

FINANCIAL INSTITUTIONS ADVISORY & FINANCIAL REGULATORY | July 20, 2016

NYS Department of Financial Services Outlines Requirements for Transaction Monitoring and Filtering Programs of NY State-Licensed Institutions

On June 30, 2016, the New York State Department of Financial Services (“**NYSDFS**”) adopted a final regulation outlining the attributes of a risk-based transaction monitoring and filtering program that certain New York State-licensed institutions will be required to maintain (the “**Final Rule**”).¹ The Final Rule includes several notable departures from the proposal that was issued by the NYSDFS on December 1, 2015 (the “**Proposed Rule**”). The Final Rule, which is the first significant rulemaking to be finalized under the direction of the new Superintendent of Financial Services, Maria T. Vullo, is another example of the NYSDFS asserting its role in establishing standards for compliance by banks with anti-money laundering, terrorist financing and sanctions laws.

The NYSDFS promulgated the Final Rule in response to shortcomings identified in the course of its investigations into Bank Secrecy Act/Anti-Money Laundering (“**BSA/AML**”) and Office of Foreign Assets Control (“**OFAC**”) compliance at supervised institutions. It attributed these shortcomings to a lack of robust governance, oversight and accountability at senior levels. The Proposed Rule followed a series of record-setting fines and significant enforcement actions against financial institutions for violations of BSA/AML and OFAC laws and regulations. Like the Proposed Rule, the Final Rule requires covered institutions to:

- Maintain a transaction monitoring program for potential BSA/AML violations and suspicious activity reporting;
- Maintain a filtering program to prevent transactions that are prohibited by OFAC; and,
- Submit annually to the NYSDFS a confirmation regarding compliance with the Final Rule’s transaction monitoring and filtering program requirements.

The Final Rule makes several notable changes from the Proposed Rule. Perhaps most significantly, and in recognition of serious concerns raised during the comment period, the Final Rule does not include the proposed annual certification by the institution’s chief compliance officer attesting to a covered institution’s compliance with the regulation, nor does it include a reference to criminal penalties for filing an incorrect or false certification. Instead, the Final Rule requires an annual board resolution or senior officer compliance finding confirming that the covered institution is in compliance with the Final Rule “to the best of the [board’s or the individual’s] knowledge.”

¹ 3 N.Y.C.R.R. Part 504. The Final Rule as published in the *New York State Register*, is available at

<http://docs.dos.ny.gov/info/register/2016/july20/pdf/rulemaking.pdf>.

The Final Rule introduces a “reasonably designed” standard into the transaction monitoring and filtering program that an institution must establish. In addition, the Final Rule’s filtering program is limited to compliance with OFAC regulations in contrast to the Proposed Rule’s broader scope. A blackline of the Final Rule against the Proposed Rule is included as **Appendix A**.

Observations

- The NYSDFS has stated that the Final Rule is not intended to change the substantive requirements with which regulated institutions must comply, but rather to create a more “granular framework” in implementing and maintaining a program for compliance.

One issue to watch is whether the compliance systems banks currently have in place will be deemed sufficient for the purposes of the Final Rule. Notably, unlike the Final Rule, federal regulations do not require the filing of an annual resolution or finding. Federal law does require that a board of directors-designated, qualified BSA officer be responsible for ensuring overall BSA compliance, and that each bank have a written compliance program that is approved by the bank’s board of directors.

