

1. 資料來源：

New York State, Department of Financial Services (紐約州金融服務管理署，簡稱 DFS) 官方網站

2. 資料：

(1). DFS 2016 年 8 月 19 日新聞稿 (Press Release)

A. 標題：DFS fines Mega Bank \$180 Million for violating Anti-money Laundering Laws.

次標題：Consent Order Requires Bank to Establish Effective Compliance Controls and to Retain Independent Monitor for Two Years.

B. 大綱：

兆豐銀行因違反紐約州反洗錢法 (New York's anti-money laundering laws) 遭 DFS 罰款美金 1.8 億美金。

違反紐約州反洗錢法之重點：

- a. 漠視與巴拿馬國間交易之洗錢風險：因巴拿馬為洗錢防治之高危險國家，該調查發現兆豐銀行紐約分行與巴拿馬市分行及巴拿馬科隆自由貿易區分行間存有多筆可疑交易。又相當數額的客戶在兆豐銀行分行下設由 Mossack Fonseca 法律事務所協助設立之帳戶，該法律事務所經常協助設立空殼公司及其運作，並且協助規避全球各地之銀行法與稅法，並包含美國的反洗錢法。
- b. 兆豐銀行紐約分行銀行法及反洗錢人員 (BSA/AML officer) 及主要法規遵循人員均欠缺對美國法律及相關規範的熟悉度，且有 CCO 有利益衝突的情況 (兼具主要商業運作與法規遵循任務)。
- c. 法規遵循人員未能定期檢討用於偵測可疑交易之監督過濾準則，並且許多文件沒有自中文翻譯至英文。
- d. 紐約分行欠缺持續報告可疑活動之準則，並有不一致之法規遵循政策，且未能決定總行支外國子公司現處於切適的反洗錢控制。

(2). 2016 年 8 月 19 日協商命令

A. 文件標題：Consent Order under NEW YORK Banking Law §§39 and 44

B. 裁罰的基礎事實：

一、內控缺失：

- (1). 商業營運人員兼任法令遵循人員，存在責任衝突。
- (2). 銀行法及反洗錢法之法令遵循人員均欠缺適當訓練。
- (3). 紐約分行的交易監控系統與政策未能定期審查監控過濾標準，無法為關鍵字選擇提供有效程序及正當性。
- (4). 部分文件並未能自中文翻譯為英文，以受交易監控程序的監督。
- (5). 紐約分行對於可疑活動警示及案件管理系統存有不適切的政策及程

序。

- (6). 紐約分行內部有關 BSA/AML 政策及程序欠缺一致性及統一目標。如：
 - A. 商業部門與分行聯繫部門間政策與程序之不一致。
 - B. 有關交易監管、客戶上線即 OFAC 遵循之政策及程序不一致。
 - C. 書面準則未適切置入客戶 DD 及 EDD 及政治曝光人物之聯邦規範準則。
- (7). 紐約分行於代理銀行 (Correspondent banking activity) 於分行之活動未能：
 - A. 決定總行之外國子公司現處於適切的反洗錢法令遵循及控制狀態。
 - B. 確保紐約分行理解，其處於外國司法權下營運之國外代理銀行客戶在洗錢防制領域之有效性。
 - C. 追蹤那些不符合外國子公司客戶政策檔案之帳戶活動與交易。

二、未能有效解釋紐約分行與兆豐銀行巴拿馬分行間之可疑交易：

- (1). 兆豐臺灣總行對於紐約分行與巴拿馬國的兩間分行間交易風險漠視。
- (2). 紐約分行其一匯款交易對象即科隆自由貿易區的公司客戶，其帳戶之受益人曾遭媒體為大量負面評價，且顯然曾遭連結違反美國有關技術移轉法規。就此，紐約分行無法針對 DD 提供有意義的解釋。

三、未能實施適切的 DD

- (1). 紐約分行人員未能建立有關 EDD 之政策及程序。如：未能依其政策及程序之要求，針對需實施 EDD 的客戶進行每季之全面性審查。亦未能定期審查中等風險和低風險客戶，以及時指出該類客戶之新增風險檔案。
- (2). 紐約分行於接受外國金融機構之代理行帳戶時，未能實施適切的 DD 程序。
- (3). 審視 30 位客戶資料後，發覺約 3 分之 1 欠缺受益人 (beneficial ownership) 之適切資訊。此資訊欠缺嚴重侵蝕紐約分部 KYC 程序。

