

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

_____	)	
IN THE MATTER OF	)	AMENDED AND RESTATED
	)	CONSENT ORDER
	)	
SHINHAN BANK AMERICA	)	
NEW YORK, NEW YORK	)	FDIC-16-0237b
	)	
(INSURED STATE NONMEMBER BANK)	)	
_____	)	

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for Shinhan Bank America, New York, New York (Bank), under section 3(q) of the Federal Deposit Insurance Act (Act), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF AN AMENDED AND RESTATED CONSENT ORDER (CONSENT AGREEMENT), dated October 13, 2022, that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in the Bank’s Anti-Money Laundering/Countering the Financing of Terrorism Program (AML/CFT Program) ¹, to the issuance of this Amended and Restated Consent Order (ORDER) by the FDIC. This ORDER amends and restates the Consent Order issued on June 12, 2017.

¹ The Anti-Money Laundering Act of 2020 (the AML Act) amended Subchapter II of Chapter 53 of Title 31 U.S.C. (the legislative framework commonly referred to as the Bank Secrecy Act or BSA). To be consistent with the AML Act, the FDIC now refers to the BSA/AML compliance program as the AML/CFT program.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b), have been satisfied, the FDIC hereby orders that:

MANAGEMENT

1. Within 60 days from the effective date of this ORDER the Bank must submit a proposed engagement letter or contract for review and non-objection to retain an independent third party acceptable to the Deputy Regional Director of the FDIC New York Regional Office (Deputy Regional Director) to conduct a management study (Management Study) and to prepare a written summary of the Management Study (Management Report) at its conclusion. The Management Study must, at a minimum, include a review and analysis of the management and staffing needs of the Bank's AML/CFT Program; the corporate governance weaknesses and deficiencies identified in the March 29, 2021 Report of Examination issued jointly by the FDIC and the New York State Department of Financial Services (2021 ROE); and the abilities, experience, and other qualifications of the Bank's directors and all AML/CFT officers and staff (AML/CFT Personnel) to satisfactorily perform their present and anticipated duties, including their duty to ensure complete and timely compliance with the requirements of this ORDER. The Management Study must also include a review and analysis of each Management Report component required in subparagraph (b) below.

(a) The engagement letter or contract must, at a minimum:

- (1) describe the work to be performed under the engagement letter or contract;
- (2) provide for unrestricted access to work papers of the third party by the

FDIC; and

(3) require that the Management Study be completed and summarized in a written report (Management Report) and delivered to the Bank within 120 days of the Deputy Regional Director's non-objection to the proposed engagement letter or contract, with a copy delivered simultaneously to the Deputy Regional Director for review and non-objection.

(b) At a minimum, the Management Report must:

(1) identify the type and number of directors needed to manage and supervise the affairs of the Bank in a safe and sound manner, including, but not limited to, those necessary to ensure the Bank's complete and timely compliance with this ORDER, the BSA, and the Bank's AML/CFT Program, detailing any vacancies and additional needs with appropriate consideration to any statutory or regulatory requirements as well as the size and complexity of the Bank,

(2) identify the type and number of AML/CFT Personnel positions, noting the responsibilities attributable to each position, needed for complete and timely compliance with this ORDER, the BSA, and the Bank's AML/CFT Program detailing any vacancies and additional needs and provide a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each position, including delegations of authority, reporting lines, and performance objectives;

(3) evaluate whether existing or future directors and any AML/CFT Personnel should have written employment agreements or other written commitments specifying their duties and responsibilities to the Bank; reporting and communication lines; performance and evaluation standards; and/or compensation and, if so, recommend actions to be taken to ensure appropriate written employment agreements are executed and/or other written commitments are in place;

(4) recommend actions to be taken to retain and/or recruit qualified directors and AML/CFT Personnel; and

(5) recommend any additional training and development needs of the Bank not specifically identified and required by this ORDER, as well as how such training and development should be provided to the appropriate personnel.

