CONSENT ORDER UNDER
NEW YORK BANKING LAW §§ 39, 44 and 605

The New York State Department of Financial Services (the “Department”), Habib Bank Limited, and the New York Branch of Habib Bank Limited (the “New York Branch”) (together, “Habib Bank” or “the Bank”) are willing to resolve the matters described herein without further proceedings.

WHEREAS, Habib Bank is an international banking institution with assets totaling approximately $24 billion and is licensed by the Department to operate a foreign branch in New York State;

The Department finds as follows:

Introduction

This Consent Order addresses the circumstance where a banking institution, Habib Bank and its New York Branch, has failed to comply with New York laws and regulations designed to combat money laundering, terrorist financing, and other illicit financial transactions. Due to serious failures in the bank’s anti-money laundering compliance function and its processes to screen out prohibited transactions, Habib Bank, through its New York Branch, has facilitated transactions that pose a grave threat to the people of this State and the financial system as a whole. Among other things, Habib Bank, through its New York Branch:
facilitated billions of dollars in transactions with a Saudi private bank, the Al Rajhi Bank, with reported links to al Qaeda, without adequate anti-money laundering and counter-terrorist financing controls;

failed to adequately identify customers of the Al Rajhi Bank that might be using the Al Rajhi account at Habib Bank to transfer funds through New York, thus permitting unsafe "nested activity";

more generally, allowed for at least 13,000 transactions to flow through the New York Branch that potentially omitted information adequate to properly screen for prohibited transactions or transactions with sanctioned countries;

improperly used a "good guy" list — a list of customers who supposedly presented a low risk of illicit transactions — to permit transactions by an identified terrorist, an international arms dealer, an Iranian oil tanker, and other potentially sanctioned persons and entities; and

granted the request of a customer to cancel an instruction to send funds through the New York Branch to a person who was blocked from using the U.S. financial system, so that the instruction could be resent by intentionally omitting the prohibited party's name.

As detailed more fully below, the Department has determined that the Bank's compliance function is dangerously weak. Head Office screening, which the Branch has repeatedly relied on to augment its anti-money laundering safeguards, appears to be as weak as that of the Branch itself -- if not even more inadequate. For these reasons, the Department's most recent compliance examination determined that the Branch should receive the lowest possible rating, a score of "5."

This type of conduct by an institution licensed by the Department cannot and will not be allowed to persist.

The above conclusions arise from an investigation that the Department has been conducting concerning serious deficiencies identified in the New York Branch's program devoted to complying with New York and Federal laws and regulations concerning anti-money laundering ("AML") compliance, including the Bank Secrecy Act ("BSA"). This investigation has been undertaken pursuant to the December 15, 2015 Consent Order among the Department, the Bank and the Branch (the "2015 Consent Order"), which had identified previous significant deficiencies
in the Bank’s BSA/AML compliance. Additionally, the Department conducted an examination of

Although the Bank has been given more than sufficient opportunity to rectify its
deficiencies, it has failed to do so. As set forth below, the Bank has committed violations of New
York laws and regulations; has conducted its business in an unauthorized or unsafe manner; and
has operated in an unsound or unsafe condition to transact its business. This Consent Order ensures
that this misconduct will now cease.

The Department’s Findings After Examination and Additional Investigation

The Bank

1. Habib Bank is a Pakistani Bank headquartered in Karachi. With $1 billion in total
revenues in 2016, and $24 billion in total assets, Habib Bank is Pakistan’s largest bank. Habib
Bank was majority owned by the government of Pakistan until 2004. Presently, the government
has no ownership interest in the Bank, and its shares are publicly traded on the Pakistan Stock
Exchange.

2. The New York Branch has been licensed by the Department since 1978. Habib
Bank established the Branch primarily to offer U.S. dollar clearing services, including funds
transfer, check clearing, and collection, trade finance, overnight sweeps, and corporate term and
employee loans. For the year ending December 31, 2015, the Branch processed correspondent
banking transactions for a total of approximately $287 billion. It is the Bank’s only U.S. branch,
and it has served as an important correspondent for the Bank for a substantial period of time.

The New York Branch’s Extremely Poor Compliance Function

Branch entered into a Written Agreement with the Department and the Federal Reserve Board of
Governors (the “Board”) arising out of significant deficiencies identified within the Bank’s programs intended to maintain compliance with the economic sanctions laws overseen by the U.S. Office of Foreign Assets Control (“OFAC”) and with its BSA/AML compliance (the “2006 Written Agreement”) (attached hereto as Exhibit A).

4. Since 2006, the New York Branch has struggled to comply with the 2006 Written Agreement and the requirements of New York Banking laws and regulations. Repeated breakdowns in the Bank’s BSA/AML and OFAC compliance programs have plagued the Bank. Violations of the 2006 Written Agreement and/or New York Banking law have occurred almost every year since 2006.

5. **The 2015 Consent Order**: Another examination conducted in 2015 by the Department and Board demonstrated that Habib Bank’s compliance function had deteriorated even further. As a consequence, in December 2015, Habib Bank and the New York Branch entered into the 2015 Consent Order with the Department (attached as Exhibit B), along with a parallel Consent Cease and Desist Order with the Board. The 2015 Consent Order required the Branch to undertake extensive remedial actions to comply with New York and federal law.

6. The 2015 Consent Order also required the Bank to engage an independent consultant to conduct a review of the New York Branch’s U.S. dollar clearing transaction activity from October 1, 2014 through March 31, 2015, to determine whether transactions inconsistent with or in violation of OFAC regulations, or suspicious activity involving high risk customers or transactions, facilitated through the New York Branch were properly identified and reported in accordance with OFAC Regulations and suspicious activity reporting regulations (the “Lookback”).
7. Further, Paragraph 7(b) of the 2015 Consent Order provided that the Superintendent, based on the Department’s evaluation of the Lookback results, could (in her sole discretion) expand the scope of the Lookback to additional time periods.

8. **The 2016 Examination.** The Department and the Board jointly conducted another examination in 2016, reviewing information and financial data as of March 31, 2016 (the “2016 Exam”). The Department determined that the New York Branch continued to suffer from severe weaknesses in its risk management and compliance with BSA/AML and OFAC laws. The 2016 Exam noted that Habib Bank had been under either joint or separate enforcement actions by the Department and Board for 10 consecutive examination cycles.

9. The 2016 Exam identified significant weaknesses in the Branch’s risk management capabilities. It also found that, despite the Department’s repeated criticism of the Branch’s performance, management had yet to implement effective controls to mitigate and manage BSA/AML and OFAC risks at the Branch. Overall, serious deficiencies identified by the Department in the 2016 Exam include (without limitation):
   - Insufficient BSA/AML compliance;
   - Insufficient training;
   - Insufficient customer risk ratings, including insufficient risk-based foreign correspondent due diligence;
   - Insufficient documentation for enhanced due diligence customers;
   - Insufficient senior management and head office governance, oversight, and documentation;
   - Lack of evidence for adequate OFAC and sanctions screening;
   - Weaknesses in BSA/AML independent testing and the Branch’s audit program, including weaknesses in the internal audit program’s rating methodology; and
   - Weaknesses in data mapping and integrity.

