

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

Written Agreement by and among

NONGHYUP BANK
Seoul, Korea

NONGHYUP BANK
NEW YORK BRANCH
New York, New York

and

FEDERAL RESERVE BANK OF NEW YORK
New York, New York

Docket Nos. 16-029-WA/RB-FB
16-029-WA/RB-FBR

WHEREAS, NongHyup Bank, Seoul, Korea (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 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 most recent examination of the Branch conducted by the Federal Reserve Bank of New York (the “Reserve Bank”) and the New York State Department of Financial Services 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”);

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

WHEREAS, on January 16, 2017, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Chief Executive Officer Kyung-Seob Lee and General Manager Seung-Hoon Lee 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 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 acceptable to the Reserve Bank. 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;

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

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

(d) measures to ensure that the person or groups at the Bank and the Branch charged with the responsibility of overseeing the Branch's compliance with the BSA/AML Requirements possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities; and

(e) allocation of adequate resources to ensure the Branch's compliance with this Agreement and the BSA/AML Requirements.

BSA/AML Compliance Program

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

(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, and geographic locations, as appropriate, in determining inherent and residual risks;

(d) comprehensive and timely independent testing for the Branch's compliance with applicable BSA/AML Requirements by parties with appropriate expertise;

(e) identification of 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

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

Customer Due Diligence

3. Within 60 days of this Agreement, the Bank and the Branch shall jointly submit a written revised customer due diligence program for the Branch acceptable to the Reserve Bank. 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; and

(c) 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

4. Within 60 days of this Agreement, 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 Reserve Bank. 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 trade financing reimbursement activity;

(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.

Primary Contact

5. Within 10 days of this Agreement, the Bank and the Branch shall designate an officer to be responsible for coordinating and submitting to the Reserve Bank the written plan and programs required under the terms of this Agreement.

Approval, Implementation, and Progress Reports

6. (a) The Bank and the Branch shall jointly submit the written plan and programs that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 1, 2, 3, and 4 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 Reserve Bank, the Bank and the Branch shall adopt the plan and programs. Upon adoption, the Bank and the Branch shall implement the plan and programs and thereafter fully comply with them.

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

7. 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 Reserve Bank 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 Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

Notices

8. All communications regarding this Agreement shall be sent to:
 - (a) Mr. Christopher Calabia
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
 - (b) Mr. Kyung-Seob Lee
Chief Executive Officer
NongHyup Bank
120, Tongil-Ro, Jung-Gu
Seoul, Korea, 04517
 - (c) Mr. Seung-Hoon Lee
General Manager
NongHyup Bank
New York Branch
650 Fifth Avenue, 25th Floor
New York, New York 10019

Miscellaneous

9. 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.

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

11. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank and the Branch to comply with any provision of this Agreement.

12. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, 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.

13. 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).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 17 day of January, 2017.

NONGHYUP BANK

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ Kyung-Seob Lee
Kyung-Seob Lee
Chief Executive Officer

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

NONGHYUP BANK
NEW YORK BRANCH

By: /s/ Seung-Hoon Lee
Seung-Hoon Lee
General Manager