no supervisory objection. Following adoption, 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.

(10) Commencing with the second calendar quarter of 2018, within thirty (30) days after the end of each calendar quarter following the date of this Order, 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 Order and the results thereof. The GM shall ensure that the progress reports include timely and accurate information sufficient to validate compliance with this Order. The Director may at any point, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

(11) All correspondence related to this Order, and any information or documentation required hereunder to be submitted to the Director, shall be sent by overnight mail, secure e-mail, or hand delivery to:

Mark A. Shields  
Director for International Banking Supervision  
340 Madison Avenue, 9<sup>th</sup> Floor  
New York, New York 10173

With copies to:

Abdul Quadir (Abdul.Quadir@occ.treas.gov)

and

John Dubois (John.Dubois@occ.treas.gov)

### ARTICLE III

#### BSA/AML AND OFAC COMPLIANCE PROGRAM

##### RISK ASSESSMENT AND RISK APPETITE

(1) Within ninety (90) days of this Order, the GM shall submit to the Director an acceptable action plan for the completion of risk assessments of the Branch's BSA/AML and OFAC compliance programs, and assessment of the level and types of BSA/AML and OFAC risk that the Branch is willing to assume ("Risk Appetite"), which complies with the requirements of this Article. The Branch shall complete the risk assessments and assessment of Risk Appetite at least annually thereafter. The GM shall ensure that the staff responsible for the risk assessments and for the assessment of Risk Appetite have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) The risk assessments shall include assessments of the organizational structure, enterprise-wide effectiveness, competency of management, accountability, staffing requirements, internal controls, customer due diligence processes, enhanced due diligence processes, risk assessment processes, suspicious activity monitoring and reporting systems and processes, audit/independent testing, and training.

(3) The risk assessments shall also include a comprehensive assessment of the Branch's BSA/AML and OFAC risk, including detailed quantification of risk to accurately assess the level of risk and the adequacy of controls. The comprehensive risk assessments shall include:

- (a) A written enterprise-wide assessment of the BSA/AML and OFAC risk associated with each line of business, and an enterprise-wide assessment of BSA/AML and OFAC risk for higher risk products, customers, and services. This review shall include, but is not limited to, an assessment of risk associated with foreign correspondent banking, trade finance, safe deposit boxes, cash-intensive businesses, remote deposit capture, third-party payment processing, monetary instruments, and other higher risk products, services, customers, or geographies.
- (b) Evaluation of the Branch's current methodology for quantifying the level of BSA/AML and OFAC risk associated with specific customers. This evaluation shall result in the development of a comprehensive approach to quantifying BSA/AML and OFAC risk for new and existing customers. The quantification of risk shall encompass a customer's enterprise-wide relationship, and consider factors such as actual account activity (e.g., volume and value (number and dollar) of transaction activity engaged in), customer's line of business, geographies (e.g., customer's geographic location and where they transact business), type of product and services used by the customer, as well as other factors discussed within the 2014

FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual (rev. Feb. 27, 2015) (“FFIEC BSA/AML Examination Manual”);

- (c) The identification of specific lines of business, geographies, products or processes where controls are not commensurate with the level of BSA/AML or OFAC risk exposure;
- (d) An assessment of BSA/AML and OFAC risk both individually within the Branch’s business lines and on an enterprise-wide consolidated basis across all Branch and Sister Branch activities and product lines;
- (e) That the risk assessments shall be refreshed periodically, the timeframe for which shall not exceed twelve months, or whenever there is a significant change in BSA/AML or OFAC risk or lines of business;
- (f) Aggregation of the Branch’s enterprise-wide BSA/AML and OFAC risk that is reasonable and clearly supported in the work papers. The work papers and supporting documentation shall be readily accessible for a third party review; and
- (g) Independent testing to validate the accuracy and reasonableness of the most recent BSA/AML and OFAC risk assessments.

(4) The GM shall review the risk assessments of the BSA/AML and OFAC compliance programs. The GM shall review each risk assessment at least annually thereafter, and upon receipt of any updates or changes to the BSA/AML or OFAC risk assessments or compliance programs.