四、不適切的風險評估政策及程序

- (1). 紐約分行針對整理風險評估存在嚴重瑕疵。如：有關 BSA/AML 風險評估未能針對分行客戶、產品、服務及地理位置提供整體審查。另就方法論而言亦有所欠缺：如僅進行 6 個月，而非建議之 1 年。
- (2). 針對 OFAC 的顧慮，基於相同理由亦有瑕疵。

五、臺灣總行欠缺謹慎監督

- (1). 紐約分行未能將每季法令遵循會議記錄轉呈給總行，且時常以會議流程取代會議紀錄。另分行每季法令遵循會議中提供不充分的法令遵循環境，並且前一時期的有關 SARs 重要資訊亦遭忽略。
- (2). 總行法遵部門未能確保位紐約分行所使用及保存之資料均得翻譯為英文，導致未能為有效審視。

六、紐約分行針對 DFS 審查報告提出令人不安及輕視的回應

- (1). 2016 年 3 月 24 日回應 DFS 在 2016 年 2 月提出之審查報告，其中反駁諸多審查結果。
- (2). 此外，臺灣總行與紐約分行於回應中宣稱特定類型之活動並非可疑，並稱該類型交易不屬於反洗錢規範準則所要求應提出 SAR 之類型，且因而該些交易不構成可疑活動。
- (3). 以上是完全誤解（complete misstatement）建置完整的 BSA 法。
- (4). 未能及時補救缺失。

因此，依據紐約銀行法第 39 條、第 44 條所訂場所主人權限（superintendent's authority），DFS 與銀行合意擬定此 consent order 第 37 點以下之條件，以俾日後審查銀行活動，並作為損害賠償及處罰。

Press Release

August 19, 2016

Contact: Richard Locante, 212-709-1681

DFS FINES MEGA BANK \$180 MILLION FOR VIOLATING ANTI-MONEY LAUNDERING LAWS

Consent Order Requires Bank to Establish Effective Compliance Controls and to Retain Independent Monitor for Two Years

Financial Services Superintendent Maria T. Vullo today announced that Mega International Commercial Bank of Taiwan will pay a \$180 million penalty and install an independent monitor for violating New York's anti-money laundering laws. The fine is part of a consent order entered into with the Department of Financial Services (DFS) pursuant to which Mega Bank shall take immediate steps to correct violations, including engaging an independent monitor to address serious deficiencies within the bank's compliance program and implement effective anti-money laundering controls. Mega Bank is a major international financial institution with approximately \$103 billion in assets, including \$9 billion at its New York branch.

"DFS will not tolerate the flagrant disregard of anti-money laundering laws and will take decisive and tough action against any institution that fails to have compliance programs in place to prevent illicit transactions," said Financial Services Superintendent Maria T. Vullo. "The compliance failures that DFS found at the New York Branch of Mega Bank are serious, pervasive and affected the entire Mega banking enterprise and they indicate a fundamental lack of understanding of the need for a vigorous compliance infrastructure. DFS's recent examination uncovered that Mega Bank's compliance program was a hollow shell, and this consent order is necessary to ensure future compliance."

Violations of anti-money laundering requirements at Mega Bank were uncovered in a recent DFS examination, which found that the bank's head office was indifferent toward risks associated with transactions involving Panama, recognized as a high-risk jurisdiction for money-laundering. Mega Bank has a branch in Panama City and another in Panama's Colon Free Trade Zone. DFS's investigation identified a number of suspicious transactions running between Mega Bank's New York and Panama Branches. The investigation also determined that a substantial number of customer entities, which have or had accounts at several other Mega Bank branches, were apparently formed with the assistance of the Mossack Fonseca law firm in Panama. Mossack Fonseca is one of the law firms at the center of the formation of shell company activity, possibly designed to skirt banking and tax laws worldwide, including U.S. laws designed to fight money laundering.

Among the findings of the DFS investigation:

- The BSA/AML officer for the New York branch, who was based at the bank's Taiwan headquarters, and the branch's chief compliance officer both lacked familiarity with U.S. regulatory requirements. In addition, the chief compliance officer had conflicted interests because she had key business and operational responsibilities, along with her compliance role.
- Compliance staff at both the head office and branch failed to periodically review surveillance monitoring filter criteria designed to detect suspicious transactions. Also, numerous documents relied upon in transaction monitoring were not translated to English from Chinese, precluding effective examination by regulators.
- The New York branch procedures provided virtually no guidance concerning the reporting of continuing suspicious activities; had inconsistent compliance policies; and failed to determine whether foreign affiliates had in-place adequate AML controls.

Today's action highlights the importance of DFS's new risk-based anti-terrorism and anti-money laundering regulation that requires regulated institutions to maintain programs to monitor and filter transactions for potential BSA/AML violations and prevent transactions with sanctioned entities. The regulation, which takes effect on January 1, 2017, requires regulated institutions to submit an annual board resolution or senior officer compliance finding confirming steps taken to ascertain compliance with the regulation.

