

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

NEW YORK STATE BANKING DEPARTMENT
NEW YORK, NEW YORK

Written Agreement by and among)
SUMITOMO MITSUI BANKING CORPORATION) Docket Nos. 06-029-WA/RB-FB
Tokyo, Japan) 06-029-WA/RB-FBR
SUMITOMO MITSUI BANKING CORPORATION)
NEW YORK BRANCH)
New York, New York)
FEDERAL RESERVE BANK OF NEW YORK)
New York, New York)
and)
NEW YORK STATE BANKING DEPARTMENT)
New York, New York)
)

WHEREAS, Sumitomo Mitsui Banking Corporation, Tokyo, Japan (the “Bank”), a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)), and the New York, New York branch of the Bank (the “New York Branch”) are taking steps to address deficiencies relating to compliance by the New York Branch with applicable federal and state laws, rules, and regulations relating to anti-money laundering (“AML”) policies and procedures, including the Bank Secrecy Act (the “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. Part 103); the AML requirements of Regulation K of the Board of

Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. §§ 211.24(f) and 211.24(j)); and those of the New York State Banking Department (the “Department”) (3 N.Y.C.R.R. Part 300);

WHEREAS, the New York Branch provides significant correspondent banking services to its respondent banks, including non-U.S. banks and the Bank’s non-U.S. branches and affiliates, and also conducts U.S. dollar funds transfer clearing, and it has been determined that there are compliance and risk management deficiencies at the New York Branch in these operational areas;

WHEREAS, it is the common goal of the Board of Governors, the Federal Reserve Bank of New York (the “Reserve Bank”), the Department, the Bank, and the New York Branch to ensure that the Bank and the New York Branch fully address all deficiencies in the New York Branch’s AML policies and procedures, customer due diligence practices, risk management processes, and internal control environment; and

WHEREAS, on December 25, 2006, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Shuntaro Higashi, Senior Managing Director, and Tetsuya Kubo, Managing Director, to enter into this Written Agreement (the “Agreement”) on behalf of the Bank and the New York Branch, respectively, and consenting to compliance by the Bank, the New York Branch, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1813(u) and 1818(b)(4)), with each and every applicable provision of this Agreement.

NOW, THEREFORE, the Reserve Bank, the Department (collectively, the “Supervisors”), the Bank, and the New York Branch hereby agree as follows:

Primary Contact

1. Within 10 days of this Agreement, the Bank and the New York Branch shall jointly designate an officer to be responsible for coordinating and submitting to the Supervisors the written programs, plans, procedures, and engagement letter required under the terms and conditions of this Agreement.

Management Review and Oversight

2. (a) Within 120 days of this Agreement, the board of directors of the Bank shall direct and oversee a review of the effectiveness of the New York Branch's corporate governance, control infrastructure, and business line accountability with respect to BSA/AML compliance for the correspondent banking and funds transfer clearing business lines (the "Management Review"). The purposes of the Management Review shall be to enhance the Bank's oversight of the New York Branch's BSA/AML compliance program in these business lines and to ensure the adequate staffing by qualified and trained personnel that is required for an effective control environment. The Management Review shall, at a minimum, address, consider, and include for the New York Branch's correspondent banking and funds transfer clearing business lines:

(i) the duties and responsibilities of each officer and staff member regarding BSA/AML compliance, including reporting lines and business line accountability; and

(ii) a plan to train, recruit, hire, or appoint, as necessary, additional officers and staff with the requisite ability, experience, and other qualifications to competently perform their assigned duties.

(b) At the conclusion of the Management Review, the Bank shall submit a written report to the Supervisors that includes the findings and conclusions of the Management

Review, and a description of specific actions that the Bank proposes to take, or has taken, to strengthen the management and oversight of the New York Branch's correspondent banking and funds transfer clearing business lines.

(c) Within 30 days of the submission of the written report required by paragraph 2(b), the Bank shall implement measures to ensure appropriate oversight of the New York Branch's BSA/AML compliance program, including, but not limited to, periodic management information reports sufficient to enable Bank management to assess the adequacy and effectiveness of the BSA/AML control infrastructure and compliance with applicable laws and regulations.