(c) Within 60 days of receipt of the Deputy Regional Director's non-objection to the Management Report, the Bank must develop a written plan of action (Management Plan) in response to each recommendation contained in the Management Report and a time frame for completing each action. The Management Plan and any subsequent modification thereto will be submitted to the Deputy Regional Director for review and non-objection. After receipt of the Deputy Regional Director's non-objection, the Board must, at its next regularly scheduled meeting, adopt the Management Plan or any subsequent modification of the Management Plan with such adoption(s) appropriately reflected in the Board minutes. The Board must ensure that the Management Plan is fully implemented within the specified time frames and, in the event it is not, the Board must advise the Deputy Regional Director in writing of the specific reasons for any deviation or delay in implementing the Management Plan within 30 days of the deviation or delay.

BOARD SUPERVISION

2. The Board must immediately increase its supervision, direction, and oversight of the AML/CFT Personnel and AML/CFT Program; and consistent with the role and expertise expected for directors of banks of comparable size and risk, assume full responsibility for the approval and implementation of sound AML/CFT policies, procedures, and processes reasonably designed to assure and monitor the Bank's compliance with the Bank Secrecy Act, 31 U.S.C.

§ 5311 *et seq.*, 12 U.S.C. § 1829b, 12 U.S.C. §§ 1951-1959 and 12 U.S.C. § 1818(s), and its implementing regulations, 31 C.F.R. chapter X, 12 C.F.R. § 326.8 and 12 C.F.R. part 353 (collectively, the BSA). The Board must also, at a minimum, ensure:

- (a) the deficiencies and weaknesses identified in the 2021 ROE are appropriately addressed;
- (b) complete and timely compliance with this ORDER;
- (c) Board minutes appropriately document all discussions and decisions, including executive sessions of the Board, made in conjunction with the Bank's parent companies, Shinhan Bank and/or Shinhan Financial Group (Parent Companies); and
- (d) Board oversight of all formal and informal communication between the Bank and the Parent Companies.

AML/CFT PROGRAM

3. The Board must ensure that the Bank's written AML/CFT Program is reasonably designed to assure and monitor the Bank's compliance with the BSA. At a minimum, the Board must ensure that the Bank's AML/CFT Program (i) is commensurate with the Bank's money laundering (ML), terrorist financing (TF), and other illicit financial activity risk profile (Risk Profile); (ii) revised to satisfactorily address the AML/CFT-related deficiencies and weaknesses identified in the 2021 ROE; (iii) complies with the requirements of this ORDER; and (iv) includes procedures for monitoring performance and for determining when the AML/CFT Program should be reviewed and revised to ensure that it continues to be reasonably designed to assure and monitor the Bank's compliance with the BSA.

- (a) **Risk Assessment**: Within 90 days from the effective date of this ORDER:

(1) the Bank's assessment of its risk with respect to ML, TF, and other illicit financial activity (Risk Assessment) must accurately identify, evaluate, and document the Bank's Risk Profile with an appropriately detailed qualitative and quantitative analysis of the risk within each identified category and that appropriate risk-mitigating strategies for identified risks are developed after a review of the Bank's products, services, customers, entities, distribution channels, transactions, system alerts, and geographic footprint, as appropriate; and

(2) appropriate written policies, procedures, and processes regarding Risk Assessments must be developed establishing when the Bank's Risk Assessment should be reassessed, what data should be reviewed during the assessment, and what documentation of any reassessments should be retained as appropriate support of the reassessment.