Under the consent order, Mega Bank will install an independent consultant within ten days of the selection by DFS to implement changes to its policies and procedures and immediately address compliance deficiencies at the New York branch. The order also calls for the bank to engage an independent monitor within thirty days of its selection by DFS for two years to conduct a comprehensive review of the effectiveness of the branch's compliance program. The independent monitor will also commence a Transaction and OFAC Sanctions Review to determine whether transactions inconsistent with or in violation of the OFAC Regulations, or suspicious activity involving high risk customers or transactions were properly identified and reported from 2012 to 2014. The monitor will be selected by and report directly to DFS.

To view a copy of the NYDFS order regarding Mega Bank, please visit [this link](#).

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NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

In the Matter of

MEGA INTERNATIONAL COMMERCIAL
BANK CO., LTD. and
MEGA INTERNATIONAL COMMERCIAL BANK
CO. LTD. - NEW YORK BRANCH

**CONSENT ORDER UNDER
NEW YORK BANKING LAW §§ 39 and 44**

The New York State Department of Financial Services (the "Department" or "DFS"), Mega International Commercial Bank Co., Ltd. ("Mega International"), and Mega International Commercial Bank Co., Ltd. New York Branch ("Mega-New York" or the "New York Branch") (together, the "Bank") are willing to resolve the matters described herein without further proceedings;

WHEREAS, Mega International is an international banking institution with more than 100 branches, 5,000 employees and assets totaling approximately \$103 billion, and is licensed by the Department to operate a foreign bank branch in New York State;

WHEREAS, Mega-New York has assets totaling approximately \$9 billion and has operated a correspondent banking business for many years;

WHEREAS, in 2015, the Department and another regulator conducted an examination of the New York Branch, as of September 30, 2014;

WHEREAS, in February 2016, the Department provided its Report of Examination describing its findings; and in March 2016, Mega International and Mega-New York provided their written response to this report. The Department finds as follows:

The Department's Findings
After Examination and Additional Investigation

Mega International

1. Mega International is based in Taipei, Taiwan. As of year-end 2015, Mega International had 107 domestic branches, and 22 branches, 5 sub-branches, and 4 representative offices internationally abroad. Mega International also has wholly-owned subsidiaries in Thailand and Canada, bringing the total number of overseas branches and offices to 39 in total.¹

2. Mega International has branches located in major U.S. cities, including New York, Chicago, Los Angeles and Silicon Valley. Mega International also has two branches in Panama, one located in the Colon Free Trade Zone ("FTZ") and the other in Panama City.

3. Mega International has approximately 5,400 employees worldwide. At present, Mega International holds total assets of approximately \$103 billion; assets held at Mega-New York are approximately \$9 billion. In other words, Mega International is an important institution in the world financial system.

The New York Branch's Poor Internal Controls

4. From January through March 2015, examiners from DFS conducted an examination of Mega-New York as of September 2014. The examination focused on the New York Branch's risk management, operational controls, compliance, and asset quality. The examiners also evaluated any corrective actions undertaken by management to address the issues from a prior examination conducted as of 2013.

5. The Department issued its Report of Examination in February 2016. The Bank submitted its response on March 24, 2016.

¹ See <https://www.megabank.com.tw/en/about.asp>.

6. What the examiners found was extremely troubling. They discovered numerous deficiencies in Mega-New York's compliance function.

7. The examination found that the position of BSA/AML Officer² in the New York Branch was held by a person from the Mega International Head Office who possessed little familiarity with U.S. regulatory requirements. Similarly, the Chief Compliance Officer ("CCO") for the New York Branch lacked adequate knowledge of U.S. BSA/AML and the Office of Foreign Assets Control of the United States Department of Treasury ("OFAC") requirements, as well as the supervisory expectations relating to these requirements.

8. The examiners also found that the compliance structure at Mega-New York was significantly flawed because the compliance and operational functions were comingled as a result of the dual conflicting responsibilities of certain compliance personnel. For example, the Branch's Vice President and Deputy General Manager also served as the Branch's CCO. The CCO provided support to all Branch operations, including its funding division, the business division, the correspondent banking division, the loan division, and also served as the Information Technology Security Officer.

9. Thus, the New York CCO devoted insufficient time and effort to important compliance responsibilities and, in any event, was conflicted in these responsibilities, since the CCO had a key business and operational role, along with the compliance role.