10. The 2016 Exam further discovered 855 “batch-waived” transaction alerts that were cleared by Branch staff without review or rationale for the failure to review the alerts. “Batch
waiver" results when a group of alerts are disposed of summarily, purportedly for a uniform reason. When questioned by the Department’s examiners, the Bank’s management was unable to provide written approval of the batch waive process by Head Office or local management.

11. The 2016 Exam also identified new issues with the OFAC compliance program that relate to the Branch’s compliance with provisions within the 2015 Consent Order, including a lack of evidence of sanctions screening for several financial products offered at the Branch, and new weaknesses related to the internal audit program’s rating methodology.

**The Risky Al Rajhi Bank Relationship**

12. The Branch’s deficiencies are all the more concerning given that one of its largest U.S. dollar clearing accounts has been Al Rajhi Bank ("Al Rajhi"). Al Rajhi is the largest private bank in Saudi Arabia.

13. Previously, Al Rajhi has been linked through negative media to Al Qaeda and terrorism financing. For example, a report released on July 17, 2012 by the U.S. Senate Permanent Subcommittee on Investigations, of the Committee on Homeland Security and Governmental Affairs (the “Senate Report”),\(^1\) stated that,

> After the 9/11 terrorist attack ... evidence began to emerge that Al Rajhi Bank and some of its owners had links to organizations associated with financing terrorism, including that one of the bank’s founders was an early financial benefactor of al Qaeda.

(Senate Report at 189.) The Senate Report goes on to provide significant detail of, among other things, “[a]lleged Al Rajhi links to Terrorism.” (Id. at 194-203.)

14. As such, this Al Rajhi correspondent account presented Habib Bank with a significant risk of being used for terrorist financing and money laundering. Since approximately

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2014, Al Rajhi transactions represent approximately 24 percent of the total number of transactions conducted through the New York Branch.

15. The 2016 Exam identified a range of control deficiencies in the documentation and administration of the Bank's customer due diligence program as a whole and, in particular, for existing foreign correspondent customers, including Al Rajhi. The customer due diligence file did not include sufficient information about Al Rajhi's own customers, or a thorough review of Al Rajhi's expected versus actual transactional activity. The Department's examination concluded that Al Rajhi was engaging in downstream correspondent clearing activities for several of Al Rajhi's own affiliates, particularly the Al Rajhi branches in Malaysia and Jordan.

16. This type of "nesting" activity was unknown to management at the New York Branch, as it was not captured in the customer file, in any correspondence with the customer, nor was the activity triggered by the Branch's transaction monitoring systems.

17. Furthermore, the 2016 Exam determined that bi-weekly calls administered between Branch and Compliance senior management and Al Rajhi senior management for purposes of maintaining compliance were not meaningful. Examiners' review of the minutes and agenda for these calls indicate that they are primarily administrative and do not address current BSA/AML related risks or issues posed by the customer relationship.

18. The 2016 Exam concluded that, overall, Habib Bank and the Branch's management failed to establish an appropriate BSA/AML control environment to manage the Branch's high-risk client base, and that the Branch management's risk appetite substantially exceeds the control measures in place at the Branch.
19. On or about July 10, 2017, the New York Branch terminated its correspondent banking relationship with Al Rajhi – but only after the Department requested that Habib Bank do so.

Additional Findings of the Department’s Investigation

20. The Department’s Investigation has identified significant additional concerns relating to lapses in the Bank’s BSA/AML and OFAC compliance. For example (and without limitation), the investigation has uncovered:

- More than 13,000 transactions with SWIFT payment messages that omitted essential information, such as the identities of the ultimate originator and beneficiary of each transaction; and

- Multiple instances where multiple SWIFT payment messages were improperly aggregated into a single message for processing through the Branch, thereby preventing the Branch from effectively screening these messages for suspicious or prohibited activity.

21. The Department’s investigation also revealed that Head Office completely excluded screening of more than 4,000 transactions, apparently because the parties involved were listed on what is known as a so-called “good guy” list – a list of customers who purportedly have been screened and identified as very low risk. The Department’s investigation determined that a substantial number of parties were improperly included on the Habib Bank “good-guy” list, or that the transactions had other indicia that should have required them to be screened by the Bank.

22. The Department’s investigation determined that transactions went un-reviewed because of inclusion of transacting parties on the good-guy list, but where:

- 154 terms included in Habib Bank’s “good guy” list corresponded to identical entries that were included on the Specially Designated Nationals and Blocked Persons List (the “SDN List”), which is a list of parties prohibited from transactions by the U.S. Treasury Department; and

- terms on the “good-guy” list include prohibited persons and entities identified on the SDN List corresponding to:
  - a transaction that involved the leader of a Pakistani terrorist group;
23. To date, the Department’s investigation has determined that at least $250 million in transactions have flowed through the New York Branch without any screening due to the apparent improper inclusion on the so-called “good guy” list.

24. The Department’s investigation has also identified breakdowns in the Branch’s transaction monitoring processes, including instances where the Branch’s screening terms are wholly insufficient to identify all of the activity the term is intended to identify. One example of this deficiency is the keyword “Embassy of Pakistan,” which failed to identify the payment messages containing the phrase “Pakistan Embassy.”

25. Additionally, the Department’s investigation has uncovered instances where alerts generated by the Branch’s transaction monitoring system were improperly cleared because, while certain factors suggested they might be false positives, other suspicious characteristics warranted escalation for further review by compliance staff, including instructions to withhold the name of a transaction’s beneficiary or other pertinent information.

26. One such instance involved a payment to a Chinese weapons manufacturer that was subject to U.S. non-proliferation sanctions. The Department’s investigation determined that the originals of certain trade finance documents had been altered to conceal that the goods shipped were explosives.

27. Another instance concerned an instruction from a customer of the Bank to cancel a SWIFT payment message to an individual included on the U.S. Treasury Department’s list of blocked persons and entities, in the amount of 11,226,796 Pakistani rupees (approximately
$107,000), so that the message could be re-sent by intentionally omitting the prohibited party’s name.

28. The Department’s investigation further uncovered several payments totaling more than $27,000 that were sent to an account at the Bank’s Head Office associated with an alleged cybercriminal wanted by the Federal Bureau of Investigations (“FBI”). The account holder was charged with wire fraud, identity theft and theft of $50 million on June 29, 2012 in a warrant issued by the U.S. District Court for the District of New Jersey. The account holder was added to the FBI’s Cyber Crimes Most Wanted List in 2012, and was arrested in Pakistan in February 2015. Nevertheless, these payments to the alleged cybercriminal were all cleared through the New York Branch between October 6 and November 28, 2014, despite the widespread availability of this negative information on the account holder.

29. Moreover, this same suspicious account holder opened four of his five accounts after being added to the FBI most wanted list in 2012, including a U.S. dollar account which was opened in April, 2014. The Bank failed to conduct sufficient due diligence in its Know Your Customer (“KYC”) file. Subsequently, when a transaction monitoring alert was generated when one of these transactions amounts exceeded a dollar threshold applied to the account, the New York Branch improperly cleared the alert, finding that the activity did not appear suspicious.