- The transaction monitoring program requires regulated institutions to monitor transactions *after* they have been processed, while the purpose of the filtering program is interdiction. It is unclear in respect of the transaction monitoring program how long after a transaction an institution would be required to monitor to ensure compliance with BSA/AML requirements and whether intervening information would be part of the monitoring.
- The Final Rule includes various standards and requirements where the meaning is ambiguous and subjective. This could make compliance difficult and uncertain, especially in light of the intense regulatory enforcement of similar regulations.
- The Final Rule is another example of the NYSDFS taking an assertive role in its regulation of New York-licensed financial institutions. While many of the requirements of the Final Rule were measures that large New York-licensed financial institutions were already taking, deficiencies observed by the NYSDFS would typically be handled through the supervisory process. The implementation of a separate regulation suggests the NYSDFS’s desire to take on a more significant enforcement role in the area of BSA/AML and sanctions compliance.
- The Final Rule was issued under the authority of New York Banking Law (“**NYBL**”) § 37 which allows the NYSDFS to require special reports from licensed institutions. The Proposed Rule included a citation to NYBL § 672, a statute which states that “any officer, director, trustee, employee or agent of any corporation” who makes a false entry in any book, report or statement with intent to deceive is guilty of a felony, but the Final Rule deleted the citation to section 672.
 - Given the high priority paid to enforcement of these rules, bank personnel should still remain aware of the possibility of criminal prosecution. Even though the Final Rule does not explicitly refer to criminal penalties and the citation to section 672 was deleted, the NYSDFS had stated that if a program is not reasonably designed and if the compliance finding is not based on a review of necessary documents and materials,

and if the compliance finding was made with intent to deceive, then the certifying individual(s) may be subject to criminal penalties.

However, there is a clear intent element to NYBL § 672, and therefore it should be difficult to prosecute a senior officer or board of directors who signs a Resolution/Finding mistakenly, but with no intent to deceive.

Scope and Effective Date

The Final Rule applies to all “**Regulated Institutions**,” which includes all banks, trust companies, private bankers, savings banks and savings and loan associations chartered under the New York Banking Law, New York-licensed branches and agencies of foreign banking corporations, as well as New York-licensed check cashers and money transmitters. The Final Rule does not appear to apply to the representative offices of foreign banks, although representative offices of foreign banks located in New York are subject to the general AML program requirements of Part 116 of NYSDFS banking regulations.

The Final Rule, which was issued as Part 504 of the Superintendent’s Regulations, comes into effect on January 1, 2017. This is a departure from the Proposed Rule that would have come into effect immediately upon finalization.

Annual Board Resolution or Senior Officer Compliance Finding

The Final Rule requires each Regulated Institution to adopt and submit to the Superintendent a board of directors resolution or senior officer compliance finding (“**Resolution/Finding**”) by April 15th of each year. The Resolution/Finding must say that to the best of the knowledge of the individual signing the Resolution/Finding, the transaction monitoring and filtering programs of the Regulated Institution are in compliance with the Final Rule. The first such resolution or finding is due on April 15, 2018. Additionally, each Regulated Institution is required to maintain all records, schedules and data supporting the adoption of the resolution or finding for five years.

- The “Board of Directors” is defined as “the governing board of every Regulated Institution or the functional equivalent if the Regulated Institution does not have a Board of Directors.”
- “Senior Officer(s)” is defined as the “senior individual or individuals responsible for the management, operations, compliance and/or risk of a Regulated Institution including a branch or agency of a foreign banking organization subject to this Part.”

Moreover, the Final Rule requires the Board of Directors or a Senior Officer to “adopt and submit” a Resolution/Finding that states that “to the best of the [board’s or the individual’s] knowledge” the Regulated Institution is in compliance with the Final Rule after reviewing documents, reports, certifications and opinions and taking all steps necessary to confirm that it is in compliance. The text of the Resolution/Finding is attached to the Final Rule. Notably, the requirement to file the Resolution/Finding as written by the NYSDFS appears to be mandatory and, as such, does not explicitly allow an institution to alter the language, though the NYSDFS may be amenable to requests for exceptions.

Penalties

The Proposed Rule explicitly stated that a Certifying Senior Officer who filed an incorrect or false Annual Certification may be subject to criminal penalties. This aspect of the Proposed Rule caused considerable consternation among industry commenters. In an important departure from the Proposed Rule, the Final Rule does

not refer to criminal penalties at all, but instead states that the Final Rule “will be enforced pursuant to, and is not intended to limit, the Superintendent’s authority under any applicable laws.”