(5) The GM shall develop, and update at least annually thereafter, a written enterprise-wide program that assesses and documents the Branch’s BSA/AML and OFAC Risk



Appetite. This Risk Appetite program shall be designed to ensure the BSA/AML and OFAC risk management processes are commensurate with the level of BSA/AML and OFAC risk enterprise-wide, are consistent with the initial and annual risk assessments, and include, at a minimum, the following:

- (a) Procedures to ensure business lines have incentives and capacities, including resources and processes, to act as an effective first line of defense, including rewards among business lines for successful management of BSA/AML and OFAC risks; and
- (b) Continued support of the Branch's Chief Risk Officer to ensure significant stature and command within the enterprise-wide network and to establish communication and coordination with the Home Office to effectively manage BSA/AML and OFAC compliance.

(6) If the Director recommends changes to the action plan, risk assessments or Branch Risk Appetite, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branch shall adopt, implement and adhere to the action plan, risk assessments and Branch Risk Appetite upon the Director's issuance of a written determination of no supervisory objection. Following adoption, the Branch shall not take any action that will cause a significant deviation from, or material change to the action plan, risk assessments or Branch Risk Appetite unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

## ARTICLE IV

### CUSTOMER DUE DILIGENCE

(1) Within ninety (90) days of this Order, the GM shall submit to the Director an acceptable and sustainable action plan for the development and implementation of enterprise-wide policies and procedures for gathering CDD and EDD information when opening new accounts or when reviewing or modifying existing accounts for customers in all lines of business, and an adequate CDD and EDD management information system (“MIS”), which complies with the requirements of this Article. The GM shall ensure that the staff responsible for gathering CDD and EDD information and for the development and maintenance of the MIS have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) The CDD and EDD policies and procedures must be documented and satisfactorily address any CDD and EDD MRAs and include, at a minimum:

- (a) Policies and procedures to ensure a methodology for assigning documented risk levels to the customer base, and that consider appropriate factors such as type of customer; geographic activity; the expected account activity by type of service used, including the volume and frequency by dollar amount and number, and the specification of the CDD and EDD information that must be obtained, commensurate with these risk levels;
- (b) Policies and procedures to ensure the quantification of risk encompasses a customer’s entire enterprise-wide relationship with the Branch and Sister Branches, to include the purpose of the account, actual or anticipated activity in the account (*e.g.*, type, volume, and value (number and dollar) of transaction activity engaged in), nature of the customer’s business or

occupation, customer location (*e.g.*, customer's geographic location, where they transact business, and where they have significant operations), types of products and services used by the customer, material changes in the customer's relationship with the Branch, as well as other factors outlined within the FFIEC BSA/AML Examination Manual;

- (c) Policies and procedures that comply with 31 C.F.R. § 1020.220 for the opening of new accounts that ensure that the required customer identification information is recorded in an electronic format;
- (d) Policies and procedures that comply with 31 C.F.R. § 1010.610 for foreign correspondent accounts that ensure that the required due diligence information is recorded in an electronic format, and shall ensure:
  - (i) Timely, sustained and documented reviews of foreign correspondent account relationships;
  - (ii) Nested account activity risk is effectively identified and managed through risk-based processes; and
  - (iii) Identification, monitoring and review of U.S. Dollar demand draft products and accounts;
- (e) Policies and procedures to ensure full realignment of line of business specific CDD and EDD processes to enterprise-wide processes, including consistency, sustainability, timeliness, and documentation of CDD and EDD reviews across all lines of business, including trade finance;
- (f) Policies and procedures to ensure customer due diligence is periodically updated to reflect changes in the customer's behavior and activity profile.

Derogatory information must be included in periodic reviews of the customer relationship, as well as other factors that impact the BSA/AML or OFAC risk for the customer. The periodic updates of due diligence shall be documented, subject to quality assurance processes, and tracked to ensure the periodic updates are completed on a risk-based frequency;

(g) Policies and procedures for updating the electronic system of record to include current information; and

(h) Policies and procedures to ensure the customer relationship BSA/AML and OFAC risk score is detailed in the customer due diligence record, along with the supporting factors, including transaction activity, geographies involved, and suspicious activity monitoring alert and filing history.