30. Furthermore, a review of Head Office data from Habib Bank found that the same activity involving the account holder was alerted at Head Office specifically because the account holder was on an AML blacklist, resulting from his placement on the FBI Cyber Crimes Most Wanted List in 2012. Nonetheless, this blacklist entry was not used in the course of the New York Branch’s screening process. Moreover, despite the publicly-available nature of the information, a
Head Office analyst improperly ruled the suspicious alert concerning this cybercriminal's transactions as a "false positive" and cleared the alert.

31. Moreover, the Department's investigation has identified nearly 200 additional instances of suspicious activity that were never identified or reported by the Branch. These transactions include a variety of suspicious characteristics, such as (i) payments lacking economic purpose (e.g., a payment to a technology company for leather goods); (ii) instances of structuring; (iii) shell company activity; and (iv) politically exposed person activity. These additional cases sometimes revealed negative media associated with the parties and/or their beneficial owners, including allegations of terrorist financing, black market trading, drug trafficking, smuggling and fraud.

The Notice of Hearing, Expanded Lookback Order and Surrender Order

32. In connection with the Department's investigation in this matter, the Superintendent issued two orders pertaining to Habib Bank and the New York Branch.

33. The Expanded Lookback Order: First, in light of the troubling information developed by the independent consultant during the existing Lookback, the Superintendent exercised her authority on August 24, 2017 to expand the scope of the Lookback as provided for in Paragraph 7(b) of the 2015 Consent Order (the "Expanded Lookback Order") (attached as Exhibit C). The Expanded Lookback Order requires Habib Bank to expand the scope of the Lookback to cover the additional periods of October 1, 2013 through September 30, 2014; and April 1, 2015 through July 31, 2017. The Expanded Lookback Order further requires Habib Bank to continue to engage the independent consultant, previously approved by the Department, to conduct this expanded review.
34. **The Surrender Order:** Also in connection with the Department’s investigation, Habib Bank expressed an interest in surrendering its license to operate the New York Branch. Accordingly, the Department issued a second Order, also on August 24, 2017, that provides for Habib Bank to notify the Department within 30 days of whether it would surrender its license (the “Surrender Order”) (attached as Exhibit D). The Surrender Order imposes a series of conditions upon Habib Bank and the New York Branch pursuant to Banking Law § 605 in connection with the orderly wind down of the affairs of the New York Branch. Among those conditions are the requirement that the Bank engage and pay for an independent consultant of the Department’s selection (in its sole discretion) to assist the Bank in the safe, sound and lawful wind down of the affairs of the New York Branch.

35. The Surrender Order also provides that, should Habib decline to inform the Department that it was voluntarily surrendering its license (as it had expressed it would do), then the Department could seek revocation of that license in a hearing.

36. **The Notice of Hearing:** Simultaneously with issuance of the Expanded Lookback and Surrender Orders, the Department issued a Notice of Hearing and Statement of Charges against Habib Bank and the New York Branch (the “Notice of Charges”). The Notice of Charges set forth more than 53 separate violations of New York laws and regulations committed by Habib Bank and/or the New York Branch, for the period January 1, 2007 to the present. The offenses included violations of New York Banking Law, the 2006 Written Agreement, and the 2015 Consent Order. The hearing was scheduled for September 27, 2017.

**NOW THEREFORE,** to resolve this matter without further proceedings pursuant to the Superintendent’s authority under Sections 39, 44 and 605 of the New York Banking Law, the

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2 The Notice of Charges may be found at [http://www.dfh.ny.gov/about/en/170824a.pdf](http://www.dfh.ny.gov/about/en/170824a.pdf). They are being dismissed as part of this resolution of the enforcement action on consent.
Department, Habib Bank and the New York Branch hereby stipulate and agree to the following terms and conditions:

Violations of Laws and Regulations

37. Habib Bank and the New York Branch failed to maintain an effective and compliant anti-money laundering program and OFAC compliance program, in violation of 3 NYCRR § 116.2.

38. Habib Bank and the New York Branch failed to maintain true and accurate books, accounts, and records reflecting all transactions and actions, in violation of New York Banking Law § 200-c.


40. Habib Bank and the New York Branch violated multiple provisions of the 2006 Written Agreement, which required the Bank, inter alia, to implement and maintain an effective BSA/AML compliance program and transaction monitoring system.

41. Habib Bank and the New York Branch violated multiple provisions of the 2015 Consent Order, which required the Bank, inter alia, to implement and maintain an effective BSA/AML compliance program and transaction monitoring system.

Settlement Provisions

Monetary Payment

42. Habib Bank shall pay a civil monetary penalty pursuant to Banking Law § 44 to the Department in the amount of $225,000,000. Habib Bank shall pay the entire amount within fourteen (14) days of executing this Consent Order.
43. Habib Bank 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 civil monetary penalty paid pursuant to this Consent Order.

**Expansion of the Lookback Pursuant to the 2015 Consent Order**

44. Habib Bank and the New York Branch hereby affirm, acknowledge and agree that (a) they shall fully comply with the Expanded Lookback Order, (b) that Paragraph 7(b) of the 2015 Consent Order shall remain in full force and effect, and that (c) as a result, under the Transaction and OFAC Sanctions Review conducted pursuant to Paragraph 7(b) of the 2015 Consent Order, Habib Bank and the New York Branch shall (i) expand the Transaction and OFAC Review to cover the additional time periods of (A) October 1, 2013 to September 30, 2014; and (B) April 1, 2015 to July 31, 2017; and (ii) continue to engage the Independent third party, previously approved by the Department, to conduct this expanded review until the expanded Transaction and OFAC Review is completed to the satisfaction of the Superintendent.

**Surrender of License and Orderly Wind Down of Affairs of the New York Branch**

45. On August 31, 2017, pursuant to the Surrender Order, Habib Bank and the New York Branch offered, in writing, to surrender to the Department the license to operate the New York Branch. Habib Bank and the New York Branch hereby affirm and acknowledge that they will fully comply with the Surrender Order.

46. The Department will accept the surrender of the license to operate the New York Branch upon fulfillment of the conditions set forth in the Surrender Order and completion, to the satisfaction of the Superintendent, of the orderly wind down of the affairs of the New York Branch pursuant to the requirements of the New York Banking Law.
47. Habib Bank and the New York Branch shall promptly commence the safe, sound and orderly wind down of the affairs of the New York Branch pursuant to New York Banking Law.

48. Habib Bank and the New York Branch shall immediately engage and pay for an independent consultant of the Department’s selection (in its sole discretion) to assist the Bank in the safe, sound and lawful wind down of the affairs of the New York Branch.

49. Habib Bank and the New York Branch shall preserve all documents and information in their possession, custody or control that relates, directly or indirectly, to the affairs, operations or business of the New York Branch until further Order of the Superintendent, inter alia, to facilitate full and complete compliance with the 2015 Consent Order, including, but not limited to, the Transaction and OFAC Sanctions Review conducted pursuant to Paragraph 7(b) of the Consent Order, as well as the terms and conditions of this Consent Order. This paragraph is not intended to modify or alter any other obligation Habib Bank or the New York Branch may have to preserve documents and information pursuant to applicable law.