The Final Rule’s Requirements

Transaction Monitoring Program

Under the Final Rule, each Regulated Institution is required to maintain a transaction monitoring program “reasonably designed” for the purpose of monitoring transactions after their execution for potential BSA/AML violations and suspicious activity reporting. This system, which may be manual or automated, is required have the following attributes, to the extent they are applicable to the specific Regulated Institution:

- Be based on the risk assessment of the institution;
- Be reviewed and periodically updated at risk-based intervals to take into account and reflect changes to applicable BSA/AML laws, regulations and regulatory warnings, as well as any other information determined by the institution to be relevant from the institution’s related programs and initiatives;
- Appropriately match BSA/AML risks to the institution’s businesses, products, services and customers/counterparties;
- BSA/AML detection scenarios with threshold values and amounts designed to detect potential money laundering or other suspicious or illegal activities;
- End-to-end, pre- and post-implementation testing of the transaction monitoring program, including, as relevant, a review of governance, data mapping, transaction coding, detection scenario logic, model validation, data input and program output;
- Documentation that articulates the institution’s current detection scenarios and their underlying assumptions, parameters and thresholds;
- Protocols setting forth how alerts generated by the transaction monitoring program will be investigated, the process for deciding which alerts will result in a filing or other action, the operating areas and individuals responsible for making such a decision and how the investigative decision-making process will be documented; and
- Be subject to an ongoing analysis to assess the continued relevancy of the detection scenarios, the underlying rules, threshold values, parameters and assumptions.

The Final Rule provides Regulated Institutions with some discretion regarding the program’s contents and update periods. Specifically, it requires that the program be “reasonably designed” and “be reviewed and periodically updated at risk-based intervals” to take into account and reflect changes to applicable BSA/AML laws, regulations and regulatory warnings, as well as any other information determined by the institution to be relevant.

Filtering Program

Each Regulated Institution is also required to maintain a filtering program, which may be manual or automated, that is “reasonably designed” for the purpose of interdicting transactions prohibited by OFAC. Specifically, the Final

Rule requires each Regulated Institution's filtering program to include the following attributes to the extent they are applicable to the specific Regulated Institution:

- Be based on the risk assessment of the institution;
- Be based on technology, processes or tools for matching names and accounts, in each case based on the institution's particular risks, transactions and product profiles;
- End-to-end testing, pre- and post- implementation testing of the filtering program, including, as relevant, a review of data matching, an evaluation of whether the OFAC sanctions list and threshold setting map to the risks of the institution, the logic of matching technology or tools, model validation and data input and program output;
- Documentation that articulates the intent and design of the tools of the filter program tools, processes or technology; and
- Be subject to ongoing analysis to assess the logic and performance of the technology or tools for matching names and accounts, as well as the OFAC sanctions list and the threshold settings to see if they continue to map to the risks of the institution.

The requirements for the filtering program under the Proposed Rule were much broader, and included not only OFAC, but other applicable sanctions lists including politically exposed persons lists and internal watch lists. The Final Rule requires that the filtering program be reasonably designed to interdict prohibited transactions, is limited to transactions prohibited by OFAC, and refers only to the OFAC sanctions list in terms of the applicable compliance requirements.

Data and Governance Requirements

Both the transaction monitoring program and the filtering programs are required to meet a series of data and governance requirements as well, including:

- Identification of all data sources that contain relevant data;
- Validation of the integrity, accuracy and quality of data to ensure that accurate and complete data flows through the transaction monitoring and filtering program;
- Data extraction and loading processes to ensure a complete and accurate transfer of data from its source to automated monitoring and filtering systems, if automated systems are used;
- Governance and management oversight, including policies and procedures governing changes to the transaction monitoring and filtering program to ensure that changes are defined, managed, controlled, reported and audited;
- Vendor selection process if a third-party vendor is used to acquire, install, implement or test the transaction monitoring and filtering program or any aspect of it;
- Funding to design, implement and maintain a transaction monitoring and filtering program that complies with the Final Rule;

- Qualified personnel or outside consultant(s) responsible for the design, planning, implementation, operation, testing, validation and ongoing analysis of the transaction monitoring and filtering program, including automated systems if applicable, as well as case management, review and decision making with respect to generated alerts and potential filings; and
- Periodic training of all stakeholders with respect to the transaction monitoring and filtering program.

