

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
NEW YORK, NEW YORK

Written Agreement by and among

NATIONAL BANK OF PAKISTAN
Karachi, Pakistan

NATIONAL BANK OF PAKISTAN
NEW YORK BRANCH
New York, New York

FEDERAL RESERVE BANK OF NEW YORK
New York, New York

and

NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES
New York, New York

Docket Nos. 15-037-WA/RB-FB
15-037-WA/RB-FBR

WHEREAS, National Bank of Pakistan, Karachi, Pakistan (the “Bank”) is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7));

WHEREAS, the Bank conducts operations in the United States through various branches and a representative office, including through a branch in New York, New York (the “Branch”) for which the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor;

WHEREAS, the New York State Department of Financial services (“NYSDFS”) is the appropriate state supervisor for the Branch;

WHEREAS, the most recent examination of the Branch conducted by the Federal Reserve Bank of New York (the “Reserve Bank”) and the NYSDFS identified deficiencies relating to the Branch’s risk management and compliance with applicable federal and state laws, rules, and regulations relating to anti-money laundering (“AML”) compliance, including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 *et seq.*); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Chapter X); and the requirements of Regulation K of the Board of Governors to report suspicious activity and maintain an adequate BSA/AML compliance program (12 C.F.R. §§ 211.24(f) and 211.24(j)) (collectively, the “BSA/AML Requirements”), and the regulations of the NYSDFS (3 N.Y.C.R.R. Parts 116 and 300) (the “State Regulations”);

WHEREAS, it is the common goal of the Reserve Bank, the NYSDFS, the Bank, and the Branch that the Branch operates in compliance with all applicable federal and state laws, rules, and regulations; and

WHEREAS, on February 29, 2016, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing President and CEO and Chief Executive/ Country Manager, Americas to enter into this Written Agreement (the “Agreement”) on behalf of the Bank and the Branch, respectively, and consenting to compliance with each and every provision of this Agreement by the Bank and the Branch.

NOW, THEREFORE, the Reserve Bank, the NYSDFS, the Bank, and the Branch agree as follows:

Corporate Governance and Management Oversight

1. Within 60 days of this Agreement, the Bank’s board of directors and the Branch’s management shall jointly submit a written plan to enhance oversight, by the management of the

Bank and the Branch, of the Branch's compliance with the BSA/AML Requirements, the State Regulations, and the regulations issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") (31 C.F.R. Chapter V) (the "OFAC Regulations") acceptable to the to the Reserve Bank and the NYSDFS (collectively, "the Supervisors"). The plan shall provide for a sustainable governance framework that, at a minimum, addresses, considers, and includes:

(a) actions the board of directors will take to maintain effective control over, and oversight of, Branch management's compliance with the BSA/AML Requirements, the State Regulations, and the OFAC Regulations;

(b) measures to improve the management information systems reporting of the Branch's compliance with the BSA/AML Requirements, the State Regulations, and the OFAC Regulations to senior management of the Bank and the Branch;

(c) measures to ensure BSA/AML issues and the OFAC Regulations are appropriately tracked, escalated, and reviewed by the Branch's senior management; and

(d) allocation of adequate resources to ensure the Branch's compliance with this Agreement, the BSA/AML Requirements, the State Regulations, and the OFAC Regulations.

BSA/AML Compliance Review

2. Within 30 days of this Agreement, the Bank and the Branch shall retain an independent third party acceptable to the Supervisors to: (i) conduct a comprehensive review of the Branch's compliance with the BSA/AML Requirements and State Regulations (the "Compliance Review"), and (ii) prepare a written report of findings, conclusions, and recommendations (the "Compliance Report").

3. Within 10 days of the engagement of the independent third party, but prior to the Compliance Review, the Bank and the Branch shall jointly submit to the Supervisors for approval an engagement letter that provides, at a minimum, for the independent third party to:

(a) identify all of the Branch's business lines, activities, and products, to ensure that such business lines, activities, and products are appropriately risk-rated and included in the Branch's BSA/AML compliance program, policies, and procedures;

(b) conduct a comprehensive assessment of the Branch's BSA/AML compliance program, policies, and procedures;

(c) complete the Compliance Review within 60 days of the Supervisors' approval of the engagement letter;

(d) provide to the Supervisors a copy of the Compliance Report at the same time that the report is provided to the Bank and the Branch; and

(e) commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the Compliance Review will be made available to the Supervisors upon request.

