

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

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
NEW YORK, NEW YORK

Written Agreement by and among

INDUSTRIAL BANK OF KOREA  
Seoul, Korea

INDUSTRIAL BANK OF KOREA  
NEW YORK BRANCH  
New York, New York

FEDERAL RESERVE BANK OF NEW YORK  
New York, New York

and

NEW YORK STATE DEPARTMENT OF  
FINANCIAL SERVICES  
New York, New York

Docket Nos. 16-002-WA/RB-FB  
16-002-WA/RB-FBR

WHEREAS, Industrial Bank of Korea, 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 New York State Department of Financial Services (“NYSDFS”) is the appropriate state supervisor for the Branch;

WHEREAS, the most recent examination of the Branch conducted by the Federal Reserve Bank of New York (the “Reserve Bank”) and the NYSDFS 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 to maintain an adequate BSA/AML compliance program (12 C.F.R. §§211.24(f) and 211.24(j)) (collectively, the “BSA/AML Requirements”); the regulations of the NYSDFS (3 N.Y.C.R.R. Parts 116 and 300) (the “State Regulations”); 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 NYSDFS, the Bank, and the Branch that the Branch operates in compliance with all applicable federal and state laws, rules, and regulations; and

WHEREAS, on February 17, 2016, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Seon-joo Kwon and Jae Young Cha 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 NYSDFS, 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, the State Regulations, and the OFAC Regulations acceptable to the Reserve Bank and the NYSDFS (collectively, "the Supervisors"). 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, the State Regulations, and the OFAC Regulations;

(b) measures to improve the management information systems reporting of the Branch's compliance with the BSA/AML Requirements, the State Regulations, 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;

(d) measures to ensure that the persons or groups at the Bank and the Branch charged with the responsibility of overseeing the Branch's compliance with the BSA/AML Requirements, the State Regulations, 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, the State Regulations, and the OFAC Regulations.

## **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 Supervisors.

At a minimum, the program shall provide for:

- (a) a system of internal controls reasonably designed to ensure compliance with the BSA/AML Requirements and State Regulations;
- (b) controls to ensure compliance with all requirements relating to correspondent accounts for foreign financial institutions; and
- (c) allocation of adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, and a periodic re-evaluation of resources and staffing needs.

## **Suspicious Activity Monitoring and Reporting**

3. 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 Supervisors. 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, where appropriate, initial originator, and ultimate beneficiaries;
- (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, including activity involving the Bank's affiliates;

(ii) appropriate allocation of resources to manage alert and case inventory;

(iii) adequate escalation of information about potentially suspicious activity through appropriate levels of management;

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

(v) maintenance of accurate and comprehensive customer and transactional data and ensuring that it is utilized by the Branch's compliance program;

(d) an assessment of the gaps in the monitoring rules and a plan to implement corrective measures; and

(e) establishment of automated monitoring system standards and a plan to make system enhancements, as necessary.

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

4. 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 Supervisors. At a minimum, the plan shall include:

(a) policies, procedures, and periodic testing to ensure that the OFAC designated parties list is current and includes all OFAC specified countries, entities, and individuals; and

(b) procedures to ensure that the processes used to suppress repetitive false positives are periodically reviewed and updated to ensure appropriateness and relevance.

### **Approval, Implementation, and Progress Reports**

5. (a) The Bank and the Branch shall jointly submit the written plans and programs that are acceptable to the Supervisors 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 Supervisors, 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 Supervisors.

6. Within 30 days after the end of each quarter following the date of this Agreement, the Bank and the Branch shall 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. The Supervisors may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

## Notices

7. All communications regarding this Agreement shall be sent to:
  - (a) Mr. F. Christopher Calabia  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
  - (b) Mr. Jeffrey G. Raymond  
Deputy Superintendent  
New York State Department of Financial Services  
One State Street  
New York, New York 10004
  - (c) Ms. Seon-joo Kwon  
Chief Executive Officer  
Industrial Bank of Korea  
79, Ulchiro, Chung-gu  
Seoul, Korea 100-758
  - (d) Mr. Jae Young Cha  
General Manager  
Industrial Bank of Korea  
New York Branch  
1250 Broadway, 37<sup>th</sup> Floor  
New York, New York 10001

## Miscellaneous

8. 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.

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

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

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

12. 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). This Agreement is enforceable by the NYSDFS pursuant to section 39 of the New York Banking Law.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 24<sup>th</sup> day of February, 2016.

INDUSTRIAL BANK OF KOREA

FEDERAL RESERVE BANK OF  
NEW YORK

By: /s/ Seon-joo Kwon  
Seon-joo Kwon  
Chief Executive Officer

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

INDUSTRIAL BANK OF KOREA  
NEW YORK BRANCH

NEW YORK STATE DEPARTMENT OF  
FINANCIAL SERVICES

By: /s/ Jae Young Cha  
Jae Young Cha  
General Manager

By: /s/ Jeffrey G. Raymond  
Jeffrey G. Raymond  
Deputy Superintendent