The Final Rule also requires institutions that have identified areas, systems or processes that require material improvement, updating or redesign to document the identification and the remedial efforts planned and underway to address such areas, systems or processes, and that such documentation be available for inspection by the NYSDFS.

The Proposed Rule would have prohibited Regulated Institutions from making changes or alterations to the Program “to avoid or minimize filing suspicious activity reports” or because the institution “does not have the resources to review the number of alerts generated by a Program.” The Final Rule removes this prohibition and instead requires that institutions identify areas systems or processes that require material improvement and document the identification and remedial efforts planned and underway to address such areas. Of course, regulators can be expected to criticize changes to programs that are made solely to minimize reporting and compliance requirements due solely to a lack of compliance resources.

APPENDIX A: Blackline of Proposed Rule and Final Rule*

~~PROPOSED RULE MAKING
NO HEARING(S) SCHEDULED~~
NOTICE OF ADOPTION

Regulating Transaction Monitoring and Filtering Systems Maintained by Banks, Check Cashers and Money Transmitters

I.D. No. DFS-50-15-00004-~~PA~~

Filing No. 629

Filing Date: 2016-06-30

Effective Date: 2017-01-01

PURSUANT TO THE PROVISIONS OF THE State Administrative Procedure Act, NOTICE is hereby given of the following ~~proposed rule~~action:

~~Proposed Action taken~~: Addition of Part 504 to Title 3 NYCRR.

Statutory authority: Banking Law, ~~sections~~section 37(3), and (4) ~~and 672~~; Financial Services Law, section 302

Subject: Regulating Transaction Monitoring and Filtering Systems maintained by banks, check cashers and money transmitters.

Purpose: To ~~improve efficiency and transparency in the mortgage banker and mortgage broker licensing process, ensure that the financial system is not used for purposes of money laundering or other suspicious activities, terrorist financing, or sanctions violations.~~

Text of ~~proposed~~ final rule: Part 504

Banking Division Transaction Monitoring and Filtering Program Requirements and Certifications

§ 504.1 Background.

The Department of Financial Services (the “Department”) has ~~recently~~ been involved in ~~a number of~~ investigations into compliance by Regulated Institutions, as defined below, with applicable Bank Secrecy Act/Anti-Money Laundering laws and regulations¹ (“BSA/AML”) and Office of Foreign Assets Control of the Treasury Department (“OFAC”)² requirements implementing federal economic and trade sanctions.³

As a result of these investigations, the Department ~~has become aware of the~~ identified shortcomings in the transaction monitoring and filtering programs of these institutions ~~and that attributable to~~ a lack of robust governance, oversight, and accountability at senior levels ~~of these institutions has contributed to these shortcomings. The~~ Based on not only this experience, but also its regular examinations for safety and soundness, along with other factors, the Department has reason to believe ~~s~~ that ~~other~~ financial institutions ~~may also~~ have shortcomings in their transaction monitoring ~~programs for monitoring transactions for suspicious activities, and watch list filtering programs, for “real-time” interdiction or stopping of transactions on the basis of watch lists, including OFAC or other sanctions lists, politically exposed persons lists, and internal watch lists.~~

* Blackline of Proposed Rule as published in the *New York State Register* on December 16, 2015 and the Final Rule as published in the *New York State Register* on July 20, 2016.

¹ With respect to federal laws and regulations, see 31 U.S.C. § 5311, et seq. and 31 CFR Chapter X. For New York State regulations, see Part 115 (3 NYCRR 115), Part 116 (3 NYCRR 116), Part 416 (3 NYCRR 416) and Part 417 (3 NYCRR 417).

² 31 CFR part 501 et seq.

³ For information regarding the United States Code, the Code of Federal Regulations and the Federal Register, see Supervisory Policy G-1.

