

Appendix 3.1

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| FRB Consent Order BANK OF AMERICA CORPORATION |
| Paragraph 4. Plan to Enhance Enterprise-wide Compliance Program Action Steps |

Status as of June 30, 2011 for July 12, 2011 Submission

Subject to Federal Reserve Board/Reserve Bank Review and Approva

Posted on 7/8/11 for the Compliance Committee

BANK OF AMERICA CORPORATION

**Paragraph 4. Plan to Enhance Enterprise-wide Compliance Program
FRB Consent Order Effective April 13, 2011**

| Area | Requirement | Action Steps | Executive Owner | Status | Target Date |
|--|---|---|-----------------|------------|-------------|
| Paragraph 4. Compliance Program | | | | | |
| 1. Commitment and Accountability | Governance processes are clear and in place, with the appropriate structure, clear lines of authority and defined escalation paths to manage significant compliance risk and processes. Compliance programs adhere to all enterprise operating requirements and are maintained and updated at least annually, but more frequently as needed to reflect the current business environment. Management consistently demonstrates commitment to compliance through resource allocation and planning and by ensuring that roles, responsibilities and accountabilities are clear and enforced. | 1.1 Continue efforts to enhance the culture of compliance in HL and LAS, including business units and the compliance function. | [REDACTED] | In Process | 08/31/11 |
| | | 1.2 Evaluate increasing the presence of the Compliance personnel in mortgage processing sites as a means of enhancing the compliance culture in those locations. | | In Process | 08/31/11 |
| | | 1.3 Continue to emphasize the importance of independence as part of the transformation project to enhance and clarify compliance roles and responsibilities. | | In Process | 08/31/11 |
| | | 1.4 Monitor progress in transitioning all levels of compliance staff to strong independent oversight of compliance with rules and standards in the business line. | | In Process | 08/31/11 |
| | | 1.5a Obtain final approval for the February identified Phase 3 staffing needs. | | Completed | 06/15/11 |
| | | 1.5b Increase staffing beyond Phase 3 request [REDACTED] | | In Process | 12/31/11 |
| | | 1.6 Factor into HL/LAS Compliance staffing analyses: existing/emerging compliance issues in the business line; progress on the compliance transformation plan; new inventory of legal requirements and related policies/procedures; ability to eliminate the compliance testing backlog and to expand testing to cover preventive controls; and the need to align compliance risk levels with the Board's risk appetite. | | In Process | 08/31/11 |
| | | 1.7 Perform a periodic staffing adequacy review and respond to identified gaps in a timely and appropriate manner. | | In Process | Semi Annual |
| | | 1.8 Finalize the guidelines and process to reduce the level of overall (composite) compliance risk to the Board- approved level. | | In Process | 9/31/11 |
| | | 1.9 Define the criteria for issues that should be escalated directly to the Head of Global Compliance in a prompt manner and the process to be followed. | | In Process | 08/01/11 |
| 2. Policies and Procedures | Compliance-specific policies and related procedures are developed, approved, communicated and updated to reflect the current business and regulatory environment and emerging compliance risks. All policies and procedures include appropriate compliance requirements and are easily accessible to associates. | 2.1 Formal compliance procedures to be developed for processes related to inventory and regulatory change management, monitoring, testing, risk assessment, governance & reporting, training, and issues management. | [REDACTED] | In Process | 09/12/11 |
| 3. Controls and Supervision | Controls to mitigate compliance risks are in place and are enhanced as necessary. A compliance risk assessment process, considering both inherent risk and mitigating controls, is in place to identify and evaluate both existing and emerging compliance risks. Compliance risks and issues are documented, updated, aggregated and tracked, including accountabilities, to ensure timely resolution. | 3.1 Expand reporting on compliance risk to include a review of the effectiveness of the business controls assessed by HL/LAS Compliance through ongoing testing and monitoring activities. | [REDACTED] | In Process | 08/31/11 |
| | | 3.2 Develop guidelines for overriding calculated compliance risk levels when necessary to ensure ratings reported to senior management and the Board are accurate. | [REDACTED] | In Process | 08/01/11 |
| | | 3.3 Enhance KRIs used by HL/LAS to calculate the HL/LAS Compliance Composite Score. | [REDACTED] | In Process | 12/31/11 |
| | | 3.4 Enhance HL/LAS Specific KRIs to calculate Compliance Key Risk Indicators including the severity of testing exceptions and adequacy of controls. | [REDACTED] | In Process | 12/31/11 |
| | | 3.5 Review list of regulations listed in the enterprise risk assessment against the inventory of Legal Requirements held within HL/LAS; adjust as needed. | [REDACTED] | In Process | 08/31/11 |
| | | 3.6 Assess controls across the business processes and determine residual risks at a process and rule level; report in line with step 3.1 of this Enhancement Plan. | [REDACTED] | In Process | 12/31/11 |
| | | 3.7 The Board should take steps to better align its compliance risk appetite with current and expected levels of compliance risk in the residential mortgage business. The material changes in the compliance landscape affecting residential mortgage activities may warrant consideration of a temporary increase in the compliance risk appetite. The Board and management should also consider interim risk reduction options and increases to risk monitoring, pending completion of the compliance transformation plan. | [REDACTED] | In Process | 09/01/11 |
| | | 3.8 The Board should provide direction to management when risk conditions exceed its established risk appetite for more than a temporary period. Consider establishing guidelines for permissible periods and circumstances when risk conditions may temporarily exceed the Board's established risk appetite. | [REDACTED] | In Process | 09/01/11 |
| | | 3.9 The Board should review an annual comprehensive compliance risk assessment. | [REDACTED] | In Process | 12/01/11 |