(3) The CDD and EDD MIS must compile and provide appropriate access to CDD and EDD information and satisfactorily address the requirements specified by any open CDD and EDD MRAs. CDD and EDD MIS shall be commensurate with the Branch's BSA/AML and OFAC risk as identified by the Branch's risk assessments required by Article III, and shall provide appropriate business, BSA/AML and OFAC compliance, and investigations staff enterprise-wide with the appropriate access to sufficient CDD and EDD information to enable timely and sound analysis and monitoring of customers' activity.

(4) If the Director recommends changes to the action plan, CDD and EDD policies and procedures or the CDD and EDD MIS, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branch shall adopt, implement and adhere to the action plan, CDD and EDD policies and procedures and to the CDD and EDD MIS upon the

Director's issuance of a written determination of no supervisory objection. Following adoption, the Branch shall not take any action that will cause a significant deviation from, or material change to the action plan, CDD and EDD policies and procedures, or to the CDD and EDD MIS unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

## ARTICLE V

### SUSPICIOUS ACTIVITY MONITORING AND REPORTING

(1) Within ninety (90) days of this Order, the GM shall submit to the Director acceptable action plan for the development and implementation of enterprise-wide policies and procedures that complies with the requirements of this Article and ensures the timely, appropriate, and documented review and dispositioning of suspicious activity alerts, the timely filing of SARs, and satisfactorily addresses any open suspicious activity monitoring and reporting MRAs ("suspicious activity monitoring and reporting program"). The GM shall ensure that the staff responsible for suspicious activity monitoring and reporting have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) The suspicious activity monitoring and reporting program shall include evaluation of the enterprise-wide suspicious activity identification processes to ensure they are effective, sustainable, and provide comprehensive coverage. This evaluation shall include an assessment of the capabilities of any surveillance processes and transaction monitoring systems used, the scope of coverage provided by the systems, and the management of those systems. Upon completion of the Branch's evaluation, the Branch shall take appropriate corrective action to remedy any identified weaknesses or deficiencies. The evaluation shall address, but not be limited to, the following issues:

- (a) An assessment of the functionality of automated transaction monitoring systems used to determine if the systems are sufficiently robust to provide for the timely identification of potentially suspicious activity, a comprehensive listing of weaknesses or deficiencies in the system, the risks presented by these deficiencies, and proposed corrective actions; and
  - (b) The development of a documented project plan and a timeline for the effective implementation, validation, and optimization of the proposed upgrade to the transaction monitoring system.
- (3) The suspicious activity monitoring and reporting program for each surveillance process and transaction monitoring system must ensure the following:
- (a) The integrity of data feeding the transaction monitoring systems;
  - (b) The system has been sufficiently tailored to the Branch's risk profile, operations, and all lines of business, including foreign correspondent banking accounts, intermediary wires, and trade finance;
  - (c) The system's functionality and surveillance processes are being effectively utilized to appropriately address risk;
  - (d) The software design, such as parameters, rules, or other factors selected for automated monitoring, are appropriate and effective in identifying customer activity that is unreasonable or abnormal given the nature of the customer's occupation or business and expected activity, and considers geographic risks. In addition, there shall be:
    - (i) Sufficient management information and metrics, including identification of employees responsible for completing SARs,

suspect information, the date the suspicious activity was detected, alert date, alert determination, investigation received date, time from alert to investigation, the filing deadline, the actual date of filing, the date the SAR was reported, and reporting to senior management and/or governance committees; and

(ii) Sufficient management information and metrics to manage and adjust the system and surveillance processes, and statistically valid processes to validate and optimize monitoring system settings and thresholds, and to measure the effectiveness of the automated system and individual scenarios, where appropriate; and

(e) Timely completion and documentation of all investigations, quality control reviews, and filing of any SARs.