² "BSA" stands for the Bank Secrecy Act, 31 U.S.C. §§ 5311 *et seq.* "AML" stands for "anti-money laundering." The Bank Secrecy Act, the rules and regulations issued thereunder by the U.S. Department of the Treasury, 31 C.F.R. Chap. X; and the requirements of Regulation K of the Board of Governors of the Federal Reserve System to report suspicious activity and to maintain an adequate BSA/AML compliance program, 12 C.F.R. §§ 211.24 (f) and (j), all require a robust compliance structure in the New York and other branches of each regulated institution.

10. Similarly, the Branch's BSA/AML Officer also served as operations manager of the Business Division; this presented a clear conflict of interest between his compliance and business responsibilities.

11. A clear conflict of interest also existed with respect to the Branch's OFAC Officer, because that person also served as the Operations Manager for the Foreign Correspondent Banking Division.

12. To compound these structural deficiencies, the examination also discovered that both the BSA/AML Officer and the CCO received inadequate training subsequent to their assignment to Mega-New York.

13. The examination also uncovered serious deficiencies in the New York Branch's transaction monitoring systems and policies. For example, compliance personnel -- either at the Branch level or the Head Office -- failed to periodically review surveillance monitoring filter criteria, required to evaluate the appropriateness of filter criteria and thresholds. Moreover, for a number of the criteria or key words purportedly used to detect suspicious transactions, branch management was unable to explain the validation process or justification of the selection of the criteria being used. And a number of documents relied upon in the transaction monitoring process remained un-translated from the Chinese language, precluding effective examination by regulators.

14. The examination discovered that the New York Branch had inadequate policies and procedures governing the processing of suspicious activity alerts and its case management system. Although compliance staff researched alerts, it failed to adequately maintain the documentation necessary to support decisions made by compliance personnel during the

investigation of alerts – in many cases the only documentation maintained was in the case of an actual determination to file a Suspicious Activity Report (“SAR”).

15. Similarly, Branch procedures provided little guidance concerning the requirements for reporting continuing suspicious activity, and the notation of the latter in the Branch’s SAR log book.

16. The examination also concluded that the New York Branch’s BSA/AML policies and procedures lacked consistency and unity of purpose. Deficiencies included, without limitation, (a) substantial inconsistencies between policies and procedures for the Business Division and the Correspondent Banking Division; (b) inconsistent policies and procedures concerning transaction monitoring, customer on-boarding and OFAC compliance; and (c) that written guidelines failed to properly incorporate federal regulatory guidance for reviews of Customer Due Diligence, Enhanced Due Diligence, and diligence concerning Politically Exposed Persons.

17. The New York Branch did not perform adequate reviews of the Bank’s affiliates’ correspondent banking activities at the Branch. For example, New York Branch officials failed to (a) determine whether foreign affiliates had in place adequate AML compliance processes and controls; (b) ensure the New York Branch has an understanding of the effectiveness of the AML regime of the foreign jurisdictions in which its foreign correspondent banking customers operate; and (c) follow up on account activity and transactions that did not fit the foreign affiliates’ customers’ strategic profile.

Suspicious Activity Involving Mega International's Panama Branches

18. The compliance failures found at the New York Branch are serious. They indicate a lack of understanding by both Mega International and the New York Branch of the need for a vigorous compliance infrastructure.

19. These deficiencies make it all the more concerning given that Mega International operates branches in Panama City and the Colon FTZ. Panama has historically been recognized as a high-risk jurisdiction for money laundering, and only earlier in this year was it announced that Panama is no longer subject to the Financial Action Task Force's monitoring process.³ Moreover, the publication of the "Panama Papers" and information about the Mossack Fonseca Law firm emphasize Panama as a high-risk jurisdiction. Accordingly, Mega International is obligated to treat transactions running between its New York and Panama Branches with the highest level of diligence and scrutiny, yet compliance failures occurring at the New York Branch demonstrated that this did not occur.

20. This failure was serious in light of the significant amount of financial activity running between Mega International's New York and Panama Branches. For example, according to the Bank's records, the dollar value of credit transactions between the New York Branch and the Colon FTZ totaled \$3.5 billion and \$2.4 billion in 2013 and 2014, respectively. Corresponding figures for the Panama City branch were \$1.1 billion and \$4.5 billion.

21. Mega's International's Head Office has acted with indifference towards the risks associated with such transactions. The DFS examination found a number of concerning issues related to Mega International transactions involving its Panama Branches indicative of possible money laundering and other suspicious activity. For example:

³ See, e.g., <http://www.state.gov/j/inl/rls/nrcrpt/2013/vol2/204062.htm>; <http://www.fatf-gafi.org/countries/afghanistan/documents/fatf-compliance-february-2016.html>.