50. Habib Bank and the New York Branch shall maintain the level of the asset maintenance and asset pledge requirements of the Department currently imposed on the New York Branch. Such asset maintenance and asset pledge requirements shall continue in full force and effect until completion of the orderly wind down of the affairs of the New York Branch to the Department’s satisfaction. Furthermore, no assets or properties, whether real, personal or mixed, and whether tangible or intangible, situated in New York, or wherever situated if constituting part of the business of the New York Branch, shall be transferred or moved out of any such location without the prior written approval of the Department.
Survival of the 2006 Written Agreement

51. Upon completion of the orderly wind down of the affairs of the New York Branch to the satisfaction of the Superintendent, the 2006 Written Agreement shall remain in full force and effect, but with its terms suspended unless and until Habib Bank re-establishes a branch, agency, representative office, or a banking subsidiary within the State of New York.

52. In the event that Habib Bank re-establishes a branch, agency, representative office, or a banking subsidiary within the State of New York, Habib Bank, the New York Branch, and any such branch, agency, representative office, or banking subsidiary shall fully comply with all terms and conditions of the 2006 Written Agreement, which terms and conditions shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Department.

Survival of the 2015 Consent Order:

53. Upon completion of the orderly wind down of the affairs of the New York Branch to the satisfaction of the Superintendent, and with the exception of Paragraph 7(b) of the 2015 Consent Order, as provided in Paragraph 44 above of this Consent Order, the 2015 Consent Order shall remain in full force and effect, but with its terms suspended unless and until Habib Bank re-establishes a branch, agency, representative office, or a banking subsidiary within the State of New York.

54. In the event that Habib Bank re-establishes a branch, agency, representative office, or a banking subsidiary within the State of New York, Habib Bank, the New York Branch, and any such branch, agency, representative office, or banking subsidiary, shall fully comply with all terms and conditions of the 2015 Consent Order, which terms and conditions shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Department.
Waiver of Rights

55. 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

56. This Consent Order is binding on the Department, Habib Bank and the New York Branch, as well as any successors and assigns. This Consent Order does not bind any federal or other state agency or any law enforcement authority.

57. No further action will be taken by the Department against Habib Bank or the New York Branch for the conduct set forth in this Consent Order, provided that the Bank complies with the terms of this Consent Order.

Breach of Consent Order

58. In the event that the Department believes Habib Bank or the New York Branch to be in breach of this Consent Order, the Department will provide written notice to Habib Bank, and the Bank must, within three (3) 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 breach has occurred or, to the extent pertinent, that the breach has been cured.

59. The parties understand and agree that Habib 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 Habib Bank has breached this Consent Order, the Department has all the remedies available to it under New York Banking and Financial Services Laws, as well as any other state or federal law, and may use any evidence available to the Department in any ensuing hearings, notices, or orders. Habib Bank and the New York Branch agree to the binding authority of this Consent Order and every provision hereof.
60. Habib Bank and the New York Branch waive any challenge to jurisdiction or venue in any action or proceeding brought by the Department before any agency, tribunal or court, whether federal or state, to enforce (a) this Order, (b) the 2015 Consent Order, or (c) the 2006 Written Agreement.

**Notices**

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

*For the Department:*

Elizabeth Nochlin, Esq.
New York State Department of Financial Services
One State Street
New York, NY 10004

Hadas Jacobi, Esq.
New York State Department of Financial Services
One State Street
New York, NY 10004

Jeremy Schildcrout, Esq.
New York State Department of Financial Services
One State Street
New York, NY 10004

*For Habib Bank:*

Nausheen Ahmad
Company Secretary and Head of Legal
Habib Bank Limited
HBL Plaza
I. I Chundrigar Road
Karachi, Pakistan

Manochere Alamgir
Country Manager
Habib Bank Limited New York Branch
60 E. 42nd Street, No. 535
New York, NY 10165
Miscellaneous

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

63.e 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 7th day of September, 2017.

HABIB BANK LTD.

By: ______
NAUMAN K. DAR
President and Chief Executive Officer
Habib Bank Limited

HABIB BANK LTD.,
NEW YORK BRANCH

By: ______
MANOCHERI ALAMGIR
Country Manager
Habib Bank Limited New York Branch

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

By: ______
MARIA T. VULLO
Superintendent of Financial Services

By: ______
MATTHEW L. LEVINE
Executive Deputy Superintendent for Enforcement
UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

NEW YORK STATE BANKING DEPARTMENT
NEW YORK, NEW YORK

Written Agreement by and among

HABIB BANK LIMITED
Karachi, Pakistan

HABIB BANK LIMITED
NEW YORK BRANCH
New York, New York

FEDERAL RESERVE BANK OF NEW YORK
New York, New York

and

NEW YORK STATE BANKING DEPARTMENT
New York, New York

WHEREAS, Habib Bank Limited, Karachi, Pakistan (the "Bank"), a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)), and the New York, New York branch of the Bank (the "New York Branch") are taking steps to address deficiencies relating to the New York Branch's compliance with applicable federal and state laws, rules, and regulations relating to anti-money laundering ("AML") policies and procedures, including the Bank Secrecy Act (the "BSA") (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Part 103); the AML requirements of Regulation K of the Board of Governors of the Federal Reserve System (the
WHEREAS, the New York Branch provides correspondent banking services to its respondent banks, including non-U.S. banks and the Bank's non-U.S. branches and affiliates, and also conducts U.S. dollar funds transfer clearing, and examiners have identified compliance and risk management deficiencies at the New York Branch in these operational areas;

WHEREAS, it is the common goal of the Board of Governors, the Federal Reserve Bank of New York, the Department, the Bank, and the New York Branch to ensure that the Bank and the New York Branch fully address all deficiencies in the New York Branch's AML policies and procedures, customer due diligence practices, risk management processes, and internal control environment; and

WHEREAS, on December 7, 2006, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Nauman K. Dar and Faiq Sadiq, respectively, to enter into this Written Agreement (the "Agreement") on behalf of the Bank and the New York Branch, and consenting to compliance by the Bank, the New York Branch, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1813(u) and 1818(b)(4)), with each and every provision of this Agreement.

NOW, THEREFORE, the Reserve Bank, the Department (collectively, the "Supervisors"), the Bank, and the New York Branch hereby agree as follows:
Primary Contact

1. Within 10 days of this Agreement, the Bank and the New York Branch shall designate an officer to be responsible for coordinating and submitting to the Supervisors the written programs, plans, procedures, and engagement letter required under the terms and conditions of this Agreement.

Anti-Money Laundering Compliance

2. Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written BSA/AML compliance program for the New York Branch that is designed to improve the New York Branch’s internal controls to ensure compliance with all applicable provisions of the BSA and the rules and regulations issued thereunder, including the requirements of Regulation K of the Board of Governors (12 C.F.R. § 211.24(j)). The program shall include provisions for updates on an ongoing basis as necessary to incorporate amendments to the BSA and the rules and regulations issued thereunder.

