

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

THE COMMONWEALTH OF MASSACHUSETTS DIVISION OF BANKS  
BOSTON, MASSACHUSETTS

Written Agreement by and among

STATE STREET CORPORATION  
Boston, Massachusetts

STATE STREET BANK AND TRUST  
COMPANY  
Boston, Massachusetts

FEDERAL RESERVE BANK OF BOSTON  
Boston, Massachusetts

and

MASSACHUSETTS DIVISION OF BANKS  
Boston, Massachusetts

Docket Nos. 15-015-WA/RB-HC  
15-015-WA/RB-SM

WHEREAS, State Street Corporation, Boston, Massachusetts (“SSC”), a registered bank holding company, owns and controls State Street Bank and Trust Company, Boston, Massachusetts (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, and various bank and nonbank subsidiaries;

WHEREAS, SSC has adopted a firmwide compliance risk management program for its subsidiaries, which is implemented by the Bank, and is designed to identify and manage compliance risks related to compliance with all applicable laws, rules, and regulations relating to anti-money laundering (“AML”), including compliance with the Bank Secrecy Act (“BSA”)

(31 U.S.C. § 5311 *et seq.*); the rules and regulations issued thereunder by the U.S. Department of Treasury (31 C.F.R. Chapter X); and the AML regulations issued by the appropriate federal supervisors for SSC, the Bank, and SSC's other subsidiaries, including, but not limited to, Regulations H and Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 208.62 *et seq.* and § 225.4(f)) (collectively, "BSA/AML Requirements");

WHEREAS, the Bank conducts customer due diligence and transaction monitoring for itself, the Bank's subsidiaries and, as applicable, SSC's other subsidiaries;

WHEREAS, the most recent inspection of SSC and examination of the Bank conducted by the Federal Reserve Bank of Boston (the "Reserve Bank") and the Commonwealth of Massachusetts Division of Banks (the "Division") identified deficiencies in SSC's firmwide compliance risk management program with respect to compliance with the BSA/AML Requirements and the Bank's compliance with the BSA/AML Requirements with respect to internal controls, customer due diligence procedures, and transaction monitoring processes;

WHEREAS, SSC, the Bank, the Board of Governors, the Reserve Bank, and the Division have the common goals that SSC, on a firmwide basis, and the Bank implement effective compliance risk management programs for BSA/AML that are commensurate with SSC's firmwide and the Bank's compliance risk profiles and that SSC and the Bank operate in compliance with all applicable BSA/AML Requirements;

WHEREAS, on May 20, 2015, the boards of directors of SSC and the Bank adopted resolutions authorizing and directing Jeffrey N. Carp to enter into this Written Agreement (the "Agreement") on behalf of SSC and the Bank and consenting to compliance with each and every applicable provision of this Agreement by SSC and the Bank.

NOW, THEREFORE, the Reserve Bank, the Division, SSC, and the Bank hereby agree as follows:

### **Board Oversight**

1. Within 60 days of this Agreement, SSC's board of directors shall submit a written plan to strengthen the board's oversight of SSC's firmwide compliance risk management program acceptable to the Reserve Bank and the Division's Commissioner of Banks (the "Commissioner" together with the Reserve Bank, the "Supervisors") with regard to compliance with the BSA/AML Requirements. The plan shall describe the actions that the board of directors will take to improve SSC's firmwide compliance risk management with regard to the BSA/AML Requirements, including, but not limited to, measures to ensure that compliance risk is effectively managed across SSC, including within and across business lines, support units, and legal entities. The plan shall, at a minimum, address, consider, and include:

- (a) funding for personnel, systems, and other resources as are needed to operate a compliance risk management program that is commensurate with the compliance risk profile of the organization and that fully addresses the organization's compliance risks on a timely and effective basis;
- (b) measures to improve the information reported to the board of directors and its designated compliance committee regarding BSA/AML compliance; and
- (c) procedures to require the escalation of significant matters related to compliance risks to appropriate senior officers and the board of directors.

