



NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
ONE STATE STREET
NEW YORK, NEW YORK 10004

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In the Matter of :

SHINHAN BANK AMERICA :

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CONSENT ORDER

The New York State Department of Financial Services (the “Department” or “DFS”) and Shinhan Bank America (“SHBA” or the “Bank”) are willing to resolve the matters described herein without further proceedings.

WHEREAS, SHBA is a Minority Depository Institution wholly owned by Shinhan Bank Co., Ltd., with more than \$1.8 billion in assets as of March 31, 2023;

WHEREAS, SHBA is licensed by the Department to operate in the State of New York;

WHEREAS, SHBA is subject to periodic supervisory examinations by the Department that review areas such as risk management, Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) compliance, transaction monitoring, Office of Foreign Assets Control (“OFAC”) sanctions screening, and general safety and soundness;

WHEREAS, the Department conducted such examinations in 2015, 2016, 2017, 2018, 2019, 2020, and 2021;

WHEREAS, on June 7, 2017, the Federal Deposit Insurance Corporation (the “FDIC”) and SHBA entered into a consent agreement, wherein SHBA consented to the issuance of an order by the FDIC and the FDIC issued the Consent Order on June 12, 2017, which required SHBA to make several improvements, including those regarding the Bank’s BSA/AML compliance program;

WHEREAS, on May 14, 2020, the Department and SHBA entered into a Memorandum of Understanding to address the Bank’s continued compliance deficiencies;

WHEREAS, on May 14, 2021, the Department notified the Bank that it was in material breach of the Memorandum of Understanding;

WHEREAS, on October 13, 2022, the FDIC and SHBA entered into another consent agreement wherein SHBA consented to the issuance of an amended and restated consent order by the FDIC and the FDIC issued the Amended and Restated Consent Order on October 13, 2022, which required SHBA to make several additional improvements, including those regarding the Bank’s BSA/AML program;

WHEREAS, SHBA allowed its compliance problems to persist for years despite repeated regulatory actions by the Department and FDIC; and

WHEREAS, the Bank has fully cooperated with the Department’s investigation and has undertaken remediation efforts.

NOW THEREFORE, in connection with an agreement to resolve this matter without further proceedings, the Department finds as follows:

THE DEPARTMENT'S FINDINGS

Introduction

1. The Department is the primary banking regulator in the State of New York, and it licenses and oversees various financial services businesses, including state-chartered banks such as SHBA.

2. SHBA operates 15 branches in the United States, including five in New York, and its headquarters is in New York City. The Bank's branches offer a full array of traditional retail deposit and credit products, focusing mainly on Korean and Korean-American customers.

3. Following the Department's investigation and previous regulatory action by both the Department and the FDIC, the Department determined that SHBA permitted serious deficiencies to continue over numerous examination cycles in the Bank's transaction monitoring and BSA/AML compliance programs.

Events at Issue

4. In 2017, the FDIC took enforcement action against the Bank in the form of a Consent Order in 2017 (the "2017 FDIC Consent Order"). The 2017 FDIC Consent Order, which was issued on June 12, 2017, required the Bank to make several improvements. Specifically, the Bank's Board was tasked with increasing its supervision over the Bank's BSA/AML compliance program and hiring qualified management to oversee the program. The Bank was further required to review, revise, and implement improved internal controls.

5. By 2020, the Bank had not yet satisfied the terms of the 2017 FDIC Consent Order. As a result of the Bank's continued compliance deficiencies, on May 14, 2020, the Department and SHBA entered into a Memorandum of Understanding (the "MOU") to address the Bank's ongoing problems. Among other things, the MOU required SHBA to submit written

reports detailing the remediation of its BSA/AML compliance program, suspicious activity monitoring and reporting procedures, customer due diligence procedures, and internal audit program. By agreeing to the terms and conditions of the MOU, SHBA committed to remediating its prior problems and addressing the goals outlined in the MOU.

6. Notwithstanding the MOU, the Bank failed to complete remediation of significant and recurring deficiencies in its compliance programs and policies. Additionally, it incorrectly certified compliance with Part 504.3 of the Superintendent's Regulations for calendar years 2019 and 2020 notwithstanding the action plans it had in place to address the number of material deficiencies within its transaction monitoring and filtering programs.

7. As a result of the continued deficiencies and the failure of SHBA to comply with the terms of the MOU, as described in paragraph 6, the Department notified the Bank that it was in material breach of the MOU by letter dated May 14, 2021.

8. Likewise, on October 13, 2022, the FDIC took further enforcement action against the Bank in the form of an Amended and Restated Consent Order that required the Bank to immediately increase its supervision over the Bank's AML personnel, to appoint a designated individual to coordinate and monitor the Bank's BSA compliance, and to revise and then validate its system of internal controls to assure ongoing compliance with the BSA, among other requirements.