- a. Mega-New York rated its Panama Colon FTZ Branch at high risk for AML purposes. It purports to conduct a quarterly enhanced due diligence (“EDD”), yet the Branch’s responses to the DFS examination team indicated that this has not been implemented effectively.
- b. Despite repeated requests, the Bank has not provided an adequate explanation about the nature of its correspondent banking activities on behalf of its Panama City and Colon FTZ branches, as requested in DFS’s Report of Examination and at the regulatory close-out meeting held with the Bank in February 2016.
- c. Mega-New York acted as an intermediary paying bank in connection with suspicious and unusual “debit authorizations” (or payment reversals) received from its Panamanian branches that reversed wire payments processed on behalf of various remitters (the “Suspicious Payment Reversals”). When asked about this in connection with the examination, New York Branch personnel provided explanations that did not address the examiners’ concerns.
- d. A significant number of reported debit authorizations processed by Mega-New York between 2010 and 2014 occurred when the Panamanian beneficiary accounts identified in the underlying transactions were closed by the Colon FTZ Branch because of inadequate Know-Your-Customer (“KYC”) documentation received by that Branch – a highly suspicious level of activity. Moreover, most of these accounts were open for less than two years; a number were open even less than one year – further evidence of very questionable activity. The suspicious nature of this activity is compounded by the fact that the remitters and beneficiaries associated with many of the Suspicious Payment Reversals were identical parties; in some cases, the original payment instructions were sent months after the beneficiary accounts already had been closed. Moreover, the Suspicious Payment Reversals continued at least into 2015.
- e. Examiners also noted that many of the Colon FTZ Branch accounts involved with the Suspicious Payment Reversals were opened with closely ranged account numbers – another compelling indicator of suspicious activity.

22. Further, an account held in the name of a corporate customer of the Colon FTZ Branch that received funds remitted by Mega-New York and its reported beneficial owner have been the subject of significant adverse comment in the media. Among other things, the beneficial owner apparently has been linked to violations of U.S. law concerning the transfer of

technology. Despite numerous requests by DFS, Mega International has failed to provide any meaningful explanation of its due diligence regarding this customer's account.

Failure to Conduct Adequate Customer Due Diligence

23. The DFS examination also found that Mega-New York Branch personnel failed to follow established policies and procedures for enhanced due diligence, an increased level of scrutiny for high-risk customers. For example, the New York Branch failed to conduct a comprehensive review of such customers on a quarterly basis, as required by its own policies and procedures. Nor did New York Branch personnel regularly engage in periodic vetting of medium and low-risk customers in a timely manner to identify any increase in the risk profile of such customers.

24. Similarly, the examination found that the New York Branch failed to perform adequate customer due diligence when taking in a correspondent account for a foreign financial institution.

25. Furthermore, a review of 30 customer files indicated that approximately one-third of them lacked adequate information on beneficial ownership. The lack of such information seriously compromises the New York Branch's Know-Your-Customer ("KYC") processes.

Inadequate Risk Assessment Policies and Procedures

26. The examination also found serious flaws in the New York Branch's overall risk assessments. For example, the New York Branch's risk assessment for BSA/AML issues lacked a thorough review of Branch customers, products, services, and geographic locations served. It likewise was insufficient in its methodology, for, among other reasons, having been conducted for a six month period, and not a year-long period as recommended.

27. The New York Branch's risk assessment for OFAC concerns was found to be flawed for similar reasons.

Lack of Diligent Oversight by the Head Office

28. In addition, with respect to the New York Branch's reporting to the Head Office about the compliance function, DFS examiners found that quarterly compliance meeting minutes were not forwarded to Head Office compliance; and that the New York Branch regularly substituted a meeting agenda in lieu of proper meeting minutes. Additionally, the New York Branch's report on quarterly compliance meetings provided insufficient information on the compliance environment, and critical information concerning SARs filed during prior periods were omitted. These failings prevented Head Office compliance from properly evaluating the compliance adequacy of the New York Branch.

29. Additionally, Head Office compliance did not ensure that numerous documents employed and stored by the New York Branch were translated from Chinese to English, thereby preventing effective examination by regulators.

Mega-New York Branch's Troubling and Dismissive Response to the DFS Examination

30. In its March 24, 2016 response to the February 2016 DFS examination report, the Bank has refuted a number of the examination findings.

31. Perhaps most egregious, Mega International and the New York Branch, in its March 2016 response to the examination, declared that certain types of activity were not suspicious. As justification, the Bank's March 2016 examination response claimed that there is "no AML regulatory guidance related to filing [Suspicious Activity Reports] on these types of transactions" and that therefore such "transactions do not constitute suspicious activity."