Anti-Money Laundering Compliance

3. Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written BSA/AML compliance program for the New York Branch that is designed to improve the New York Branch's internal controls to ensure compliance with all applicable AML requirements, including the BSA and the rules and regulations issued thereunder, Regulation K of the Board of Governors (12 C.F.R. § 211.24(j)), and 3 N.Y.C.R.R. Part 300. The program shall include provisions for updates on an ongoing basis as necessary to incorporate amendments to the BSA and the rules and regulations issued thereunder. At a minimum, the program shall include:

- (a) Improvements to the New York Branch's system of internal controls for correspondent banking and funds transfer clearing activities in order to ensure compliance with all recordkeeping and reporting requirements;
- (b) policies and procedures designed to ensure identification and verification of the identity of account holders in accordance with applicable regulations;

- (c) controls designed to ensure compliance with all requirements relating to correspondent accounts for non-U.S. persons;
- (d) an assessment of legal and reputational risks associated with the New York Branch's correspondent banking and funds transfer clearing activities; and
- (e) adequate resources for the BSA compliance officer, including sufficient staff levels, to implement and maintain an effective program for compliance with all applicable BSA/AML legal and regulatory requirements and the institution's internal policies and procedures.

Suspicious Activity Reporting and Customer Due Diligence

4. Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written customer due diligence program designed to reasonably ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law against or involving the New York Branch and suspicious transactions at the New York Branch 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 methodology for assigning risk levels to the New York Branch's customer base, including correspondent account holders, that considers factors such as type of customer, type of product or service, and geographic location;
- (b) a risk-focused assessment of the New York Branch's customer base that:
 - (i) identifies the categories of customers whose transactions and banking activities are routine and usual; and

(ii) determines the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the New York Branch;

(c) for each customer who requires enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to verify the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer;

and

(iii) periodically review the adequacy of the customer files documentation;

(d) for correspondent accounts established, maintained, administered, or managed in the United States for a non-U.S. financial institution (including any non-U.S. branch or affiliate of the Bank), procedures that are designed to ensure compliance with applicable due diligence and other requirements (including the provisions of 31 C.F.R. §§ 103.176 and 103.177) and that, at a minimum, provide for:

(i) obtaining and maintaining appropriate information about the respondent, its business operations, markets served, customer base, and its AML procedures, particularly with regard to its customer relationships that may present a heightened risk of money laundering or other concerns; and

(ii) ensuring that correspondent banking services provided by the New York Branch are reviewed and approved by appropriate levels of management, and are subject to appropriate ongoing review; and

(e) establishment of procedures and appropriate monitoring criteria to ensure proper detection and timely reporting of all known or suspected violations of law and suspicious or unusual transactions, including, but not limited to:

- (i) effective monitoring of customer accounts and transactions, including transactions conducted through correspondent accounts;
- (ii) appropriate participation by New York Branch senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;
- (iii) adequate escalation of information about potentially suspicious activity through appropriate levels of management;
- (iv) adequate procedures to ensure the timely and complete preparation and filing of Suspicious Activity Reports and Currency Transaction Reports; and
- (v) maintenance of sufficient documentation with respect to the investigation and analysis of suspicious activity, including the resolution and escalation of concerns.

Independent Testing

5. Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written plan for independent testing of the New York Branch's compliance with all applicable AML requirements. At a minimum, the plan shall include:

- (a) Procedures to evaluate the adequacy and effectiveness of the New York Branch's compliance with the BSA, the rules and regulations issued thereunder, and all other applicable AML requirements, including monitoring of customer activity to ensure suspicious activity reporting;

(b) provisions for independent testing to be performed on a regular basis by qualified parties (which may include internal audit) who are independent of the Bank's and the New York Branch's business lines and compliance function, provided, however, that the first independent test of the New York Branch's BSA/AML compliance shall be conducted by a qualified independent firm acceptable to the Supervisors;

(c) procedures for the review of independent testing results by senior Bank and New York Branch management and escalation to the board of directors of the Bank in appropriate circumstances;

(d) procedures to ensure that senior Bank and New York Branch management institute and complete appropriate actions in response to the independent testing results; and

(e) procedures to ensure that independent testing results are communicated to the Supervisors on a regular basis and retained for subsequent supervisory review.

Transaction Monitoring System

6. (a) Within 45 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written plan, including a timetable, for the full installation, testing, and activation of an improved transaction monitoring system. The plan shall also include a methodology and target date for determining that the transaction monitoring system is effective.

(b) Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors acceptable written customer account and transaction monitoring policies and procedures that are designed to effectively manage legal and reputational risks and ensure compliance with regulatory requirements. The acceptable policies and procedures shall take effect upon the determination by a competent independent outside

consultant acceptable to the Supervisors that the improved transaction monitoring system is fully effective. Documentation to support the determination that the improved transaction monitoring system is fully effective shall be retained for subsequent supervisory review.