~~To address these deficiencies~~ As a result, the Department has determined to clarify the required attributes of a Transaction Monitoring and Filtering Program and to require ~~a Certifying Senior Officer, as defined below, of Regulated Institutions, to file Annual Certifications, in the form set forth herein, regarding compliance by their institutions with the standards described in this Part. that the Board of Directors or Senior Officer(s), as applicable, of each Regulated Institution submit to the Superintendent annually a Board Resolution or Compliance Finding, as defined in this Part, confirming the steps taken to ascertain compliance by the Regulated Institution with this Part.~~

This regulation implements these requirements.

§ 504.2 Definitions.

The following definitions apply in this Part:

(a) “Annual ~~Certification~~ Board Resolution or Senior Officer Compliance Finding” means ~~a certification board resolution or senior officer(s) finding~~ in the form set forth in Attachment A.

(b) “Bank Regulated Institutions” means all banks, trust companies, private bankers, savings banks, and savings and loan associations chartered pursuant to the New York Banking Law (the “Banking Law”) and all branches and agencies of foreign banking corporations licensed pursuant to the Banking Law to conduct banking operations in New York.

(c) ~~“Certifying Senior Officer” means the institution’s chief compliance officer or their functional equivalent.~~ “Board of Directors” means the governing board of every Regulated Institution or the functional equivalent if the Regulated Institution does not have a Board of Directors.

(d) “Nonbank Regulated Institutions” shall mean all check cashers and money transmitters licensed pursuant to the Banking Law.

(e) “Regulated Institutions” means all Bank Regulated Institutions and all Nonbank Regulated Institutions.

(f) “Risk Assessment” means an on-going comprehensive risk assessment, including an enterprise wide BSA/AML risk assessment, that takes into account the institution’s size, staffing, governance, businesses, services, products, operations, customers, counterparties, other relations and their locations, as well as the geographies and locations of its operations and business relations.

(g) “Senior Officer(s)” shall mean the senior individual or individuals responsible for the management, operations, compliance and/or risk of a Regulated Institution including a branch or agency of a foreign banking organization subject to this Part.

(gh) “Suspicious Activity Reporting” means a report required pursuant to 31 U.S.C. § 5311 et seq. that identifies suspicious or potentially suspicious or illegal activities.

~~(h)~~ “Transaction Monitoring Program” means a program that includes the attributes specified in Subdivisions (a), (c) and (d) of Section 504.3.

~~(i)~~ ~~“Watch List-Filtering Program”~~ means a program that includes the attributes specified in Subdivisions (b), (c) and (d) of Section 504.3.

(k) “Transaction Monitoring and Filtering Program” means a Transaction Monitoring Program, and a ~~Watch List~~ Filtering Program, collectively.

§ 504.3 Transaction Monitoring and Filtering Program Requirements.

(a) Each Regulated Institution shall maintain a Transaction Monitoring Program reasonably designed for the purpose of monitoring transactions after their execution for potential BSA/AML violations and Suspicious Activity Reporting, which system may be manual or automated, and which shall, ~~at a minimum~~ include the following attributes, to the extent they are applicable:

1. be based on the Risk Assessment of the institution;
2. be reviewed and periodically updated at risk-based intervals to take into account and reflect ~~all current changes to applicable~~ BSA/AML laws, regulations and ~~alerts regulatory warnings~~, as well as any ~~relevant other~~ information ~~available determined by the institution to be relevant~~ from the institution's related programs and initiatives, ~~such as "know your customer due diligence", "enhanced customer due diligence" or other relevant areas, such as security, investigations and fraud prevention;~~
3. ~~map~~ appropriately match BSA/AML risks to the institution's businesses, products, services, and customers/counterparties;
4. ~~utilize~~ BSA/AML detection scenarios ~~that are based on the institution's Risk Assessment~~ with threshold values and amounts ~~set~~ designed to detect potential money laundering or other suspicious or illegal activities;
5. ~~include an~~ end-to-end, pre-and post-implementation testing of the Transaction Monitoring Program, including, as relevant, a review of governance, data mapping, transaction coding, detection scenario logic, model validation, data input and Program output, ~~as well as periodic testing;~~
6. ~~include easily understandable~~ documentation that articulates the institution's current detection scenarios and the underlying assumptions, parameters, and thresholds;
7. ~~include investigative~~ protocols detailing setting forth how alerts generated by the Transaction Monitoring Program will be investigated, the process for deciding which alerts will result in a filing or other action, ~~who is the operating areas and individuals~~ responsible for making such a decision, and how the investigative and decision-making process will be documented; and
8. be subject to an on-going analysis to assess the continued relevancy of the detection scenarios, the underlying rules, threshold values, parameters, and assumptions.