At a minimum, the program shall include:

(a) Improvements to the New York Branch’s system of internal controls for correspondent banking and funds transfer clearing activities, including controls to ensure compliance with all recordkeeping and reporting requirements;

(b) policies and procedures designed to ensure identification and verification of the identity of account holders and transactors in accordance with applicable regulations;

(c) controls designed to ensure compliance with all requirements relating to correspondent accounts for non-U.S. persons, including but not limited to, the prohibition on correspondent accounts for foreign shell banks (31 C.F.R. § 103.177) and special due diligence requirements for certain correspondent accounts (31 C.F.R. § 103.176);
(d) an assessment of legal and reputational risks associated with the New York Branch’s correspondent banking and funds transfer clearing activities; and

(e) adequate resources for the BSA compliance officer, including sufficient staff levels, to implement and maintain an effective program for compliance with all applicable BSA/AML requirements and the institution’s internal policies and procedures.

Suspicious Activity Reporting and Customer Due Diligence

3. Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written customer due diligence program designed to reasonably ensure the identification and timely, accurate, and complete reporting of all known or suspected violations of law against or involving the New York Branch and suspicious transactions at the New York Branch to law enforcement and supervisory authorities as required by applicable suspicious activity reporting laws and regulations. At a minimum, the program shall include:

(a) A methodology for assigning risk levels to the New York Branch’s customer base, including correspondent account holders, that considers factors such as type of customer, type of product or service, and geographic location;

(b) a risk-focused assessment of the New York Branch’s customer base that:

(i) identifies the categories of customers, transactions, and banking activities that are routine and usual; and

(ii) determines the appropriate level of enhanced due diligence necessary for those categories of customers that pose a heightened risk of conducting potentially illicit activities at or through the New York Branch;
(c) 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;

(d) enhancements to the customer identification program to ensure compliance with the requirements of 31 C.F.R. § 103.121 and 12 C.F.R. § 211.24(j)(2);

(e) for correspondent accounts established, maintained, administered, or managed in the United States for a non-U.S. financial institution (including any non-U.S. branch or affiliate of the Bank), procedures that are designed to ensure compliance with applicable due diligence and other requirements (including the provisions of 31 C.F.R. §§ 103.176 and 103.177), and that, at minimum, provide for:

(i) obtaining and maintaining appropriate information about the respondent, its business operations, markets served, customer base, and its AML procedures, particularly with regard to its customer relationships that may present a heightened risk of money laundering or other concerns; and

(ii) ensuring that correspondent banking services provided by the New York Branch are reviewed and approved by appropriate levels of management, and are subject to appropriate ongoing review; and

(f) establishment of procedures and appropriate monitoring criteria to ensure proper detection and reporting of all known or suspected violations of law and suspicious or unusual transactions, including, but not limited to:
(i) effective monitoring of customer accounts and transactions, including transactions conducted through correspondent accounts;
(ii) appropriate participation by New York Branch senior management in the process of identifying, reviewing, and reporting potentially suspicious activity;
(iii) adequate referral of information about potentially suspicious activity through appropriate levels of management, including a policy for determining action to be taken in the event of multiple filings of Suspicious Activity Reports (“SARs”) on the same customer or where a customer fails to provide due diligence information;
(iv) adequate procedures to ensure the timely and complete preparation and filing of SARs and Currency Transaction Reports; and
(v) maintenance of sufficient documentation with respect to the investigation and analysis of suspicious activity, including the resolution and escalation of concerns.

Independent Testing

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

(a) Procedures to evaluate the adequacy and effectiveness of the New York Branch’s compliance with the BSA, the rules and regulations issued thereunder, and all other applicable AML requirements, including monitoring of customer activity to ensure reporting of suspicious activity;
(b) provisions for independent testing to be performed on a regular basis by qualified parties (which may include internal audit) who are independent of the Bank’s and the New York Branch’s business lines and compliance function, provided, however, that the first independent test of the New York Branch’s BSA/AML compliance shall be conducted by a qualified independent firm acceptable to the Supervisors;

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

(d) procedures to ensure that senior Bank and New York Branch management institute and complete appropriate actions in response to the independent testing results; and

(e) procedures to ensure that independent testing results are communicated to the Supervisors on a regular basis and retained for subsequent supervisory review.

Training

5. Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written plan to improve the training of all appropriate personnel at the New York Branch including, but not limited to, correspondent account relationship personnel, employees involved in the funds transfer clearing operations, and customer contact personnel. The training should extend to all aspects of regulatory and internal policies and procedures related to the BSA and the identification and reporting of suspicious transactions and be updated on a regular basis to reasonably ensure that all personnel are trained in the most current legal requirements and the New York Branch’s risk management processes.
Transaction Monitoring System

6. (a) Within 45 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors an acceptable written plan, including a timetable, for the full testing and activation of the New York Branch’s proposed new transaction monitoring system. The plan shall also include a methodology and target date for determining that the transaction monitoring system is effective.

(b) Within 60 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors acceptable written policies and procedures for the monitoring of customer accounts and transactions that are designed to effectively manage legal and reputational risks and ensure compliance with regulatory requirements. The acceptable policies and procedures shall take effect upon the determination by a competent independent outside consultant acceptable to the Supervisors that the new transaction monitoring system is fully effective. Documentation to support the determination that the new transaction monitoring system is fully effective shall be retained for subsequent supervisory review.

Transaction Review

7. (a) Within 30 days of this Agreement, the Bank and the New York Branch shall jointly engage a qualified independent firm (the “Independent Firm”) acceptable to the Supervisors to conduct a review of account and transaction activity for the time period from January 1, 2005 to December 31, 2005 to determine whether suspicious activity involving accounts or transactions at, by, or through the New York Branch was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the “Transaction Review”). The Transaction Review shall encompass all transaction activity including, but not
limited to, funds transfers, cash letters, and international drafts for both customers and non-customers of the New York Branch.

(b) Based on the Supervisors' evaluation of the results of the Transaction Review, the Supervisors may direct the New York Branch to engage the Independent Firm to conduct an additional review for the time period from January 1, 2006 to the date of this Agreement, with the scope and methodology for that time period to be determined in the same manner as described in paragraph 8.

8. Within 10 days of the engagement of the Independent Firm, but prior to the commencement of the Transaction Review, the Bank and the New York Branch shall jointly submit to the Supervisors for approval an engagement letter that sets forth:

(a) The scope of the Transaction Review, including the types of accounts and transactions to be reviewed;

(b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;

(c) the expertise and resources to be dedicated to the Transaction Review;

(d) the anticipated date of completion of the Transaction Review; and

(e) a commitment that any interim reports, drafts, workpapers, or other materials associated with the Transaction Review will be made available to the Supervisors upon request.

9. Upon completion of the Transaction Review, the Bank and the New York Branch shall provide to the Supervisors a copy of the Independent Firm's report detailing the findings of the Transaction Review at the same time that the report is provided to the Bank and the New York Branch.
10. Throughout the Transaction Review, the Bank and the New York Branch 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.