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| 4. Regulatory Oversight | A risk-ranked inventory of applicable rules and standards is maintained and reflects the current business environment. Proposed and final regulatory changes and emerging compliance risks are identified, appropriately addressed and communicated to associates as appropriate. Management meets with regulators and provides accurate and timely information requested as part of ongoing supervision, examinations or investigations. | 4.1 Reconcile the criteria and process proposed for the HL/LAS inventory of Legal Requirements to the enterprise-wide requirements. | | In Process | 08/31/11 |
| | | 4.2 Finalize the criteria/process for risk ranking the Legal Requirements ensuring that the risk ranking is updated periodically or when significant changes occur in the rating criteria. | | In Process | 08/31/11 |
| | | 4.3 Validate that models/system used in the risk ranking of individual Legal Requirements, as applicable, operate as intended. | | In Process | 12/31/11 |
| | | 4.4 Revise the compliance risk assessment process/methodology to reflect the expanded inventory of Legal Requirements. | | In Process | 08/31/11 |
| | | 4.5 Evaluate the "downstream" impact of the significant number of Legal Requirements, e.g., creation/revision of policies and procedures, expansion of the compliance testing plan, creation/revision of testing scripts, performing compliance risk assessments, training, etc. Adjust staffing budget (discussed in paragraph 3.4.2 above) to ensure that the number and skill sets of staff are adequate for this significant undertaking. The compliance risk assessment process should contemplate levels of testing for the compliance-testing group, especially as it relates to change management processes. | | In Process | 08/31/11 |
| | | 4.6 Finalize the project to connect regulatory change management to the inventory of rules and standards. | | In Process | 08/31/11 |
| | | 4.7 Identify steps to accelerate the establishment of controls, and subsequent validation, to ensure timely compliance of regulatory changes. Include specific steps to be taken when readiness is not achieved by the effective date of the regulatory change. | | In Process | 08/31/11 |
| | | 4.8 Establish a process to ensure that vendors comply with regulatory changes, as applicable. | | In Process | 09/12/11 |
| | | 4.9 Ensure the HL and LAS Compliance Officers understand the applicable Rules and Standards for the LOB to which they are aligned and oversee compliance risk management with respect to Rules and Standards. | | In Process | 08/01/11 |
| | | 4.10 Create and enhance one common inventory of rules and standards; including all sources outside of private investor requirements. | | In Process | 08/31/11 |
| | | 4.11 Map the LOB core processes to the inventory or rules. | | In Process | 08/31/11 |
| 5. Monitoring and Testing | Monitoring and testing activities are mapped to rules and standards, Compliance Risk Categories and policies. Compliance program owners manage monitoring and testing activities to determine adherence to applicable rules and standards and related policies and mitigate identified risks. Compliance monitoring and testing activities are reviewed and updated at least annually to address business and regulatory changes and emerging risks and to reflect Compliance Risk Assessment results. | 5.1 Develop a process to perform ongoing compliance monitoring. | | In Process | 08/31/11 |
| | | 5.2 Develop a methodology to estimate the number of testing staff and management necessary to eliminate the testing backlogs, to cover an expanded number of Legal Requirements, and to expand the testing plan to include testing of preventive controls in a timely manner. Include an assessment of the skill sets needed to effectively perform testing of preventive controls. | | In Process | 08/01/11 |