32. This is a complete misstatement of well-established BSA law.

33. Moreover, the Bank did not act quickly to remedy the acute shortcomings as directed in the February 2016 Report of Examination. For example, despite communications

between the Department and the New York Branch in the Spring of 2016, the Bank has not taken sufficient steps to demonstrate material improvement in the quality of its compliance program.

NOW THEREFORE, to resolve this matter without further proceedings pursuant to the Superintendent's authority under Sections 39 and 44 of the Banking Law, the Department and the Bank hereby stipulate and agree to the terms and conditions listed below requiring further review of the Bank's activities, for remediation, and for imposition of a penalty:

Violations of Law and Regulation

34. Mega International and Mega-New York failed to maintain an effective and compliant anti-money laundering program and OFAC compliance program, in violation of 3 N.Y.C.R.R. § 116.2.

35. Mega International and Mega-New York failed to maintain and make available at its New York Branch true and accurate books, accounts and records reflecting all transactions and actions, in violation of New York Banking Law § 200-c.

36. Mega International and Mega-New York failed to submit a report to the Superintendent immediately upon discovering fraud, dishonesty, making of false entries and omission of true entries, and other misconduct, in violation of 3 N.Y.C.R.R. § 300.1.

Settlement Provisions

Monetary Payment

37. Mega International shall pay a penalty pursuant to Banking Law § 44 to the Department in the amount of \$180,000,000.00 as a result of having an inadequate and deficient compliance program as set forth above. The Bank shall pay the entire amount within ten (10) days of executing this Consent Order. Mega International agrees that it will not claim, assert, or

apply for a tax deduction or tax credit with regard to any U.S. federal, state, or local tax, directly or indirectly, for any portion of the penalty paid pursuant to this Consent Order.

Immediate Compliance Consultant and Independent Monitor

38. **Compliance Consultant:** Mega International and the New York Branch shall engage an independent third party of the Department's choosing, within ten (10) days of the Department's selection of such third party, to immediately consult about, oversee and address deficiencies in Mega-New York's compliance function, including, without limitation, compliance with BSA/AML requirements, compliance with federal sanctions laws, and compliance with New York laws and regulations (the "Compliance Consultant").

39. The Compliance Consultant shall work with the Department, Mega International and Mega-New York to implement changes or modifications to policies, procedures or personnel that may be made immediately to address any identified deficiencies in the New York Branch's compliance function.

40. The term of the Compliance Consultant's engagement shall extend for a period of up to six months, at the sole discretion of the Department, to be extended in the sole discretion of the Department should Mega International fail to cooperate as required.

41. **Independent Monitor:** Within thirty (30) days of the Department's selection thereof, Mega International and Mega-New York shall retain an independent monitor (the "Independent Monitor") to: (i) conduct a comprehensive review of the effectiveness of the Branch's program for compliance with BSA/AML requirements, laws and regulations (the "Compliance Review"); and (ii) prepare a written report of findings, conclusions, and recommendations (the "Compliance Report").

42. The Independent Monitor will be selected by the Department in the exercise of its sole discretion, and will report directly to the Department.

43. Within ten (10) days of the selection of the Independent Monitor, but prior to the Compliance Review, Mega International and Mega-New York shall jointly submit to the Department for approval an engagement letter that provides, at a minimum, for the Independent Monitor to:

- a. identify all of the Branch's business lines, activities, and products to ensure that such business lines, activities, and products are appropriately risk-rated and included in the Branch's BSA/AML compliance program, policies, and procedures;
- b. conduct a comprehensive assessment of the Branch's BSA/AML compliance program, policies, and procedures;
- c. complete the Compliance Review within 60 days of the Department's approval of the engagement letter;
- d. provide to the Department a copy of the Compliance Report at the same time that the report is provided to the Bank and the Branch; and
- e. commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the Compliance Review will be made available to the Department.

44. The Independent Monitor shall also conduct a review of Mega-New York's U.S. dollar clearing transaction activity from January 1, 2012 through December 31, 2014, to determine whether transactions inconsistent with or in violation of the OFAC Regulations, or suspicious activity involving high risk customers or transactions or possible money laundering

at, by, or through the Branch were properly identified and reported in accordance with the OFAC Regulations and suspicious activity reporting regulations and New York law (the "Transaction and OFAC Sanctions Review") and to prepare a written report detailing the Independent Monitor's party's findings (the "Transaction and OFAC Sanctions Review Report") for the Department.