Approval, Implementation, and Progress Reports

11. (a) The Bank and the New York Branch shall jointly submit written programs, plans, policies, procedures, and an engagement letter that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 2, 3, 4, 5, 6, and 8 of this Agreement. An Independent Firm acceptable to the Supervisors shall be retained by the Bank and the New York Branch within the period set forth in paragraph 7(a) of this Agreement.

(b) Within 10 days of approval by the Supervisors, the Bank and the New York Branch shall adopt the approved programs, plans, policies, procedures, and engagement letter. Upon adoption, the Bank and the New York Branch shall implement the approved programs, plans, policies, and procedures and thereafter fully comply with them.

(c) During the term of this Agreement, the approved programs, plans, procedures, and engagement letter shall not be amended or rescinded without the prior written approval of the Supervisors.

12. Within 20 days after the end of each month following the date of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. Management responses to any audit reports covering BSA/AML matters prepared by internal and external auditors shall be included with the progress reports. The Supervisors may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.
Notices

13. All communications regarding this Agreement shall be sent to:

(a) Mr. Daniel Muccia
    Senior Vice President
    Federal Reserve Bank of New York
    33 Liberty Street
    New York, New York 10045

(b) Mr. David S. Friedsall
    Deputy Superintendent
    New York State Banking Department
    One State Street
    New York, New York 10004

(c) Mr. Nauman K. Dar
    Group Executive
    International Banking Group
    Habib Bank UK
    63 Mark Lane
    London EC3R7NQ, England

(d) Mr. Faiq Sadiq
    Senior Vice President and Country Manager
    Habib Bank Limited
    New York Branch
    60 East 42nd Street
    New York, New York 10165

Miscellaneous

14. The provisions of this Agreement shall be binding on the Bank, the New York Branch, and each of their institution-affiliated parties in their capacities as such, and their successors and assigns.

15. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Supervisors.
16. Notwithstanding any provision of this Agreement, the Supervisors may, in their sole discretion, grant written extensions of time to the Bank and the New York Branch to comply with any provision of this Agreement.

17. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Supervisors, or any other federal or state agency from taking any further or other action affecting the Bank, the New York Branch, or any of their current or former institution-affiliated parties or their successors or assigns.

18. This Agreement is a “written agreement” for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the Federal Deposit Insurance Act and by the Department pursuant to Section 39 of the New York State Banking Law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 19th day of December, 2006.

HABIB BANK LIMITED

By: (signed) 
Mr. Nauman K. Dar
Group Executive

FEDERAL RESERVE BANK OF
NEW YORK

By: (signed) 
Mr. Daniel Muccia
Senior Vice President

HABIB BANK LIMITED
New York Branch

By: (signed) 
Mr. Faq Sadiq
Senior Vice President
And Country Manager

NEW YORK STATE BANKING
DEPARTMENT

By: (signed) 
Mr. David S. Fredsall
Deputy Superintendent
WHEREAS, Habib Bank Limited, Karachi, Pakistan (the "Bank") is a foreign bank that conducts operations in the United States through a branch in New York, New York (the "Branch");

WHEREAS, the New York State Department of Financial Services (the "Department") is the licensing agency of the Branch pursuant to Article 11 of the New York Banking Law ("NYBL") and is responsible for its supervision and regulation;

WHEREAS, the most recent examination of the Branch conducted by the Federal Reserve Bank of New York (the "Reserve Bank") and the Department identified significant breakdowns in the Branch's risk management and compliance with applicable federal and state laws, rules, and regulations relating to anti-money laundering ("AML") compliance, including the Bank Secrecy Act ("BSA") (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the United States Department of the Treasury (31 C.F.R. Chapter X); the requirements of Regulation K of the Board of Governors of the Federal Reserve System (the-
"Board of Governors") to report suspicious activity and to maintain an adequate BSA/AML compliance program (12 C.F.R. §§211.24(f) and 211.24(j)) (collectively, the "BSA/AML Requirements") resulting in a compliance program violation; and the laws and regulations of the Department (NYBL § 200-c and 3 N.Y.C.R.R. Parts 116 and 300) (the "State Laws and Regulations");

WHEREAS, on December 19, 2006 the Bank and the Branch entered into a Written Agreement with the Reserve Bank and the predecessor of the Department, the New York State Banking Department, designed to correct certain deficiencies in the Branch's compliance with the BSA/AML Requirements and the State Laws and Regulations;

WHEREAS, the Bank and the Branch have not achieved full compliance with each and every provision of the Written Agreement;

WHEREAS, it is the common goal of the Department, the Bank and the Branch that the Branch operates in compliance with all applicable federal and state laws, rules, and regulations;

WHEREAS, the Bank, the Branch, and the Department have mutually agreed to enter into this Consent Order (the "Order"); and

WHEREAS, on December 3, 2015, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Mr. Abbas Hasan and Mr. Manochehr Alamjir to enter into this Order on behalf of the Bank and the Branch, respectively, and consenting to compliance with each and every provision of this Order by the Bank and the Branch, and waiving all rights that the Bank and the Branch may have, including, but not limited to: (i) the issuance of a notice of charges on any and all matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii)
judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, IT IS HEREBY ORDERED that, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, the Bank and the Branch shall not engage in unsafe or unsound banking practices and not commit apparent violations of the law and/or regulation.

IT IS FURTHER ORDERED that the Bank, the Branch, their institution-affiliated parties, and their successors and assigns, shall take affirmative action as follows:

Corporate Governance and Management Oversight

1. Within 60 days of this Order, the Bank’s board of directors and the Branch’s management shall jointly submit to the Department a written plan to enhance oversight, by the management of the Bank and Branch, of the Branch’s compliance with the BSA/AML Requirements, the State Laws and Regulations, and the regulations issued by the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) (31 C.F.R. Chapter V) (the “OFAC Regulations”) 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 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.

BSA/AML Compliance Review

2. Within 60 days of this Order, the Bank and the Branch shall retain an independent third party acceptable to the Department (the "Compliance Review Consultant") to: (i) conduct a comprehensive review of the effectiveness of the Branch's program for compliance with the BSA/AML Requirements and the State Laws and Regulations (the "Compliance Review"); and
(ii) prepare a written report of findings, conclusions, and recommendations (the "Compliance Report").

3. Within 10 days of the engagement of the Compliance Review Consultant, but prior to the Compliance Review, the Bank and Branch shall jointly submit to the Department for approval an engagement letter that provides, at a minimum, for the Compliance Review Consultant 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 upon request.

BSA/AML Compliance Program

4. Within 60 days of the submission of the Compliance Report, the Bank and the Branch 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 Branch, customer types, geographic locations, and transaction volumes, as appropriate, in determining inherent and residual risks;

(d) management of the Branch’s BSA/AML compliance program by a qualified compliance officer, who is given full autonomy, independence, and responsibility for implementing and maintaining an effective BSA/AML compliance program that is commensurate with the Branch’s size and risk profile, 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 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 personnel of affiliates that perform BSA/AML compliance-related functions for the Branch in all aspects of the BSA/AML Requirements, the State Laws and Regulations, and internal policies and procedures.