(4) The suspicious activity monitoring and reporting program for the alert

investigation process must ensure the following:

- (a) The adequacy of qualified staffing to investigate and clear alerts;
- (b) The quality and completeness of information available to analysts working transaction monitoring alerts and conducting investigations;
- (c) The standards for disposition of different types of alerts are reasonable, communicated in writing to relevant staff, and are adhered to by the alert investigators;
- (d) Adequate documentation is maintained to support the disposition of alerts;
- (e) Methods to obtain additional information to investigate potentially suspicious activity, including, if applicable, information from multiple

lines of business a customer transacts with or information from Group Affiliates and all other customers;

- (f) Disposition of each alert within a reasonable time period after the generation of the alert and the filing of SARs and follow-up SARs within the time frames specified in the applicable rules, regulations, and regulatory guidance;
- (g) Standards that ensure customer relationships with high volumes of investigations are identified, elevated, properly risk-rated, and subject to EDD and enhanced monitoring;
- (h) Effective and sustainable quality control processes designed to ensure the surveillance and transaction monitoring system, alert management process, and SAR decisioning and filing are working effectively and according to internal standards, and include all lines of business;
- (i) Any backlogs in the suspicious activity monitoring and reporting program are promptly reported to the GM and appropriate management committee(s), in writing, for resolution; and
- (j) The effectiveness of training for staff involved in the investigation and clearing of alerts, filing of SARs, quality control and assurance processes, and management of the surveillance and transaction monitoring system.

(5) If the Director recommends changes to the action plan or the suspicious activity monitoring and reporting program, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branch shall adopt, implement and adhere to the action plan and suspicious activity monitoring and reporting program upon the Director's



issuance of a written determination of no supervisory objection. Following adoption, the Branch shall not take any action that will cause a significant deviation from, or material change to the action plan or the suspicious activity monitoring and reporting program unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

## ARTICLE VI

### OFAC SANCTIONS COMPLIANCE PROGRAM

(1) Within ninety (90) days of this Order, the GM shall submit to the Director an acceptable action plan for the development and implementation of a written enterprise-wide program to establish and maintain an effective, sustainable, and documented system of internal controls to address any open OFAC-related MRAs and to ensure ongoing compliance with OFAC rules and regulations (“OFAC program”). The GM shall ensure that the staff responsible for OFAC compliance have sufficient training, authority, and skill to perform their assigned responsibilities. The OFAC program shall include:

- (a) Implementation of an appropriate and effective OFAC screening system(s) commensurate with the enterprise-wide risk profile;
- (b) Procedures to ensure periodic independent validation of the Branch’s automated OFAC screening system. Policies and procedures shall outline the expectations for validations and periodic tuning of all OFAC systems used by the Branch, and include frequency, scope, depth of testing and issue reporting/governance;
- (c) Requirements that all transactions, in particular wire transfers, are screened against all applicable OFAC lists;

- (d) Screening new potential customers against current OFAC lists, and screening existing customers against updated OFAC lists (i.e., with additions or changes);
- (e) Timely updating the lists of blocked countries, entities, and individuals and disseminating such information enterprise-wide;
- (f) Handling of items that are validly blocked or rejected items under the various sanctions programs and the management of blocked accounts;
- (g) Documented OFAC risk management processes commensurate with the level of enterprise-wide OFAC risk, consistent with the Branch's annual OFAC risk assessment required by Article III, and shall include:
  - (i) Expanded job roles tailored to broad OFAC risk management;
  - (ii) Elevating the seniority and stature of OFAC Officer(s) to provide sufficient authority, stature, and command enterprise-wide and to establish communication and coordination with the Home Office to effectively manage OFAC compliance; and
  - (iii) Development and expansion of documented policies, procedures, and governance framework focused on the development and proactive execution of an effective OFAC risk management program.

(2) The enterprise-wide OFAC program shall include effective and sustainable policies and procedures for risk-based review and compliance management of transactions involving Group Affiliates and all other customers, including trade finance activities and U.S. dollar clearing activities, to ensure compliance with OFAC rules and regulations.

(3) If the Director recommends changes to the action plan or the OFAC program, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branch shall adopt, implement and adhere to the action plan and the OFAC program upon the Director's issuance of a written determination of no supervisory objection. Following adoption, the Branch shall not take any action that will cause a significant deviation from, or material change to the action plan or the OFAC program unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

## ARTICLE VII

### BSA/AML INTERNAL AUDIT

(1) Within thirty (30) days of this Order, the GM shall submit to the Director an acceptable plan to ensure Branch adherence to an effective and sustainable independent BSA/AML audit program so that its scope, testing, documentation, and follow-up testing are sufficient to address any open MRAs and 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.