(b) Each Regulated Institution shall maintain a ~~Watch List~~ Filtering Program ~~for the purpose of interdicting transactions, before their execution, that are prohibited by applicable sanctions, including OFAC and other sanctions lists, and internal watch lists, which system,~~ which may be manual or automated, reasonably designed for the purpose of interdicting transactions that are prohibited by OFAC, and which shall, ~~at a minimum~~, include the following attributes, to the extent applicable:

1. be based on the Risk Assessment of the institution;
2. be based on technology, processes or tools for matching names and accounts⁴, in each case based on the institution's particular risks, transaction and product profiles;

⁴ The technology used in this area ~~by some firms is~~ may be based on automated tools that develop matching algorithms, such as those that use various forms of so-called "fuzzy logic" and culture-based name conventions to match names. This regulation does not mandate the use of any particular technology, only that the system or technology used must be ~~adequate to capture~~ reasonably designed to identify prohibited transactions.

3. ~~include an~~ end-to-end, pre- and post-implementation testing of the ~~Watch List~~ Filtering Program, including as relevant, a review of data ~~mapping~~ matching, an evaluation of whether the ~~watch lists~~ OFAC sanctions list and threshold settings map to the risks of the institution, the logic of matching technology or tools, model validation, and data input and ~~Watch List Filtering~~ Program output;

4. ~~utilizes watch lists that reflect current legal or regulatory requirements;~~

~~5~~4. be subject to on-going analysis to assess the logic and performance of the technology or tools for matching names and accounts, as well as the ~~watch lists~~ OFAC sanctions list and the threshold settings to see if they continue to map to the risks of the institution; and

~~6~~5. ~~include easily understandable~~ documentation that articulates the intent and ~~the~~ design of the Filtering Program tools, processes or technology.

(c) Each Transaction Monitoring and Filtering Program shall, ~~at a minimum,~~ require the following to the extent applicable:

1. identification of all data sources that contain relevant data;
2. validation of the integrity, accuracy and quality of data to ensure that accurate and complete data flows through the Transaction Monitoring and Filtering Program;
3. data extraction and loading processes to ensure a complete and accurate transfer of data from its source to automated monitoring and filtering systems, if automated systems are used;
4. governance and management oversight, including policies and procedures governing changes to the Transaction Monitoring and Filtering Program to ensure that changes are defined, managed, controlled, reported, and audited;
5. vendor selection process if a third party vendor is used to acquire, install, implement, or test the Transaction Monitoring and Filtering Program or any aspect of it;
6. funding to design, implement and maintain a Transaction Monitoring and Filtering Program that complies with the requirements of this Part;
7. qualified personnel or outside consultant(s) responsible for the design, planning, implementation, operation, testing, validation, and ongoing analysis, of the Transaction Monitoring and Filtering Program, including automated systems if applicable, as well as case management, review and decision making with respect to generated alerts and potential filings; and
8. periodic training of all stakeholders with respect to the Transaction Monitoring and Filtering Program.

(d) ~~No~~ To the extent a Regulated Institution ~~may make changes or alterations to the Transaction Monitoring and Filtering Program to avoid or minimize filing suspicious activity reports, or because the institution does not have the resources to review the number of alerts generated by a Program established pursuant to the requirements of this Part, or to otherwise avoid complying with regulatory requirements~~ has identified areas, systems, or processes that require material improvement, updating or redesign, the Regulated Institution shall document the identification and the remedial efforts planned and underway to address such areas, systems or processes. Such documentation must be available for inspection by the Superintendent.

