

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

THE BANK OF NOVA SCOTIA
Toronto, Canada

BANK OF NOVA SCOTIA NEW YORK
AGENCY
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. 15-029-WA/RB-FB
15-029-WA/RB-FA

WHEREAS, The Bank of Nova Scotia, Toronto, Canada (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 an agency in New York, New York (the “Agency”) 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 state supervisor for the Agency;

WHEREAS, the Bank and the Agency are taking steps to address deficiencies relating to the Agency'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 to 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 issued by the Office of Foreign Assets Control ("OFAC") (31 C.F.R. Chapter V) (the "OFAC Regulations"); 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 Federal Reserve Bank of New York (the "Reserve Bank"), the NYSDFS, the Bank, and the Agency that the Agency operates in compliance with all applicable federal and state laws, rules, and regulations; and

WHEREAS, on October 27, 2015, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Hector Becil and Gary F. Rupert to enter into this Written Agreement (the "Agreement") on behalf of the Bank and the Agency, respectively, and consenting to compliance with each and every applicable provision of this Agreement by the Bank and Agency.

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

Corporate Governance and Management Oversight

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

Bank and of the Agency, of the Agency's compliance with the BSA/AML Requirements, the OFAC Regulations, and the State Regulations acceptable 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, Agency management's compliance with the BSA/AML Requirements, the OFAC Regulations, and the State Regulations;

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

(c) clearly defined roles, responsibilities, and accountability regarding compliance with the BSA/AML Requirements, the OFAC Regulations, and the State Regulations for the Bank's and the Agency's respective management, compliance personnel, and internal audit staff;

(d) measures to ensure that BSA/AML and OFAC compliance issues are appropriately tracked, escalated, and reviewed by the Agency's senior management;

(e) measures to ensure that the persons or groups at the Bank and the Agency charged with the responsibility of overseeing the Agency's compliance with the BSA/AML Requirements, the OFAC Regulations, and the State Regulations possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities; and

(f) adequate resources to ensure the Agency's compliance with this Agreement, the BSA/AML Requirements, the OFAC Regulations, and the State Regulations.

BSA/AML Compliance Program

2. Within 60 days of this Agreement, the Bank and the Agency shall jointly submit a revised written BSA/AML compliance program for the Agency acceptable to the Supervisors.

At a minimum, the revised program shall provide for:

- (a) a system of internal controls designed to ensure compliance with all applicable BSA/AML Requirements and State Regulations;
- (b) controls designed to ensure compliance with all applicable 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 Agency, customer types, and geographic locations, as appropriate, in determining inherent and residual risks;
- (d) identification of the management information systems used to achieve compliance with the BSA/AML Requirements and a timeline to review key systems to ensure they are configured to mitigate BSA/AML risks; and
- (e) enhanced independent testing to ensure that comprehensive and timely reviews of the Agency's BSA/AML compliance program are performed on a regular basis by qualified parties who are independent of the Agency's business lines and compliance functions.

Customer Due Diligence

3. Within 60 days of this Agreement, the Bank and the Agency shall jointly submit a revised written program for conducting appropriate levels of due diligence acceptable to the Supervisors. At a minimum, the revised program shall include:

(a) policies, procedures, and controls to ensure that the Agency collects, analyzes, and retains complete and accurate customer information for all account holders, including, but not limited to, affiliates;

(b) a revised methodology for assigning risk ratings to account holders that considers factors such as type of customer, type of products and services, and geographic locations;

(c) a risk-focused assessment of the customer base to:

(i) identify the categories of customers whose transactions and banking activities are routine and usual;

(ii) identify those customers that pose a heightened risk of conducting potentially illicit activities at or through the Agency; and

(iii) determine the appropriate level of enhanced due diligence necessary for those customers that pose a heightened risk;

(d) policies, procedures, and controls to ensure that foreign correspondent accounts are accorded the appropriate due diligence and, where necessary, enhanced due diligence; and

(e) procedures to ensure that periodic reviews and evaluations are conducted and documented for all account holders.