(6) If the Director recommends changes to the Internal Audit program, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branch shall adopt, implement and adhere to the Internal Audit program upon the Director's issuance of a written determination of no supervisory objection. Following adoption, the Branch shall not take any action that will cause a significant deviation from, or material change to the

Internal Audit program unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

## ARTICLE VIII

### BSA OFFICER AND STAFFING

(1) The GM shall ensure that the Branch has a permanent, qualified, and experienced BSA Officer who shall be vested with sufficient stature, authority, time, and resources to fulfill the duties and responsibilities of the position and ensure compliance with the requirements of the BSA and OFAC and whose retention will satisfactorily address the requirements of this Article. The GM shall ensure that the BSA Officer and other staff responsible for BSA/AML compliance have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) If the BSA Officer position is vacated, the GM shall identify and provide written notice to the Director of a new BSA Officer within ninety (90) days of the date of such vacancy.

(3) Within ninety (90) days of this Order, the GM shall ensure that the Branch conducts a formal written assessment of the Branch's oversight and infrastructure to ensure compliance with the requirements of the BSA and OFAC. This assessment shall include, at a minimum:

- (a) The adequacy of staffing of the BSA/AML compliance functions enterprise-wide, including:
  - (i) The level and scope of responsibilities of the BSA Officer;
  - (ii) The knowledge, skills, and capabilities of the BSA Officer to conduct assigned responsibilities and ensure the Branch's compliance with the requirements of the BSA and OFAC; and

(iii) The number, qualifications and experience of staff needed to support the BSA Officer and the Branch's BSA/AML and OFAC compliance functions, and the level and scope of responsibilities of any support staff.

(b) The BSA Officer's reporting structure, stature, authority, sufficient time dedicated to BSA responsibilities, and resources; and

(c) The Branch's performance evaluation program that addresses periodic performance evaluations of staff involved with BSA/AML and OFAC compliance.

(4) Within sixty (60) days after completing the formal written assessment under paragraph (3) of this Article, the GM shall submit a plan acceptable to the OCC to ensure that the Branch implements any changes that are needed regarding the Branch's BSA Officer and supporting staff enterprise-wide, including the responsibilities, authority, structure, independence, competencies, or capabilities. In particular, the GM shall ensure that the BSA Officer and supporting staff have sufficient training, authority, and skill to perform their assigned responsibilities.

(5) The GM shall periodically, no less than annually, review the adequacy of the Branch's BSA Officer and supporting staff enterprise-wide, and shall document its determinations in writing. The periodic reviews shall consider the factors described in paragraph (3) of this Article.

## ARTICLE IX

### CLOSING

(1) Although the GM by this Order is required to submit certain proposed actions, programs, plans, and reports for the review or prior written determination of no supervisory objection of 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 the Order.

(2) In each instance in this Order 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 Order and that Branch management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order;
- (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 Order;
- (c) Require appropriate, timely, and accurate reporting by Branch management of such actions directed by the GM to be taken under the terms of this Order;
- (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 noncompliance with such actions.

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

(4) The provisions of this Order are effective upon issuance by the OCC, through the Comptroller's duly authorized representative, whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative.

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

(6) If the Branch requires an extension of any timeframe within this Order, 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 the special facts and circumstances that prevent the Branch from complying with a provision within a timeframe specified in this Order and that require an extension of that timeframe. All such written requests shall be accompanied by relevant supporting documentation, and any other facts upon which the Branch relies. The OCC's decision concerning a request for an extension of any timeframe within this Order, which will be communicated to the GM in writing by the Director, is final and not subject to further review.





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

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<b>In the Matter of:</b>	)	
	)	
Bank of China, New York Branch	)	AA-EC-2018-18
New York, New York	)	
	)	
A Federal Branch of	)	
	)	
Bank of China Limited	)	
Beijing, People's Republic of China	)	

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**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

WHEREAS, the Office of the Comptroller of the Currency (“OCC”), based upon information derived from the exercise of its regulatory and supervisory responsibilities, intends to initiate a cease and desist order to Bank of China, New York Branch, New York, New York (“Branch”), a Federal branch of Bank of China Limited, Beijing, China (“HO” or “Home Office”), pursuant to 12 U.S.C. § 1818(b), for the Branch’s violations of 12 C.F.R. §§ 21.21 and 21.11; and

WHEREAS, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, the Branch, through its General Manager, has agreed to execute this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), that is accepted by the OCC, through the duly authorized representative of the Comptroller of the Currency (“Comptroller”);

NOW THEREFORE, in consideration of the above premises, it is stipulated by the Branch that:

ARTICLE I  
JURISDICTION

(1) The Branch is an insured Federal branch licensed and examined by the OCC pursuant to the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*

(2) The Branch is an “insured depository institution” for purposes of 12 U.S.C. § 1818. See 12 U.S.C. § 1813(c)(3).