BSA/AML Compliance Program

4. Within 60 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit a written revised BSA/AML compliance program acceptable to the Supervisors. The revised program, at a minimum, shall provide for:

(a) a system of internal controls reasonably designed to ensure compliance with the BSA/AML Requirements and State Regulations;

(b) controls reasonably designed to ensure compliance with all requirements relating to correspondent accounts for foreign financial institutions, including, but not limited to, affiliates;

(c) a comprehensive BSA/AML risk assessment that identifies and considers all products and services of the Branch, customer types, including, but not limited to, politically exposed persons, and geographic locations, as appropriate, in determining inherent and residual risks, and:

(i) considers the nature of the services offered, the customers, and the political and geographic jurisdictions covered by the services;

(ii) identifies all risks and mitigating factors;

(iii) is supported by thorough, documented analysis; and

(iv) requires the annual review and update of the methodology;

(d) allocation of adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, and periodic re-evaluation of resources and staffing needs;

(e) comprehensive and timely independent testing for the Branch's compliance with applicable BSA/AML Requirements and State Regulations;

(f) effective, ongoing training of all personnel, including targeted training for personnel with compliance-related responsibilities, in all aspects of the BSA/AML Requirements, State Regulations, and internal policies and procedures; and

(g) consideration of the recommendations in the Compliance Report.

Customer Due Diligence

5. Within 60 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit a written revised customer due diligence program for the Branch acceptable to the Supervisors. At a minimum, the program shall include:

- (a) a revised methodology for assigning risk ratings to account holders that considers factors such as type of customer, type of products and services, geographic locations, and expected and actual transactions with or through the Bank;
- (b) policies, procedures, and controls to ensure that foreign correspondent accounts, including, but not limited to affiliates, are accorded the appropriate due diligence, and where necessary, enhanced due diligence;
- (c) policies and procedures to ensure identification and verification of the identity of users of international remittance services; and
- (d) periodic reviews and evaluations of customer and account information for the entire customer base to ensure that information is current, complete, and that the risk profile reflects the current information, and if applicable, documenting rationales for any revisions made to the customer risk rating.

Suspicious Activity Monitoring and Reporting Program

6. Within 60 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit a written program reasonably designed to ensure the identification and timely, accurate, and complete reporting by the Branch of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and regulations acceptable to the Supervisors. At a minimum, the program shall include:

(a) a well-documented methodology for establishing monitoring rules and thresholds appropriate for the Branch's profile which considers factors such as type of customer, type of product or service, geographic location, and foreign correspondent banking activities, including U.S. dollar clearing activities;

(b) policies and procedures for analyzing, testing, and documenting changes to monitoring rules and thresholds;

(c) enhanced monitoring and investigation criteria and procedures to ensure the timely detection, investigation, and reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:

(i) effective monitoring of customer accounts and transactions, including, but not limited to, transactions conducted through foreign correspondent accounts, and by international remittance services customers;

(ii) adequate escalation of information about potentially suspicious activity through appropriate levels of management;

(iii) maintenance of sufficient documentation with respect to the investigation and analysis of potentially suspicious activity, including the resolution and escalation of concerns; and

(iv) maintenance of accurate and comprehensive customer and transactional data and ensuring that it is utilized by the Branch's compliance program;

(d) a timeline to review key systems and to remediate deficiencies; and

(e) measures to ensure BSA/AML issues are appropriately tracked, escalated and reviewed by the Branch's senior management.

Transaction Review

7. (a) Within 30 days of this Agreement, the Bank and the Branch shall engage an independent third party acceptable to the Supervisors to conduct a review of the Branch's U.S. dollar clearing transaction activity and international remittance transaction activity from July 1, 2014 to December 31, 2014 to determine whether suspicious activity involving high risk customers or transactions at, by, or through the Branch was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the "Transaction Review") and to prepare a written report detailing the third party's findings (the "Transaction Review Report").

(b) Based on the Supervisors' evaluation of the results of the Transaction Review, the Supervisors may direct the Bank and the Branch to engage the independent third party to conduct a review of the types of transactions described in paragraph 7(a) for an additional six-month period.