(b) **System of AML/CFT Internal Controls:** Within 180 days from the effective date of this ORDER, the Bank must revise, and then appropriately validate, its system of internal controls to assure ongoing compliance with the BSA (AML/CFT Internal Controls) taking into account the deficiencies and weaknesses identified in the 2021 ROE and the Bank's Risk Assessment, size, structure, and complexity. At a minimum, such system of AML/CFT Internal Controls must include bank specific written policies, procedures, and processes addressing the following areas:

(1) **Monitoring and Reporting:**

(A) The Bank's policies, procedures, processes, and systems for monitoring, detecting, and reporting activity conducted within or through the Bank must ensure the timely, accurate, and complete filing of reports with an appropriate level of documentation and support for Bank management's decisions to file or not to file suspicious activity reports (SARs), currency transaction reports (CTRs), Reports of International Transportation of

Currency or Monetary Instruments, Reports of Foreign Bank and Financial Accounts, or any other similar or related reports required by the BSA (collectively, Required Reports). These policies, procedures, processes, and systems should also ensure that all relevant areas of the Bank are appropriately monitored, including cash transactions, monetary instruments, ACH, ATM transactions, and international and domestic wire transfers; and

(B) policies, procedures, and processes establishing when comprehensive reviews and validations of one or more of the systems used to monitor, detect, and file Required Reports are appropriate and how they will be conducted must be developed. Decisions to adjust or not adjust system parameters as a result of the reviews should be supported through a well-documented analysis with appropriate information consistent with the Bank's AML/CFT Program.

(2) Customer Due Diligence: The Bank must establish and maintain appropriate risk-based policies, procedures, and processes for conducting on-going customer due diligence (CDD) that, at a minimum:

(A) are commensurate with the Bank's Risk Assessment and require an increased focus on customers identified by the Bank as posing a heightened risk of ML, TF or other illicit financial activities;

(B) establish a standardized methodology designed to ensure the risk level of the Bank's customers is appropriately identified and assessed based on the potential for ML, TF, or other illicit financial activity posed by the customer's activities, with consideration given to the nature and purpose of the account, including the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer (Customer Risk Profile);

(C) ensure the Bank has sufficient customer information to understand the nature and purpose of customer relationships for purposes of developing a Customer Risk Profile;

(D) ensure an appropriate level of ongoing monitoring commensurate with Customer Risk Profiles to ensure that the Bank can accurately identify those customers the Bank has reason to believe pose a heightened risk of ML, TF, or other illicit financial activities and require additional due diligence;

(E) establish when and what additional customer information will be collected for customers the Bank has identified as posing a heightened risk of ML, TF, or other illicit financial activities, taking into account the Customer Risk Profile and the specific risks posed by the customer;

(F) establish whether and when customer information, including information regarding the beneficial owner(s) of legal entity customers, should be updated to ensure that customer information is current and accurate;

(G) establish standards for conducting and documenting analysis associated with the due diligence process, including guidance for resolving issues when insufficient or inaccurate information is obtained;

(H) establish specific staff responsibilities, including who is responsible for reviewing and/or authorized to approve changes to Customer Risk Profiles or CDD information;

(I) establish processes to appropriately address any backlogs and better ensure the timely identification and accurate reporting of known or suspected criminal

activity, as required by the suspicious activity reporting provisions of part 353 of the FDIC's Rules and Regulations, 12 C.F.R. part 353; and

(J) establish processes to develop and make available to all appropriate departments within the Bank the risk rating of all high-risk customers, which risk rating will be applicable across all related accounts of a high risk customer.

(c) **AML/CFT Officer and Resources:** Within 90 days from the effective date of this ORDER, the Bank must have a designated individual or individuals (AML/CFT Officer) responsible for coordinating and monitoring day-to-day compliance with the BSA with (i) qualifications commensurate with the size and complexity of the Bank's activities and operations; (ii) sufficient delegated authority; and (iii) an adequate level of appropriate resources (monetary, physical, and personnel) to assure compliance with the BSA and effectively administer the AML/CFT Program. In addition and at a minimum, the Bank must:

(1) develop policies, procedures, and processes requiring the periodic, but not less than annual, review and analysis of whether the Bank's AML/CFT-related resources (monetary, physical, and personnel) are adequate and appropriate. These reviews must, at a minimum, consider the Bank's current size and growth plans, geographic areas served, products and services offered and planned for offering; changes in the BSA; the Bank's current Risk Assessment and Risk Profile; and any related deficiencies and weaknesses identified in a Report of Examination, Visitation letter, or regulatory letter responding to the Bank's Progress Report;

