

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

Written Agreement by and among

SUMITOMO MITSUI BANKING  
CORPORATION  
Tokyo, Japan

SUMITOMO MITSUI BANKING  
CORPORATION  
NEW YORK BRANCH  
New York, New York

and

FEDERAL RESERVE BANK OF NEW YORK  
New York, New York

Docket Nos. 19-013-WA/RB-FB  
19-013-WA/RB-FBR

WHEREAS, Sumitomo Mitsui Banking Corporation, Tokyo, Japan (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 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 to maintain an adequate BSA/AML compliance program (12 C.F.R. §§211.24(f) and 211.24(j)) (collectively, the “BSA/AML Requirements”); and the regulations issued by the Office of Foreign Assets Control (“OFAC”) (31 C.F.R. Chapter V) (the “OFAC Regulations”);

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 laws, rules, and regulations; and

WHEREAS, on April 23, 2019, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Mr. Masahiko Oshima and Mr. Nobuyuki Kawabata 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 hereby 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 Branch, of the Branch’s compliance with the BSA/AML Requirements and the OFAC Regulations 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 and the OFAC Regulations;

(b) measures to improve the 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 and OFAC compliance issues are appropriately tracked, escalated, and reviewed by the Branch's senior management, and reported to the Bank's board of directors; and

(d) policies and procedures to ensure that the Branch management instills a proactive approach in identifying, communicating, and managing BSA/AML compliance risks, with particular emphasis on improvements to internal controls related to risk assessment, due diligence with respect to foreign correspondent accounts maintained at the Branch, and transaction monitoring.

### **BSA/AML Compliance Program**

2. Within 60 days of this Agreement, the Bank and the Branch shall jointly submit a written enhanced BSA/AML compliance program for the Branch acceptable to the Reserve Bank. At a minimum, the program shall provide for:

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

(b) controls 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) management of the Branch's BSA/AML compliance program by a qualified compliance officer, who is given full autonomy, independence, and responsibility for implementing and maintaining an effective BSA/AML compliance program that is commensurate with the Branch's size and risk profile, has meaningful decision-making authority, and is supported by adequate staffing levels and resources;

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

### **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;

(c) policies, procedures, and processes to ensure that the Branch collects, analyzes and retains complete, accurate, and current customer information for all account holders,

and that the risk profile reflects the current information, and if applicable, documenting rationales for any revisions made to the customer risk rating; and

(d) a plan to remediate deficient due diligence for existing foreign correspondent accounts.

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

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;

(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, including activity involving the Bank's affiliates;

(ii) adequate escalation to senior management of information about potentially suspicious activity;

(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.

#### **Office of Foreign Assets Control Compliance**

5. Within 60 days of this Agreement, the Bank and the Branch shall jointly submit a written plan to enhance the Branch's compliance with the OFAC Regulations acceptable to the Reserve Bank, including but not limited to, documentation of alert review and disposition; and enhanced policies and procedures for (i) assessing and documenting OFAC risks and (ii) ensuring compliance with the OFAC Regulations.

#### **Independent Testing**

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

(a) procedures to evaluate the adequacy and effectiveness of the 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 reporting of suspicious activity;

(b) provisions for independent testing to be performed on a periodic basis by qualified parties who are independent of the Branch's business lines and compliance function;

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

(d) procedures to ensure that senior 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 Reserve Bank on a regular basis and retained for subsequent supervisory review.

### **Primary Contact**

7. 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 plans and programs 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, 2, 3, 4, 5, and 6 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 and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

9. Within 30 days after the end of each 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) Brian O'Halloran  
Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
  - (b) Fumiteru Ueno  
General Manager of Anti Money Laundering & Financial Crime  
Prevention Department, General Affairs Department  
Sumitomo Mitsui Banking Corporation  
1-1-2 Marunouchi Chiyoda-ku  
Tokyo, Japan
  - (c) Andre K. Burrell  
Managing Director and BSA/AML Officer, Compliance Department  
Americas Division  
Sumitomo Mitsui Banking Corporation  
New York Branch  
277 Park Avenue  
New York, NY 10172

## **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 their 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 have caused this Agreement to be executed as of the 23rd day of April, 2019.

SUMITOMO MITSUI BANKING  
CORPORATION

FEDERAL RESERVE BANK OF  
NEW YORK

By: /s/  
Masahiko Oshima  
Director and Deputy President  
Head of International Banking Unit

By: /s/  
Brian O'Halloran  
Vice President

SUMITOMO MITSUI BANKING  
CORPORATION  
NEW YORK BRANCH

By: /s/  
Nobuyuki Kawabata  
Managing Executive Officer  
Head of Americas Division