45. Within ten (10) days of the engagement of the Independent Monitor, but prior to the commencement of the Transaction and OFAC Sanctions Review, Mega International and Mega-New York shall jointly submit to the Department for approval additional terms in the engagement letter that set forth:

- a. the methodology for conducting the Transaction and OFAC Sanctions Review, including any sampling procedures to be followed;
- b. the expertise and resources to be dedicated to the Transaction and OFAC Sanctions Review;
- c. the anticipated date of completion of the Transaction and OFAC Sanctions Review and the Transaction and OFAC Sanctions Review Report; and
- d. a commitment that supporting material and drafts associated with the Transaction and OFAC Sanctions Review will be made available to the Department upon request.

46. The Independent Monitor shall provide to the Department a copy of the Transaction and OFAC Sanctions Review Report at the same time that the report is provided to Mega International and Mega-New York.

47. Throughout the Transaction and OFAC Sanctions Review, Mega International and Mega-New York 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.

BSA/AML Compliance Program

48. Within sixty (60) days of the submission of the Compliance Report, Mega Bank and Mega-New York shall jointly submit a written revised BSA/AML compliance program for the Branch acceptable to the Department. At a minimum, the program shall provide for:

- a. a system of internal controls designed to ensure compliance with the BSA/AML Requirements and the State Laws and Regulations;
- b. controls designed to ensure compliance with all requirements relating to correspondent accounts for foreign financial institutions;
- c. a comprehensive BSA/AML risk assessment that identifies and considers all products and services of the New York Branch, customer types, geographic locations, and transaction volumes, as appropriate, in determining inherent and residual risks;
- d. management of the New York 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 New York Branch's size and risk profile, 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 the State Laws and Regulations and a timeline to review key systems to ensure they are configured to mitigate BSA/AML risks;

- f. comprehensive and timely independent testing for the New York Branch's compliance with applicable BSA/AML Requirements and the State Laws and Regulations; and
- g. effective training for all appropriate Branch personnel and appropriate Mega International personnel that perform BSA/AML compliance-related functions for the New York Branch in all aspects of the BSA/AML requirements, state laws and regulations, and internal policies and procedures.

Suspicious Activity Monitoring and Reporting

49. Within sixty (60) days of the submission of the Compliance Report, Mega International and Mega-New York shall jointly submit a written program to reasonably ensure the identification and timely, accurate, and complete reporting by the New York 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 Department. At a minimum, the program shall include:

- a. a well-documented methodology for establishing monitoring rules and thresholds appropriate for the New York 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;
 - 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 New York Branch's compliance program.

Customer Due Diligence

50. Within sixty (60) days of the submission of the Compliance Report, Mega International and Mega-New York shall jointly submit a written enhanced customer due diligence program acceptable to the Department. At a minimum, the program shall include:

- a. policies, procedures, and controls to ensure that the New York Branch collects, analyzes, and retains complete and accurate customer information for all account holders, including, but not limited to, affiliates;
- b. a plan to remediate deficient due diligence for existing customers accounts;

- c. 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 transaction volume;
- d. for each customer whose transactions require enhanced due diligence procedures to:
 - i. determine the appropriate documentation necessary to verify the identity and business activities of the customer; and
 - ii. understand the normal and expected transactions of the customer.
- e. policies, procedures, and controls to ensure that foreign correspondent accounts are accorded the appropriate due diligence and, where necessary, enhanced due diligence; and
- f. 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 rating reflects the current information, and if applicable, documenting rationales for any revisions made to the customer risk rating.

Corporate Governance and Management Oversight

51. Within sixty (60) days of the submission of the Compliance Report, Mega International's board of directors and the management of Mega-New York shall jointly submit to the Department a written plan to enhance oversight, by the management of the Bank and New York Branch, of the New York Branch's compliance with the BSA/AML Requirements, the State Laws and Regulations, and the regulations issued by OFAC acceptable to the Department. 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 Laws and 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 Laws and Regulations, and the OFAC Regulations to senior management of the Bank and the Branch;
- c. clearly defined roles, responsibilities, and accountability regarding compliance with the BSA/AML Requirements, the State Laws and Regulations, and the OFAC Regulations for the Bank's and the Branch's respective management, compliance personnel, and internal audit staff;
- d. measures to ensure BSA/AML issues are appropriately tracked, escalated, and reviewed by the Branch's senior management;
- e. 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, the State Laws and Regulations, and the OFAC Regulations possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities;
- f. adequate resources to ensure the New York Branch's compliance with this Order, the BSA/AML Requirements, the State Laws and Regulations, and the OFAC Regulations; and
- g. a direct reporting line between the Branch's BSA/AML compliance officer and the board of directors or committee thereof.