Customer Due Diligence

5. Within 60 days of the submission of the Compliance Report, the Bank and the
Branch 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 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.

Suspicious Activity Monitoring and Reporting

6. Within 60 days of the submission of the Compliance Report, the Bank and the
Branch shall jointly submit a written program to reasonably ensure the identification and timely, accurate, and complete reporting by the Branch of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and regulations acceptable to the Department. At a minimum, the program shall include:

(a) a well-documented methodology for establishing monitoring rules and thresholds appropriate for the Branch's profile which considers factors such as type of customer, type of product or service, geographic location, and foreign correspondent banking activities, 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
maintenance of accurate and comprehensive customer and transactional data and ensuring that it is utilized by the Branch's compliance program.

Transaction and OFAC Sanctions Review

7. (a) Within 20 days of this Order, the Bank and the Branch shall engage an independent third party acceptable to the Department to conduct a review of the Branch's U.S. dollar clearing transaction activity from October 1, 2014 to March 31, 2015 to determine whether transactions inconsistent with or in violation of the OFAC Regulations, or suspicious activity involving high risk customers or transactions at, by, or through the Branch were properly identified and reported in accordance with the OFAC Regulations and suspicious activity reporting regulations (the "Transaction and OFAC Sanctions Review") and to prepare a written report detailing the independent third party's findings (the "Transaction and OFAC Sanctions Review Report") to be shared with the Department and the Reserve Bank.

(b) Based on the Department's evaluation of the results of the Transaction and OFAC Sanctions Review, the Department may direct the Bank and the Branch to engage the independent third party to conduct a review of the types of transactions and activity described in paragraph 7(a) for additional time periods.

8. Within 10 days of the engagement of the independent third party, but prior to the commencement of the Transaction and OFAC Sanctions Review, the Bank and the Branch shall jointly submit to the Department for approval an engagement letter that sets forth:

(a) the scope of the Transaction and OFAC Sanctions Review;

(b) the methodology for conducting the Transaction and OFAC Sanctions Review, including any sampling procedures to be followed;
(c) the expertise and resources to be dedicated to the Transaction and OFAC Sanctions Review;

(d) the anticipated date of completion of the Transaction and OFAC Sanctions Review and the Transaction and OFAC Sanctions Review Report; and

(e) a commitment that supporting material and drafts associated with the Transaction and OFAC Sanctions Review will be made available to the Department and the Reserve Bank upon request.

9. The Bank and the Branch shall provide to the Department and the Reserve Bank a copy of the Transaction and OFAC Sanctions Review Report at the same time that the report is provided to the Bank and the Branch.

10. Throughout the Transaction and OFAC Sanctions Review, the Bank and the Branch 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.

U.S. Dollar Clearing Activities Growth

11. (a) The Branch shall not, without the prior written approval of the Department, take any action that would result in an increase in the aggregate dollar value of the Branch’s U.S. dollar clearing activities above the aggregate dollar value balance as of the date of this Order.

(b) The Branch shall not, without the prior written approval of the Department, take any action that would result in an increase in the aggregate transaction volume of the Branch’s U.S. dollar clearing activities above the aggregate transaction volume as of the date of this Order.
As of the date of this Order, the Branch shall not, without the prior written approval of the Department, accept any new foreign correspondent accounts or new customer accounts for U.S. dollar clearing.

For the purposes of this Order, U.S. dollar clearing activities include, but are not limited to, wire transfers, letters of credit, and trade finance activities undertaken on behalf of the Bank, its affiliates, customers thereof, or third parties.

The restrictions of paragraphs 11(a), (b), and (c) of this Order shall continue in force and effect until the Bank and the Branch:

(i) submit to the Department the written plan and programs described in paragraphs 1, 4, 5, and 6 of this Order and a written plan to manage the growth in the Branch’s U.S. dollar clearing activities;

(ii) are notified in writing by the Department that the aforesaid plans and programs are acceptable;

(iii) adopt and fully implement the aforesaid plans and programs; and

(iv) are notified in writing by the Department that all the above-described conditions have been met.

Within 10 days after the end of each calendar month following the date of this Order, the Bank and the Branch shall jointly submit to the Department written reports detailing the aggregate transaction U.S. dollar value and the aggregate transaction volume of the Branch’s U.S. dollar clearing activities.

Interaction with Regulatory Authorities

Within 30 days of this Order, 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.

**OFAC Compliance**

13. Within 30 days of this Order, the Bank and the Branch shall jointly submit a plan to enhance the Bank's compliance with the OFAC Regulations acceptable to the Department, including but not limited to enhanced OFAC screening procedures, an improved methodology for assessing OFAC risks, timeliness of resolving alerts, and enhanced policies and procedures to ensure compliance with the OFAC Regulations.

**Primary Contact**

14. Within 10 days of this Order, the Bank and the Branch shall designate an officer to be responsible for coordinating and submitting to the Department the written plan, programs, and engagement letters required under the terms of this Order.

**Approval and Implementation of Plan and Programs, and Progress Reports**

15. (a) The Bank and the Branch shall jointly submit the written plan and programs that are acceptable to the Department within the applicable time periods set forth in paragraphs 1, 4, 5, 6, 11, 12, and 13 of this Order. Each plan or program shall contain a timeline for full implementation of the plan or program with specific deadlines for the completion of each component of the plan or program. Independent third parties acceptable to the Department shall be retained by the Bank and the Branch within the time periods set forth in paragraphs 2 and 7(a)
of this Order. Engagement letters acceptable to the Department shall be submitted within the
time periods set forth in paragraphs 3 and 8 of this Order.

(b) Within 10 days of approval by the Department, the Bank and the Branch, as
applicable, shall adopt the approved plan and programs. Upon adoption, the Bank and the
Branch, as applicable, shall promptly implement the approved plan and programs, and thereafter
fully comply with them.

(c) During the term of this Order, the approved plan, programs, and engagement
letters shall not be amended or rescinded without the prior written approval of the Department.

16. Within 30 days after the end of each calendar quarter following the date of this
Order, the Bank and the Branch shall jointly submit to the Department written progress reports
detailing the form and manner of all actions taken to secure compliance with this Order, a
timetable and schedule to implement specific remedial actions to be taken, and the results
thereof. The Department may, in writing, discontinue the requirement for progress reports or
modify the reporting schedule.

Communications

17. All communications regarding this Order shall be sent to:

(a) Mr. Jeffrey G. Raymond
Deputy Superintendent
New York State Department of Financial Services
One State Street
New York, New York 10004

(b) Ms. Hadas A. Jacobi
Office of General Counsel
New York State Department of Financial Services
One State Street
New York, New York 10004

(c) Ms. Elizabeth Nochlin
Senior Enforcement Counsel
New York State Department of Financial Services
One State Street
New York, New York 10004

(d) Ms. Megan Prendergast
Senior Enforcement Counsel
New York State Department of Financial Services
One State Street
New York, New York 10004

(e) Mr. Nauman K. Dar
President and Chief Executive Officer
Habib Bank Limited
Habib Bank Plaza
1,1 Chundrigar Road
Karachi-75650
Pakistan

(f) Mr. Manochere Alamgir
General Manager and Country Head
Habib Bank Limited
New York Branch
60 East 42nd Street, Suite 535
New York, New York 10165

Miscellaneous

18. Notwithstanding any provision of this Order to the contrary, the Department may, in its sole discretion, grant written extensions of time to the Bank and the Branch to comply with any provision of this Order.