8. Within 10 days of the engagement of the independent third party, but prior to the commencement of the Transaction Review, the Bank and the Branch shall jointly submit to the Supervisors for approval an engagement letter that sets forth:

- (a) the scope of the Transaction Review;
- (b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;
- (c) the expertise and resources to be dedicated to the Transaction Review;
- (d) the anticipated date of completion of the Transaction Review and the Transaction Review Report;

(e) a commitment that the Transaction Review Report will be provided to the Supervisors at the same time that the report is provided to the Bank and the Branch; and

(f) a commitment that supporting material associated with the Transaction Review will be made available to the Supervisors upon request.

9. Throughout the Transaction Review, the Bank and the Branch shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

Office of Foreign Assets Control Compliance

10. Within 60 days of this Agreement, the Bank and the Branch shall jointly submit a written plan to enhance the Bank's compliance with the OFAC Regulations acceptable to the Supervisors, including, but not limited to, enhanced OFAC screening procedures, documentation of alert review and disposition, an improved methodology for assessing OFAC risks, and enhanced policies and procedures to ensure compliance with the OFAC Regulations.

Regulatory Communications

11. The Bank's board of directors and the Branch's management shall take all necessary steps to ensure that Branch management promptly communicates to the Supervisors all communications received by the Branch from regulators other than the Supervisors that relate to the Branch's compliance with all applicable laws and regulations to which the Branch is subject.

Primary Contact

12. Within 10 days of this Agreement, the Bank and the Branch shall designate an officer to be responsible for coordinating and submitting to the Supervisors the written plan, programs, policies, procedures, and engagement letters required under the terms of this Agreement.

Approval, Implementation, and Progress Reports

13. (a) The Bank and the Branch shall jointly submit the written plans and programs that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 1, 4, 5, 6, and 10 of this Agreement. Independent third parties acceptable to the Supervisors shall be retained by the Bank and the Branch within the time periods set forth in paragraphs 2 and 7 of this Agreement. Engagement letters shall be submitted to the Supervisors within the time periods set forth in paragraphs 3 and 8 of this Agreement. Each plan or program shall contain a timeline for full implementation of the plan or program with specific deadlines for the completion of each component of the plan or program.

(b) Within 10 days of acceptance by the Supervisors, the Bank and the Branch shall adopt the plans and programs. Upon adoption, the Bank and the Branch shall implement the plans and programs and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, programs, and engagement letters shall not be amended or rescinded without the prior written approval of the Supervisors.

14. Within 30 days after the end of each calendar quarter following the date of this Agreement, the Bank and the Branch shall submit to the Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. The Supervisors may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

15. All communications regarding this Agreement shall be sent to:

- (a) Mr. F. Christopher Calabia
Senior Vice President
Financial Institutions Supervision Group
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Mr. Jeffrey Raymond
Deputy Superintendent
New York State Department of Financial Services
One State Street
New York, New York 10004
- (c) Mr. Syed Ahmed Iqbal Ashraf
President and Chief Executive Officer
National Bank of Pakistan
I.I. Chundrigar Road
Karachi, 74000 Pakistan
- (d) Mr. Nasir Qureshi
Chief Executive and Country Manager
National Bank of Pakistan
Americas Region
100 Wall Street, 21st Floor
New York, New York 10005

Miscellaneous

16. The provisions of this Agreement shall be binding on the Bank and the Branch and each of their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(4)) in their capacities as such, and their successors and assigns.

17. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Supervisors.

18. Notwithstanding any provision of this Agreement, the Supervisors may, in their sole discretion, grant written extensions of time to the Bank and the Branch to comply with any provision of this Agreement.

19. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the NYSDFS, or any other federal or state agency from taking any further or other action affecting the Bank and the Branch, any subsidiary thereof, or any of their current or former institution-affiliated parties or their successors or assigns.

20. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818). This Agreement is enforceable by the NYSDFS pursuant to section 39 of the New York Banking Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 14th day of March, 2016.

NATIONAL BANK OF PAKISTAN

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ Syed Ahmed Iqbal Ashraf
Syed Ahmed Iqbal Ashraf
President and Chief Executive Officer

By: /s/ F. Christopher Calabia
F. Christopher Calabia
Senior Vice President

NATIONAL BANK OF PAKISTAN
NEW YORK BRANCH

NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

By: /s/ Nasir Qureshi
Nasir Qureshi
Chief Executive and Country Manager

By: /s/ Jeffrey Raymond
Jeffrey Raymond
Deputy Superintendent of Banks