Interim Transaction Monitoring System

7. Within 30 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors acceptable written interim transaction monitoring procedures for the New York Branch that shall remain in effect until the independent outside consultant, described in paragraph 6, confirms, through the performance of appropriate tests, that the improved transaction monitoring system is fully effective. These interim procedures shall be designed to monitor the transactions of the New York Branch so that it can comply with applicable suspicious activity reporting requirements.

Transaction Review

8. (a) Within 30 days of this Agreement, the Bank and the New York Branch shall jointly engage a qualified independent firm (the “Independent Firm”) acceptable to the Supervisors to conduct a review of account and transaction activity during the time period between January 1, 2006 and the date of this Agreement to determine whether suspicious activity involving accounts or transactions at, by, or through the New York 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 Independent Firm’s findings (the “Independent Firm’s Report”).

(b) Based on the Supervisors’ evaluation of the results of the Transaction Review, the Supervisors may direct the New York Branch to engage the Independent Firm to conduct an additional review for the time period from January 1, 2005 to December 31, 2005,

with the scope and methodology for that time period to be determined in the same manner as described in paragraph 9 of this Agreement and to prepare a report detailing the findings of the additional review.

9. Within 10 days of the engagement of the Independent Firm, but prior to the commencement of the Transaction Review, the Bank and the New York Branch shall jointly submit to the Supervisors for approval an engagement letter that sets forth:

- (a) The scope of the Transaction Review, including the types of accounts and transactions to be reviewed;
- (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 Independent Firm's Report; and
- (e) a commitment that any interim reports, draft reports, or workpapers associated with the Transaction Review will be made available to the Supervisors upon request.

10. Upon completion of the Transaction Review, the Bank and the New York Branch shall provide to the Supervisors a copy of the Independent Firm's Report detailing the findings of the Transaction Review at the same time that the report is provided to the Bank and the New York Branch.

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

Approval, Implementation, and Progress Reports

12. (a) The Bank and the New York Branch shall jointly submit written programs, plans, policies, procedures, and an engagement letter that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 3, 4, 5, 6, 7, and 9 of this Agreement. An Independent Firm acceptable to the Supervisors shall be retained by the Bank and the New York Branch within the period set forth in paragraph 8(a) of this Agreement.

(b) Within 10 days of approval by the Supervisors, the Bank and the New York Branch shall adopt the approved programs, plans, policies, procedures, and engagement letter. Upon adoption, the Bank and the New York Branch shall implement the approved programs, plans, policies, and procedures and thereafter fully comply with them.

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

13. Within 15 days after the end of each month following the effective date of this Agreement, the Bank and the New York Branch shall jointly 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. Management responses to any audit reports covering BSA/AML matters prepared by internal and external auditors shall be included with the progress reports. The Supervisors may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

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

- (a) Mr. Daniel Muccia
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Mr. David S. Fredsall
Deputy Superintendent
New York State Banking Department
One State Street
New York, New York 10004
- (c) Mr. Shuntaro Higashi
Senior Managing Director
Sumitomo Mitsui Banking Corporation
1-2, Yurakucho 1-chome, Chiyoda-ku
Tokyo 100-0006 Japan
- (d) Mr. Tetsuya Kubo
Managing Director
Sumitomo Mitsui Banking Corporation
277 Park Avenue
New York, New York 10172

Miscellaneous

15. The provisions of this Agreement shall be binding on the Bank, the New York Branch, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

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

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

18. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Supervisors, or any other federal or state agency from taking any further or other action affecting the Bank, the New York Branch, or any of their current or former institution-affiliated parties or their successors or assigns.

19. This Agreement is a “written agreement” for the purposes of, and is enforceable by the Board of Governors as an order issued under, Section 8 of the Federal Deposit Insurance Act and by the Department pursuant to Section 39 of the New York State Banking Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 22nd day of January, 2007.

SUMITOMO MITSUI BANKING
CORPORATION

By: _____ (signed)
Mr. Shuntaro Higashi
Senior Managing Director

SUMITOMO MITSUI BANKING
CORPORATION
NEW YORK BRANCH

By: _____ (signed)
Mr. Tetsuya Kubo
Managing Director

FEDERAL RESERVE BANK OF
NEW YORK

By: _____ (signed)
Mr. Daniel Muccia
Senior Vice President

NEW YORK STATE BANKING
DEPARTMENT

By: _____ (signed)
Mr. David S. Fredsall
Deputy Superintendent