Full and Complete Cooperation of Mega International

52. Mega International and Mega-New York each agrees that it will fully cooperate with the Immediate Compliance Consultant and the Independent Monitor and support the work of each by, among other things, providing each with access to all relevant personnel, consultants and third-party service providers, files, reports, or records, whether located in New York, Taiwan, Panama, or any other location sought, consistent with applicable law.

53. The Independent Monitor will thereafter oversee the implementation of any corrective measures undertaken pursuant to the Action Plan and Management Oversight Plan.

54. The Independent Monitor will assess the Bank's compliance with its corrective measures and will submit subsequent progress reports and a final report to the Department and the Bank, at intervals to be determined by the Department. The Department may, in its sole discretion, extend any reporting deadline set forth in this Order.

55. The term of the Independent Monitor's engagement will extend for two years from the date of its formal engagement by the Bank, to be extended in the Department's sole discretion if Mega International fails to cooperate. Any dispute as to the scope of the Independent Monitor's authority or mandate will be resolved by the Department in the exercise of its sole discretion, after appropriate consultation with the Bank and the Monitor.

Interaction with the Department

56. Within 30 days of the submission of the Compliance Report, the Bank and the Branch shall jointly submit written policies and procedures that govern the conduct of the Branch's personnel in all supervisory and regulatory matters, including, but not limited to, interaction with and requests for information by examiners for the Branch, acceptable to the Department. The policies and procedures shall, at a minimum, ensure that all Branch personnel

provide prompt, complete, and accurate information to examiners and provide for employee training that emphasizes the importance of full cooperation with banking regulators by all employees.

Breach of Consent Order

57. In the event that the Department believes the Bank to be in material breach of the Consent Order, the Department will provide written notice to the Bank and the Bank must, within ten (10) business days of receiving such notice, or on a later date if so determined in the Department's sole discretion, appear before the Department to demonstrate that no material breach has occurred or, to the extent pertinent, that the breach is not material or has been cured.

58. The parties understand and agree that the Bank's failure to make the required showing within the designated time period shall be presumptive evidence of the Bank's breach. Upon a finding that the Bank has breached this Consent Order, the Department has all the remedies available to it under New York Banking and Financial Services Law and may use any evidence available to the Department in any ensuing hearings, notices, or orders.

Waiver of Rights

59. The parties understand and agree that no provision of this Consent Order is subject to review in any court or tribunal outside the Department.

Parties Bound by the Consent Order

60. This Consent Order is binding on the Department and the Bank, as well as any successors and assigns that are under the Department's supervisory authority. This Consent Order does not bind any federal or other state agency or law enforcement authority.

61. No further action will be taken by the Department against the Bank for the conduct set forth in this Order, provided that the Bank complies with the terms of the Order.

Notwithstanding any other provision in this Consent Order, however, the Department may undertake additional action against the Bank for transactions or conduct that comes to the attention of the Department, either as a result of the Transaction and OFAC Sanctions Review, or in some other manner.

Notices

62. All notices or communications regarding this Consent Order shall be sent to:

For the Department:

Jeffrey Waddle
Elizabeth Nochlin
Megan Prendergast
New York State Department of Financial Services
One State Street
New York, NY 10004

For Mega International and Mega-New York:

Jui-Chung Chuang
Mega International Commercial Bank Co., Ltd.
10F, No. 123, Sec. 2 Jhongsiao E. Rd.
Taipei 10058, Taiwan, R.O.C.

Vincent S.M. Huang
Mega International Commercial Bank Co., Ltd – New York Branch
65 Liberty Street
New York, NY 10005

Miscellaneous


63. Each provision of this Consent Order shall remain effective and enforceable until stayed, modified, suspended, or terminated by the Department.

64. No promise, assurance, representation, or understanding other than those contained in this Consent Order has been made to induce any party to agree to the provisions of the Consent Order.

IN WITNESS WHEREOF, the parties have caused this Consent Order to be signed this 19th day of August, 2016.

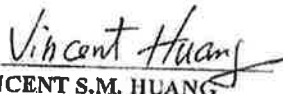
MEGA INTERNATIONAL COMMERCIAL
BANK CO., LTD.

NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES

By: 
HANN-CHING WU
President, Mega International Commercial
Bank Co., Ltd.

By: _____
MARIA T. VULLO
Superintendent of Financial Services

MEGA INTERNATIONAL COMMERCIAL
BANK CO. LTD. - NEW YORK BRANCH

By: 
VINCENT S.M. HUANG
Senior Vice President & General Manager,
Mega International Commercial Bank Co., Ltd. - New York Branch

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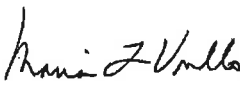
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