(2) have and maintain an adequate level of AML/CFT-related resources, including a qualified AML/CFT Officer and AML/CFT personnel, to implement the AML/CFT Program and ensure compliance with the BSA;

(3) delegate sufficient authority to its designated AML/CFT Officer to effectively coordinate, monitor, and ensure compliance with the BSA and the proper and timely filings of SARs, CTRs, and any other Required Reports; and

(4) require the AML/CFT Officer to report directly to the Board with regard to matters related to the BSA.

(d) **Training:** Within 180 days from the effective date of this ORDER, the Bank must take all necessary steps, consistent with sound banking practices, to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA applicable to the individual's specific responsibilities to assure the Bank's ongoing compliance with the BSA and develop, adopt, and implement effective training programs designed for the Board, Bank management, and staff and their specific compliance responsibilities on all relevant aspects of laws, regulations, and Bank policies, procedures, and processes relating to the BSA (Training Program). The Training Program must, at a minimum, include:

(1) an overview of the BSA for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

(2) training on the Bank's AML/CFT policies, procedures, and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

(3) a requirement that the Bank fully document the training of each employee, including the designated AML/CFT Officer, with respect to AML/CFT policies, procedures, and processes; and

(4) a requirement that training in these areas be conducted as appropriate, but at least annually.

VALIDATION OF SUSPICIOUS ACTIVITY MONITORING SYSTEM

4 (a) Within 90 days from the effective date of this ORDER, the Bank must ensure that a validation of the Bank's suspicious activity monitoring system(s) (Validation Review) has been completed and the findings of the Validation Review are reflected in a written report (Validation Report). The Validation Review must, at a minimum, consider the deficiencies and weaknesses identified in the 2021 ROE regarding the Bank's suspicious activity monitoring system(s) and include testing of the effectiveness of established filtering criteria and thresholds and ensuring that the system(s) appropriately detects potentially suspicious activity and appropriately addresses identified deficiencies and weaknesses and the Validation Report must be submitted to the Deputy Regional Director for review and non-objection.

(b) The Bank must have satisfactory policies and procedures to ensure that testing of the effectiveness of the Bank's suspicious activity monitoring system(s) is performed as part of internal or external audit reviews and that the testing results are available for review by the FDIC at subsequent visitations and examinations.

LOOK BACK REVIEW

5. (a) Within 60 days from the effective date of this ORDER, the Bank must submit a proposed engagement letter or contract for review and non-objection to retain a qualified firm acceptable to the Deputy Regional Director to conduct a review of all accounts and transaction activity for the time period beginning September 1, 2020, through the effective date of this ORDER to determine whether reportable transactions and suspicious activity involving any accounts or transactions within or through the Bank were properly identified and reported in

accordance with the applicable reporting requirements (Initial Look Back Review). The Initial Look Back Review engagement letter or contract must, at a minimum:

(1) describe the work to be performed under the engagement letter or contract with a written protocol of such work;

(2) provide for unrestricted access to work papers of the third party by the FDIC; and

(3) require that the Initial Look Back Review be completed and summarized in a written report (Initial Look Back Report) and delivered to the Bank within 120 days of the Deputy Regional Director's non-objection to the proposed engagement letter or contract, with a copy delivered simultaneously to the Deputy Regional Director for review and non-objection. Within 30 days of delivery of the Initial Look Back Report the Bank must prepare and file any additional SARs and CTRs necessary based upon the Initial Look Back Review and Report and provide a schedule of the BSA Identification Numbers assigned to them by Financial Crime Enforcement Network (FinCEN) to the Deputy Regional Director.

