

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

Written Agreement by and among

UNITED BANK LIMITED
Karachi, Pakistan

UNITED BANK LIMITED,
NEW YORK BRANCH
New York, New York

and

FEDERAL RESERVE BANK OF NEW YORK
New York, New York

Docket Nos. 18-025-WA/RB-FB
18-025-WA/RB-FBR

WHEREAS, United Bank Limited, Karachi, Pakistan (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”) 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 June 28, 2018, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Ms. Sima Kamil and Mr. Azeem ur Rahim 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 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) (the “OFAC Regulations”) acceptable to the 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 and the OFAC Regulations;

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

(c) measures to ensure BSA/AML issues and the OFAC Regulations 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 and the OFAC Regulations 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, the BSA/AML Requirements and the OFAC Regulations.

BSA/AML Compliance Review

2. Within 30 days of this Agreement, the Bank and the Branch shall retain an independent third party acceptable to the Reserve Bank to: (i) conduct a comprehensive review of the Branch's compliance with the BSA/AML Requirements (the "Compliance Review"), and (ii) prepare a written report of findings, conclusions, and recommendations (the "Compliance Report").

3. Within 10 days of the engagement of the independent third party, but prior to the Compliance Review, the Bank and the Branch shall jointly submit to the Reserve Bank for approval an engagement letter that provides, at a minimum, for the independent third party to:

(a) conduct a comprehensive assessment of the Branch's BSA/AML compliance program, policies, and procedures;

(b) complete the Compliance Review within 60 days of the Reserve Bank's approval of the engagement letter;

(c) provide to the Reserve Bank a copy of the Compliance Report at the same time that the report is provided to the Bank and the Branch; and

(d) commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the Compliance Review will be made available to the Reserve Bank upon request.

BSA/AML Compliance Program

4. Within 60 days of the submission of the Compliance Report, 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 comprehensive BSA/AML risk assessment that identifies and considers all products and services of the Branch, customer types, including, but not limited to, politically exposed persons, and geographic locations, as appropriate, in determining inherent and residual risks, and:

(i) considers the nature of the services offered, the customers, and the political and geographic jurisdictions covered by the services;

(ii) identifies all risks and mitigating factors;

(iii) is supported by thorough, documented analysis; and

(iv) requires the annual review and update of the methodology;

(b) a system of internal controls reasonably designed to ensure compliance with the BSA/AML Requirements;

(c) controls reasonably designed to ensure compliance with all requirements relating to correspondent accounts for foreign financial institutions, including, but not limited to, affiliates;

(d) management of the Branch's BSA/AML compliance program by a qualified compliance officer, who is independent and is responsible for implementing and maintaining an effective BSA/AML compliance program that is commensurate with the Branch's size and risk profile, and is supported by adequate staffing levels and resources;

(e) comprehensive and timely independent testing for the Branch's compliance with applicable BSA/AML Requirements;

(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; and

(g) consideration of the recommendations in the Compliance Report.

Customer Due Diligence

5. Within 60 days of the submission of the Compliance Report, 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) policies, procedures, and processes to ensure that the Branch collects, analyzes, and retains complete and accurate customer information for all account holders;

(b) 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;

(c) 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

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

Suspicious Activity Monitoring and Reporting Program

6. Within 60 days of the submission of the Compliance Report, 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) policies and procedures to ensure that all necessary customer and transactional data is collected to ensure comprehensive suspicious activity monitoring and reporting;

(b) a well-documented methodology for establishing monitoring rules and thresholds appropriate for the Branch's profile, which considers factors such as type of customer, including foreign correspondent customers, type of product or service, geographic location;

(c) policies and procedures that provide for periodic review and testing of the Branch's transaction monitoring rules and thresholds, and include appropriate approval and documentation of any changes made to the Branch's transaction monitoring system;

(d) effective monitoring of customer accounts and transactions;

(e) adequate escalation of potentially suspicious activity through appropriate levels of management;

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

(g) an assessment of any gaps in the Branch's current transaction monitoring system and a plan and timetable for implementing corrective measures.

Primary Contact

7. Within 10 days of this Agreement, the Bank and the Branch shall designate an officer as liaison for the term of this Agreement to be responsible for coordinating and submitting to the Reserve Bank the written plan, programs, policies, procedures, and engagement letters required under the terms of this Agreement.

Approval, Implementation, and Progress Reports

8. (a) The Bank and the Branch shall jointly submit the written plans and programs that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 1, 4, 5, and 6 of this Agreement. An independent third party acceptable to the Reserve Bank shall be retained by the Bank and the Branch within the time period set forth in paragraph 2 of this Agreement. An engagement letter shall be submitted to the Reserve Bank within the time period set forth in paragraph 3 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 plans and programs. Upon adoption, the Bank and the Branch shall implement the plans and programs and thereafter fully comply with them.

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

9. 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

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

- (a) Ms. Bettyann Griffith
Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- (b) Ms. Sima Kamil
President and Chief Executive Officer
United Bank Limited
State Life Bldg. No 1-8th Floor
I.I. Chundrigar Road
Karachi, 74000 Pakistan
- (c) Mr. Azeem ur Rahim
General Manager, USA
United Bank Limited, New York Branch
80 Broad Street, 19th Floor
New York, New York 10004

Miscellaneous

11. 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.

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

13. 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.

14. 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.

15. 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 2nd day of July, 2018.

UNITED BANK LIMITED

FEDERAL RESERVE BANK OF
NEW YORK

By: /s/ Sima Kamil
Sima Kamil
President & CEO, UBL

By: /s/ Bettyann Griffith
Bettyann Griffith
Vice President and Function Head

UNITED BANK LIMITED
NEW YORK BRANCH

By: /s/ Azeem ur Rahim
Azeem ur Rahim
General Manager, UBL USA