(3) 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 this cease and desist action against the Branch pursuant to 12 U.S.C. § 1818(b).

(4) For purposes of, and within the meaning of 12 C.F.R. §§ 5.3(g)(4), 5.51(c)(6), and 24.2(e)(4), this Consent Order shall not be construed to be a “cease and desist order” or “consent order,” unless the OCC informs the Bank otherwise in writing.

ARTICLE II  
CONSENT

(1) The Branch, without admitting or denying any wrongdoing, consents and agrees to issuance of the accompanying Consent Order (“Order”) by the OCC.

(2) The Branch consents and agrees that the Order shall be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), and consents and agrees that the Order shall become effective upon issuance by the OCC, through the Comptroller’s duly authorized representative, and shall be fully enforceable by the OCC pursuant to 12 U.S.C. § 1818(i).

(3) 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(i), 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.

(4) The Branch declares that no separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Branch to consent to the issuance of the Order and/or execute this Stipulation.

(5) The Branch expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the United States 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.

(6) The Order constitutes a settlement of the cease and desist proceeding against the Branch contemplated by the OCC, based on the practices and violations of law described in the Comptroller's Findings set forth in Article I of the Order. The OCC releases and discharges the Branch from all potential liability for a cease and desist order that has been or might have been asserted by the OCC based on the practices and violations described in Article I of the Order, to the extent known to the OCC as of the effective date of the Consent Order. Nothing in this Stipulation or the Order, however, shall prevent the OCC from:

- (a) Instituting enforcement actions other than a cease and desist order against the Branch based on the findings set forth in Article I of the Order;
- (b) Instituting enforcement actions against the Branch based on any other findings;

- (c) Instituting enforcement actions against the Branch's institution-affiliated parties based on the findings set forth in Article I of the Order, or any other findings; or
- (d) Utilizing the findings set forth in Article I of the Order in future enforcement actions against the Branch or its institution-affiliated parties to establish a pattern or the continuation of a pattern.

Further, nothing in this Stipulation or the Order shall affect any right of the OCC to determine and ensure compliance with the terms and provisions of this Stipulation or the Order.

### ARTICLE III

#### WAIVERS

- (1) The Branch, by executing this Stipulation and consenting to the Order, waives:
  - (a) Any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
  - (b) Any and all procedural rights available in connection with the issuance of the Consent Order;
  - (c) Any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(b) and (h), and 12 C.F.R. Part 19;
  - (d) Any and all rights to seek any type of administrative or judicial review of the Consent Order;
  - (e) Any and all claims for fees, costs, or expenses against the OCC, or any of its officers, employees, or agents related in any way to this enforcement matter or the Order, whether arising under common law or under the terms

of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;

- (f) Any and all rights to assert this proceeding, this Stipulation, consent to the issuance of the Order, and/or the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity; and
- (g) Any and all rights to challenge or contest the validity of the Order.

#### ARTICLE IV

##### OTHER PROVISIONS

- (1) Following the execution of the Order and unless the OCC informs the Home Office and the Branch otherwise in writing with respect to any or all of the subparagraphs below:
  - (a) The Home Office is treated as an “eligible foreign bank” pursuant to 12 C.F.R. § 28.12(f)(2) for the purposes of 12 C.F.R. Part 28, Subpart B regarding licensing, supervision, and operations of Federal branches and agencies; and
  - (b) The Branch is not in “troubled condition” as defined in 12 C.F.R. § 5.51(c)(7)(ii), and is therefore not subject to the restrictions in 12 C.F.R. § 5.51 requiring prior notice to the OCC of changes in Directors and senior executive officers.