(b) The Deputy Regional Director may, in his or her sole discretion, after reviewing the results of the Initial Look Back Review, provide written notification (Additional Look Back Review Notification) to the Bank requiring the review of all accounts and transaction activity from June 13, 2017, to August 31, 2020, by either the firm selected to do the Initial Look Back Review or another qualified firm proposed by the Bank and acceptable to the Deputy Regional Director (Additional Look Back Review Firm) to determine whether reportable transactions and suspicious activity involving any accounts or transactions within or through the Bank were properly identified and reported in accordance with the applicable reporting requirements (Additional Look Back Review). The Bank must

submit a proposed engagement letter or contract for the Additional Look Back Review to the Deputy Regional Director for review and non-objection within the timeframe established in the Additional Look Back Review Notification. The Additional Look Back Review engagement letter or contract must, at a minimum:

(1) describe the work to be performed under the engagement letter or contract with a written protocol of such work;

(2) provide for unrestricted access to work papers of the third party by the FDIC; and

(3) require that the Additional Look Back Review be completed and summarized in a written report (Additional Look Back Report) and delivered to the Bank within 120 days of the Deputy Regional Director's non-objection to the proposed engagement letter or contract for the Additional Look Back Review, with a copy delivered simultaneously to the Deputy Regional Director for review and non-objection. Within 30 days of delivery of the Additional Look Back Report the Bank must prepare and file any additional SARs and CTRs necessary based upon the Additional Look Back Review and Report and provide a schedule of the BSA Identification Numbers assigned to them by Financial Crime Enforcement Network (FinCEN) to the Deputy Regional Director.

CORRECTION OF VIOLATIONS

6. The Bank must take all steps necessary, consistent with other provisions of this ORDER and sound banking practices, to eliminate and/or correct any unsafe or unsound banking practices and any violations of law or regulations cited in the 2021 ROE. The Bank must also take all steps necessary to ensure future compliance with all applicable laws and regulations.

DIRECTORS' AML/CFT COMMITTEE

7. Within 30 days from the effective date of this ORDER, the Board must provide the Deputy Regional Director with the names of the Bank's directors comprising its AML/CFT compliance committee (AML/CFT Compliance Committee). The AML/CFT Compliance Committee must be comprised of directors acceptable to the Deputy Regional Director with a majority of directors not having been and not being involved in the daily operations of the Bank. The AML/CFT Compliance Committee must ensure the Bank's complete and timely compliance with this ORDER, the BSA, and the Bank's AML/CFT Program. The AML/CFT Compliance Committee must ensure that it receives comprehensive monthly reports from the AML/CFT Officer regarding the status of the Bank's compliance with this ORDER, the BSA, and the Bank's AML/CFT Program. The AML/CFT Compliance Committee must present a written report to the Board, at each regularly scheduled Board meeting regarding the Bank's compliance with this ORDER, the BSA, and the Bank's AML/CFT Program. This report must be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records. It will remain the responsibility of the full Board to ensure the Bank's complete and timely compliance with this ORDER, the BSA, and, the Bank's AML/CFT Program.

PROGRESS REPORTS

8. Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Board must furnish written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER to the Deputy Regional Director. All progress reports and other written responses to this ORDER must be reviewed and approved by the Board and be made a part of the Board minutes.

SHAREHOLDER DISCLOSURE

9. Within 30 days from the effective date of this ORDER, the Board must provide its parent holding company, Shinhan Bank, with either an accurate and complete description of all material aspects of the ORDER or a copy of the ORDER.

OTHER ACTIONS

10. The provisions of this ORDER do not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

The provisions of this ORDER are binding on the Bank, its institution-affiliated parties, and any successors and assigns thereof.

This ORDER is effective on the date of issuance, and its provisions will remain effective and enforceable until and unless is modified, terminated, suspended, or set aside in writing by the FDIC.

Issued Under Delegated Authority this 13th day of October, 2022.

By:

/s/

Jessica A. Kaemingk
Deputy Regional Director
New York Region
Federal Deposit Insurance Corporation