§ 504.4 Annual ~~Certification~~ Board Resolution or Senior Officer(s) Compliance Finding.

To ensure compliance with the requirements of this Part, each Regulated Institution shall adopt and submit to the ~~Department by April 15th of each year~~ Certifications duly executed by its Certifying Senior Officer ~~Superintendent a~~ Board Resolution or Senior Officer(s) Compliance Finding in the form set forth in Attachment A by April 15th of each year. Each Regulated Institution shall maintain for examination by the Department all records, schedules and data supporting adoption of the Board Resolution or Senior Officer(s) Compliance Finding for a period of five years.

§ 504.5 Penalties/Enforcement Actions.

~~All Regulated Institutions shall be subject to all applicable penalties provided for by the Banking Law and the Financial Services Law for failure to maintain a Transaction Monitoring Program, or a Watch List Filtering Program complying with the requirements of this Part and for failure to file the Certifications required under Section 504.4 hereof. A Certifying Senior Officer who files an incorrect or false Annual Certification also may be subject to criminal penalties for such filing.~~

This regulation will be enforced pursuant to, and is not intended to limit, the Superintendent's authority under any applicable laws.

§ 504.6 Effective Date.

This Part shall be effective ~~immediately. It shall apply to all State fiscal years beginning with the Fiscal Year starting on April 1, January 1, 2017.~~ Regulated Institutions will be required to prepare and submit to the Superintendent Annual Board Resolutions or Senior Officer(s) Compliance Findings under § 504.4 commencing April 15, 2018.

ATTACHMENT A

(Regulated Institution Name)
APRIL 15, 20____

Annual ~~Certification~~Board Resolution or Senior Officer(s) Compliance Finding For Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Asset Control Transaction Monitoring and Filtering Program

~~Programs~~
to
~~New York State Department of Financial Services~~

~~In~~ Whereas, in compliance with the requirements of the New York State Department of Financial Services (the "Department") that each Regulated Institution maintain ~~a~~ Transaction Monitoring and Filtering Program ~~satisfying all the requirements of Section 504.3 and that a Certifying Senior Officer of a Regulated Financial Institution sign an annual certification attesting to the compliance by such institution with the requirements of Section 504.3, each of the undersigned hereby certifies that they have reviewed, or caused to be reviewed, the transaction Monitoring Program and the Watch List Program (the "Programs")~~ in compliance with Section 504.3; and

Whereas, Section 504.4 requires that the Board of Directors or a Senior Officer(s), as appropriate, adopt and submit to the Superintendent a Board Resolution or Senior Officer Compliance Finding confirming its or such individual's findings that the Regulated Institution is in compliance with Section 504.3 of this Part 504;

NOW, THEREFORE, the Board of Directors or Senior Officer certifies:

(1) The Board of Directors (or name of Senior Officer(s)) has reviewed documents, reports, certifications and opinions of such officers, employees, representatives, outside vendors and other individuals or entities as necessary to adopt this Board Resolution or Senior Officer Compliance Finding;

(2) The Board of Directors or Senior Officer(s) has taken all steps necessary to confirm that (name of Regulated Institution) has a Transaction Monitoring and Filtering Program that complies with the provisions of Section 504.3; and

(3) To the best of the (Board of Directors) or (name of Senior Officer(s)) knowledge, the Transaction Monitoring and the Filtering Program of (name of Regulated Institution) as of (date of the ~~Certification~~ Board Resolution or Senior Officer(s) Compliance Finding) for the year ended (year for which ~~certification~~ Board Resolution or Compliance Finding is provided) and hereby certifies that the Transaction Monitoring and Filtering Program complies with all the requirements of Section 504.3.

~~By signing below, the undersigned hereby certifies that, to the best of their knowledge, the above statements are accurate and complete.~~

Signed by each member of the Board of Directors or Senior Officer(s)

(Name) _____ Date: _____

~~Chief Compliance Officer or equivalent~~

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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