### **Compliance Risk Management Program**

2. Within 60 days of this Agreement, SSC shall submit a written plan to improve the firmwide compliance risk management program acceptable to the Supervisors with regard to the

BSA/AML Requirements 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) (“OFAC Requirements”) and the Bank shall submit a written plan to improve the Bank’s compliance risk management program acceptable to the Supervisors with regard to the BSA/AML Requirements and OFAC Requirements. The plans shall, at a minimum, address, consider, and include:

- (a) the scope and frequency of the BSA/AML and OFAC compliance risk assessments;
- (b) comprehensive BSA/AML and OFAC risk assessment processes, including clearly defined parameters regarding acceptable risks associated with specific types of customers or businesses;
- (c) identification of all business lines, activities, and products to ensure that such business lines, activities, and products are appropriately risk-rated and included in the firmwide BSA/AML and OFAC risk assessments;
- (d) enhanced written policies, procedures, and compliance risk management standards;
- (e) the duties and responsibilities of compliance personnel for each business line and legal entity regarding BSA/AML and OFAC compliance functions, including the reporting lines within the Bank and between SSC and its business lines and legal entities;
- (f) measures to ensure compliance and improve accountability within all business lines and legal entities and their respective compliance functions; and
- (g) procedures for the periodic testing of the effectiveness of the compliance risk management program;

### **BSA/AML Compliance**

3. Within 60 days of this Agreement, the Bank shall submit a written revised program for compliance with all applicable BSA/AML Requirements acceptable to the Supervisors. At a minimum, the revised program shall include:

- (a) internal controls to ensure compliance by the Bank, including all business lines and subsidiaries, with all applicable BSA/AML Requirements;
- (b) policies and procedures designed to ensure identification and verification of the identity of account holders in accordance with applicable regulations;
- (c) an enhanced independent testing program designed to test for compliance with all applicable BSA/AML Requirements;
- (d) management of the BSA/AML program by a qualified chief compliance officer, with requisite authority, who is responsible for implementing and maintaining a program that is commensurate with the organization's size and risk profile;
- (e) clear lines of authority, responsibility, reporting and independence from the business lines for BSA/AML compliance personnel; and
- (f) measures to ensure that BSA/AML compliance functions outsourced by the Bank to third parties, including affiliates, are performed to meet regulatory requirements.

### **Customer Due Diligence**

4. Within 60 days of this Agreement, the Bank shall submit a written revised program acceptable to the Supervisors for conducting appropriate levels of customer due diligence by the Bank for itself and its subsidiaries and for any customer due diligence services performed by the Bank for SSC, or any other subsidiary of SSC. At a minimum, the revised program shall include:

(a) policies, procedures, and controls to ensure that the Bank collects, analyzes, and retains complete and accurate customer information for all account holders, to include, but not limited to:

(i) documentation necessary to verify the identity, source of wealth, and business activities of the customer; and

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

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

(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; and

(ii) determine 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 Bank, its subsidiaries, SSC, or any other subsidiary of SSC; and

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

### **Suspicious Activity Monitoring and Reporting**

5. Within 60 days of the Agreement, SSC and the Bank shall jointly submit a written revised program acceptable to the Supervisors to reasonably ensure the identification and timely, accurate, and complete reporting by SSC, its nonbank subsidiaries, and the Bank, as applicable, 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 revised program shall include:

(a) policies and procedures to ensure all necessary customer and transactional data are collected from across all business lines and is aggregated into an appropriate transaction monitoring system to ensure comprehensive suspicious activity monitoring;

(b) 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;

(c) policies regarding the level and type of due diligence required when reviewing suspicious account activity; and

(d) measures to ensure escalation to, and documented oversight by, senior management of significant matters.