Suspicious Activity Monitoring and Reporting

4. Within 60 days of this Agreement, the Bank and the Agency shall jointly submit a written program acceptable to the Supervisors to reasonably ensure the identification and timely, accurate, and complete reporting by the Agency 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. At a minimum, the program shall include:

(a) a well-documented methodology for establishing monitoring rules and thresholds that consider the Agency's risk profile, customer base, products, services, geographic locations, and foreign correspondent account activity;

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

(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;

(ii) allocation of resources appropriate to manage alert and case inventory;

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

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

(v) maintenance of accurate and comprehensive customer and transactional data and ensuring that it is utilized by the Agency's compliance program.

Office of Foreign Assets Control Compliance

5. Within 60 days of this Agreement, the Bank and the Agency shall jointly submit a written plan to enhance the Agency's compliance with the OFAC Regulations acceptable to the Supervisors. At a minimum, the plan shall include:

- (a) a methodology for assessing OFAC risks presented by the specific product lines, customer base, and nature of transactions conducted at, by, or through the Agency;
- (b) appropriate screening procedures for identified high-risk areas;
- (c) procedures to ensure that customer files contain complete documentation of all OFAC checks performed, including the resolution and escalation of concerns;
- (d) procedures to ensure that the processes used to suppress repetitive false positives are periodically reviewed and updated to ensure appropriateness and relevance;
- (e) procedures to ensure the timely and appropriate reporting of inadvertent sanctions violations, including respective timeframes, responsible individuals, implementation control measures, and documentation protocol;
- (f) procedures for the adequate escalation of information about potential sanction violations;
- (g) effective training for all appropriate Agency personnel that perform OFAC compliance-related functions in all aspects of the OFAC Regulations and updating of training on a regular basis; and
- (h) independent testing of compliance with the OFAC Regulations.

Transaction Review

6. (a) Within 60 days of this Agreement, the Bank and the Agency shall commence a review of the Agency's wire transfer activity from July 1, 2014, to

December 31, 2014, to determine whether suspicious activity involving high risk customers and transactions at, by, or through the Agency was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the “Transaction Review”) and to prepare a written report detailing the 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 Agency to conduct a review of the types of transactions described in paragraph 6(a) for additional time periods.

7. Prior to the commencement of the Transaction Review, the Bank and the Agency shall jointly submit a written plan acceptable to the Supervisors that sets forth:

(a) the scope of the Transaction Review;

(b) the methodology for conducting the Transaction Review;

(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; and

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

8. The Bank and the Agency shall provide to the Supervisors a copy of the Transaction Review Report at the same time such report is provided to the Bank and the Agency.

9. Throughout the Transaction Review, the Bank and the Agency 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.

Approval, Implementation, and Progress Reports

10. (a) The Bank and the Agency shall jointly submit the written plans and programs that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 1, 2, 3, 4, 5, and 7 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 Agency shall adopt the plans and programs. Upon adoption, the Bank and the Agency shall implement the plans and programs and thereafter fully comply with them.

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

11. Within 30 days after the end of each month following the date of this Agreement, the Bank and the Agency shall jointly submit to the Supervisors 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 Supervisors may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

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

- (a) Patricia Meadow
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

- (b) Jeffrey G. Raymond
Deputy Superintendent
New York State Department of Financial Services
One State Street
New York, New York 10004
- (c) Hector Becil
Managing Director
The Bank of Nova Scotia
Scotiabank Global Banking and Markets
250 Vesey Street
New York, New York 10281
- (d) Gary F. Rupert
Head of U.S. Global Banking and Markets
Bank of Nova Scotia New York Agency
250 Vesey Street
New York, New York 10281

Miscellaneous

13. The provisions of this Agreement shall be binding on the Bank and the Agency 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.

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

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

16. 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 Agency, any subsidiary thereof, or any of their current or former institution-affiliated parties or their successors or assigns.

17. 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), and by the NYSDFS pursuant to Section 39 of the New York Banking Law.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 5th day November of 2015.

THE BANK OF NOVA SCOTIA

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ Hector Becil
Hector Becil
Managing Director

By: /s/ Patricia Meadow
Patricia Meadow
Senior Vice President

BANK OF NOVA SCOTIA
NEW YORK AGENCY

NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES

By: /s/ Gary F. Rupert
Gary F. Rupert
Head of U.S. Global Banking and Markets

By: /s/ Jeffrey G. Raymond
Jeffrey G. Raymond
Deputy Superintendent