19. The provisions of this Order shall be binding on the Bank and the Branch, and each of their institution-affiliated parties, as defined in section 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)), in their capacities as such, and their successors and assigns.

20. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Department.
21. The provisions of this Order shall not bar, estop, or otherwise prevent the Department, or any other federal or state agency from taking any other action affecting the Bank, the Branch, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

By order of the Superintendent of Financial Services effective this 15th day of December 2015.

HABIB BANK LIMITED

By: See Attached

HABIB BANK LIMITED
NEW YORK BRANCH

By: Manochere Alamyair
COUNTRY MANAGER
USA.

NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

By: Deputy Superintendent of Banks
21. The provisions of this Order shall not bar, estop, or otherwise prevent the Department, or any other federal or state agency from taking any other action affecting the Bank, the Branch, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

By order of the Superintendent of Financial Services effective this 15th day of December 2015.

HABIB BANK LIMITED

NEW YORK BRANCH

By: ___________________________  By: ___________________________

S. Abbas Khan
HEAD INTERNATIONAL BANKING

NEW YORK STATE DEPARTMENT
OF FINANCIAL SERVICES

By: ___________________________

Deputy Superintendent of Banks
Pursuant to the statutory powers vested in Maria T. Vullo, Superintendent of the New York State Department of Financial Services (the "Department") by the People of the State of New York; and, further, pursuant to the Consent Order, dated December 3, 2015, between the Department, Habib Bank Limited and the New York Branch of Habib Bank Limited (the "New York Branch"), the Superintendent hereby issues the following Order with respect to Habib Bank Limited and the New York Branch:

Following the Department's evaluation of the results, to date, of the Transaction and OFAC Sanctions Review conducted pursuant to Paragraph 7(b) of the December 3, 2015 Consent Order, the Department hereby directs and orders Habib Bank and the New York Branch to:

(a) expand the Transaction and OFAC Review to cover the additional time periods of (i) October 1, 2013 to September 30, 2014; and (ii) April 1, 2015 to July 31, 2017; and

(b) continue to engage the independent third party, previously approved by the Department, to conduct this expanded review.
By Order of the Superintendent, this __ day of August, 2017.

New York, New York

[Signature]

MARIA T. VULLO
Superintendent of Financial Services
EXHIBIT D
ORDER PURSUANT TO
NEW YORK BANKING LAW

Pursuant to the statutory powers vested in Maria T. Vullo, Superintendent of the New York State Department of Financial Services (the “Department”) by the People of the State of New York, the Superintendent hereby issues the following Order with respect to Habib Bank Limited and the New York Branch of Habib Bank Limited (the “New York Branch”) (together, the “Bank”):

Habib Bank and the New York Branch have expressed to the Department their intention to surrender to the Department the foreign bank branch license to operate the New York Branch. In connection with such surrender, and pursuant to the New York Banking Law, including, but not limited to, Sections 10, 14, 39 and 605, the Superintendent hereby imposes the following conditions in connection with the surrender by the Bank of its license to operate the New York Branch:

1. In order to effectuate such surrender, within thirty (30) days of service of this Order, Habib Bank and the New York Branch shall, in writing, offer to surrender to the Department the license to operate the New York Branch. The Department will accept the surrender of the license upon fulfillment of the conditions set forth in this Order and completion, to the
satisfaction of the Superintendent, of the orderly wind down of the affairs of the New York Branch pursuant to the requirements of the New York Banking Law.

2. Upon submitting to the Department written notice of the offer to surrender the license to operate the New York Branch, Habib Bank and the New York Branch shall promptly commence the orderly wind down of the affairs of the New York Branch pursuant to the procedures set forth in the New York Banking Law.

3. Upon completion of the orderly wind down of the affairs of the New York Branch to the satisfaction of the Superintendent, and with the exception of Paragraph 7(b) of the Consent Order dated December 3, 2015 between and among the Department, Habib Bank and the New York Branch (the “Consent Order”) as provided in Paragraph 4 of this Order below, the Consent Order shall remain in full force and effect, but with its terms suspended unless and until Habib Bank re-establishes a branch, agency, representative office, or a banking subsidiary within the United States of America.

4. Paragraph 7(b) of the Consent Order shall remain in full force and effect, and Habib Bank and the New York Branch shall immediately comply with the expansion of the Transaction and OFAC Review set forth in Paragraph 7(b) to include the additional time periods indicated, as set forth in the Superintendent’s separate Order of same date.

5. Upon completion of the orderly wind down of the affairs of the New York Branch to the satisfaction of the Superintendent, the Written Agreement dated December 19, 2006 between and among the Department, the Federal Reserve Bank of New York, Habib Bank and the New York Branch (the “Written Agreement”) shall remain in full force and effect, but with its terms suspended unless and until Habib Bank re-establishes a branch, agency, representative office, or a banking subsidiary within the United States of America.
6. Habib Bank and the New York Branch shall immediately engage and pay for an independent consultant of the Department's selection (in its sole discretion) to assist the Bank in the safe, sound and lawful wind down of the affairs of the New York Branch.

7. Habib Bank and the New York Branch shall preserve all documents and information in their possession, custody or control that relates, directly or indirectly, to the affairs, operations or business of the New York Branch until further Order of the Superintendent, *inter alia*, to facilitate full and complete compliance with the Consent Order, including, but not limited to, the Transaction and OFAC Sanctions Review conducted pursuant to Paragraph 7(b) of the Consent Order. This paragraph is not intended to modify or alter any other obligation Habib Bank or the New York Branch may have to preserve documents and information pursuant to applicable law.

8. In the event Habib Bank and the New York Branch fail to offer to surrender the license to operate the New York Branch within thirty (30) days of service of this Order, the Department shall exercise its full authority to suspend or otherwise limit the activities of the New York Branch, pursuant to New York Banking Law § 40(2), on grounds including those set forth in the separate Notice of Hearing and Statement of Charges of same date.
9. Service of this Order shall have no effect on the level of the asset maintenance or on the level of the asset pledge requirements of the Department currently imposed on the New York Branch, and such asset maintenance and asset pledge requirements shall continue in full force and effect until completion of the orderly wind down of the affairs of the New York Branch to the Department's satisfaction. Furthermore, no assets or properties, whether real, personal or mixed, and whether tangible or intangible, situated in New York, or wherever situated if constituting part of the business of the New York Branch, shall be transferred or moved out of any such location without the prior written approval of the Department.

10. Habib Bank and the New York Branch shall comply with such other conditions the Superintendent deems appropriate in connection with the orderly wind down of the affairs of the New York Branch, in order to ensure the safe, sound and lawful conduct of such wind down and otherwise protect the public interest.

By Order of the Superintendent, this 22nd day of August, 2017.

New York, New York

MARIA T. VULLO
Superintendent of Financial Services