| | | 5.3 Develop a process for escalating significant testing and monitoring findings directly to the HL Compliance Executive and the appropriate governance channel in a timely manner. | | In Process | 08/01/11 |
| | | 5.4 Develop a methodology for determining testing to be included in the Annual Compliance Testing Plan considering inherent risk of the regulations; effectiveness of controls; and other risk-related information reported in the State of Compliance Report. | | In Process | 08/01/11 |
| | | 5.5 Complete review of business controls in the lines of business to determine what monitoring/reporting and KPIs/KRIs are available for monitoring. | | In Process | 09/30/11 |
| | | 5.6 Assess current testing and monitoring coverage model to ensure thoroughness and effectiveness. | | In Process | 08/31/11 |
| | | 5.7 Align testing gap analysis to the enhanced inventory of rules and standard. | | In Process | 08/01/11 |
| | | 5.8 Align testing frequency to related monitoring plans. | | In Process | 08/01/11 |
| 6. Training and Awareness | Appropriate compliance requirements are included in annual associate learning goals, training and communications. Learning and communication needs are identified by evaluating key compliance information, including compliance issues and risks, regulatory changes, compliance policies and procedures, monitoring and testing results | 6.1 Consider appointing a position reporting directly to the HL/LAS Reporting and Governance Compliance Executive responsible for the overall coordination and development of training consistent with requirements under the Global Compliance Program for line of business and Compliance training. | | Completed | 08/31/11 |
| | | 6.2 Assess the adequacy of personnel devoted to HL/LAS Compliance training considering impact of the HL/LAS Compliance transformation project, expansion of Legal Requirements, and overall high risk environment. | | In Process | 08/01/11 |
| | | 6.3 Develop a compliance training policy/procedures for HL that fully complies with the Global Compliance Program training requirements. | | In Process | 08/31/11 |
| | | 6.4 Provide training metrics for the HL/LAS Compliance Score as reflected in the monthly State of Compliance Report. | | In Process | 10/31/11 |

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| | | 6.5 Enhance the Regulatory Change Management processes to ensure timely training on the new requirements for applicable compliance and business line personnel. | [REDACTED] | In Process | 12/31/11 |
| 7. Reporting | Appropriate metrics to measure compliance risk and performance are in place and reported to senior management on a timely basis. Compliance risks and issues are reported to appropriate levels of management in a timely manner and in accordance with the level of compliance risks. Reports that are required to be filed with regulators are accurate, complete and filed in a timely manner. | 7.1 Management should present an annual comprehensive compliance risk assessment to the Board. | | In Process | 12/31/11 |
| | | 7.2 Management should consider expanding the quarterly report to the Audit Committee to include significant issues identified in the HL Compliance function and progress toward fully satisfying the Global Compliance Program in HL/LAS. | | In Process | 12/31/11 |
| | | 7.3 Perform independent validation of Enhancement Plan and report status periodically to the Compliance Committee, subcommittee of the Board, until full implementation of the Plan is achieved. | | In Process | Ongoing |