### **Transaction Monitoring System**

6. Within 45 days of this Agreement, SSC and the Bank shall jointly submit a written plan acceptable to the Supervisors, including a timetable, for the full installation, testing, and activation of an effective automated transaction monitoring system to reasonably ensure the identification and timely, accurate, and complete reporting by SSC, its nonbank subsidiaries, and the Bank, as applicable, 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.

### **Transaction Review**

7. (a) Within 30 days of this Agreement, the Bank shall engage an independent third party, acceptable to the Supervisors, to conduct a review of account and transaction activity

conducted at, by, or through the Bank from April 1, 2013 to June 30, 2013 to determine whether suspicious activity involving transactions at, by, or through the Bank 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 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 to engage the independent third party to conduct a review for additional time periods.

8. Within 10 days of engagement of the independent third party, but prior to the commencement of the Transaction Review, the Bank shall 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;
- (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.

9. The Bank shall provide to the Supervisors a copy of the Transaction Review Report at the same time that the report is provided to the Bank.

10. Throughout the Transaction Review, the Bank 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**

11. Within 60 days of this Agreement, SSC and the Bank shall jointly submit a plan to ensure firmwide compliance with the OFAC Requirements acceptable to the Supervisors including, but not limited to, enhanced OFAC screening procedures.

## **Progress Reports**

12. Within 30 days after the end of each calendar quarter following the date of this Agreement, the boards of directors of SSC and the Bank, or an authorized committee thereof, shall submit to the Supervisors, written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement, a timetable and schedule to implement specific remedial actions to be taken, and the results thereof.

## **Approval and Implementation of Plans and Programs**

13. (a) SSC and the Bank, as applicable, shall submit written plans and programs that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 1, 2, 3, 4, 5, 6, and 11 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. An independent third party acceptable to the Supervisors shall be retained by the Bank within the time period set forth in paragraph 7(a) of this Agreement. An engagement letter acceptable to the Supervisors shall be submitted within the time period set forth in paragraph 8 of this Agreement.

(b) Within 10 days of approval by the Supervisors, SSC and the Bank, as applicable, shall adopt the approved plans and programs. Upon adoption, SSC and the Bank, as applicable, shall promptly implement the approved 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.

### **Communications**

14. All communications regarding this Agreement shall be sent to:
- (a) Doug Mandel  
Assistant Vice President  
Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, Massachusetts 02210
  - (b) David J. Cotney  
Commissioner of Banks  
Commonwealth of Massachusetts  
Division of Banks  
1000 Washington St., 10<sup>th</sup> Floor  
Boston, Massachusetts 02118
  - (c) James S. Phalen  
Vice Chairman  
State Street Corporation  
State Street Bank and Trust Company  
One Lincoln Street  
Boston, Massachusetts 02111
  - (d) Jeffrey N. Carp  
Executive Vice President and Chief Legal Officer  
State Street Corporation  
One Lincoln Street  
Boston, Massachusetts 02111
  - (e) Cuan Coulter  
Executive Vice President and Chief Compliance Officer  
State Street Corporation  
One Lincoln Street  
Boston, Massachusetts 02111

## **Miscellaneous**

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

16. The provisions of this Agreement shall be binding on SSC and the Bank, and each of their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3)) 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. 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 other action affecting SSC, the Bank, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

19. 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 Commissioner under Massachusetts General Laws (“M.G.L.”) Chapter 167, Section 2, and M.G.L. Chapter 167A, Section 5.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 28<sup>th</sup> day of May, 2015.

STATE STREET CORPORATION

FEDERAL RESERVE BANK OF  
BOSTON

By: /s/ Jeffrey N. Carp  
Jeffrey N. Carp  
Executive Vice President

By: /s/ James T. Nolan  
James T. Nolan  
Executive Vice President

STATE STREET BANK AND TRUST  
COMPANY

COMMONWEALTH OF  
MASSACHUSETTS, DIVISION OF  
BANKS

By: /s/ Jeffrey N. Carp  
Jeffrey N. Carp  
Executive Vice President

By: /s/ David J. Cotney  
David J. Cotney  
Commissioner of Banks