9. The Bank's repeated compliance failures require additional enforcement action by the Department, including a monetary penalty.

Cooperation and Remediation

10. The Department has given substantial weight to the cooperation of the Bank. Additionally, the Department recognizes the Bank's recent efforts toward building an effective

and sustainable BSA/AML compliance program, including transitioning to a more sophisticated transaction monitoring system, increasing its BSA/AML staffing, and adopting improved BSA policies and procedures.

Violations of Laws and Regulations

11. SHBA conducted business in an unsafe and unsound manner, in violation of New York Banking Law § 44.

12. SHBA failed to maintain an effective and compliant AML program, in violation of 3 NYCRR § 116.2.

13. SHBA incorrectly certified compliance with Part 504, in violation of 23 NYCRR § 504.4

NOW THEREFORE, to resolve this matter without further proceedings, the Department and SHBA hereby stipulate and agree to the following terms and conditions:

SETTLEMENT PROVISIONS

Monetary Penalty

14. No later than ten (10) days after the Effective Date (as defined below) of this Consent Order, SHBA shall pay a total civil monetary penalty pursuant to New York Banking Law § 44 to the Department in the amount of ten million and 00/100 U.S. dollars (\$10,000,000.00). The payment shall be in the form of a wire transfer in accordance with instructions provided by the Department.

15. SHBA shall 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.

16. SHBA shall neither seek nor accept, directly or indirectly, reimbursement or indemnification with respect to payment of the penalty amount, including but not limited to payment made pursuant to any insurance policy.

Remediation

17. Within ninety (90) days of the Effective date of this Consent Order, SHBA shall provide the Department with a detailed action plan that is acceptable to the Department (the “Action Plan”).

18. The Action Plan shall, at a minimum, describe what measures the Bank has taken or plans to undertake to remediate the following:

- a. Any outstanding deficiencies identified in the May 14, 2020 MOU, which agreement is incorporated into and superseded by this Consent Order; and
- b. All outstanding Violations of Laws and Regulations and other outstanding deficiencies and weaknesses that relate to the following areas:
 - i. BSA/AML, Countering the Financing of Terrorism (“CFT”), and OFAC compliance, including, but not limited to, risk assessment, policies and procedures, and internal controls;
 - ii. Know Your Customer (“KYC”)/Customer Identification Program (“CIP”) policies, procedures, and practices;
 - iii. Transaction monitoring, including Part 504 of the Superintendent’s Regulations;
 - iv. Suspicious activity monitoring and reporting; and
 - v. The Bank’s internal audit program.

19. To the extent not captured by paragraphs 18(a) and (b) above, the Action Plan shall also include the measures the Bank is taking or has taken with respect to the following:

- a. Resources dedicated to compliance-related functions, including those described in paragraphs 18(b)(i)-(v) above, including, but not limited to, technological upgrades, permitted headcounts, staffing levels, hiring initiatives, employee compensation, and efforts the Bank has made to reduce the attrition rate of both management and staff;
- b. Training with respect to the items set forth in paragraphs 18(b)(i)-(v) above; and
- c. Corporate governance and management oversight with respect to the items set forth in paragraphs 18(b)(i)-(v) above.

20. The Action Plan shall include the form, manner, and anticipated completion date of each action the Bank intends to undertake.

21. The Department's approval of the Action Plan will not be unreasonably withheld. The Bank shall not implement the Action Plan until obtaining the approval of the Department.

22. Every six (6) months, beginning six (6) months after the Department's approval of the Action Plan, SHBA shall submit to the Department a written status update detailing its progress on complying with all items contained in the Action Plan. SHBA shall submit such written status updates until all items contained in the Action Plan are complete, as determined by the Department in its sole regulatory discretion.

Full and Complete Cooperation

23. SHBA commits and agrees that it will fully cooperate with the Department regarding all terms of this Consent Order.

Further Action by the Department

24. No further action will be taken by the Department against SHBA or its successors for the conduct set forth in this Consent Order, or in connection with the remediation set forth in this Consent Order, provided that SHBA fully complies with the terms of the Consent Order.

25. Notwithstanding any other provision in this Consent Order, the Department may undertake additional action against SHBA for transactions or conduct that was not fully disclosed in the written materials submitted to the Department in connection with this matter.

Waiver of Rights

26. SHBA Bank submits to the authority of the Superintendent to effectuate this Consent Order.

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

Parties Bound by the Consent Order

28. This Consent Order is binding on the Department and SHBA, as well as any successors and assigns. This Consent Order does not bind any federal or other state agency or any law enforcement authority.

Breach of Consent Order

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

30. SHBA understands and agrees that its failure to make the required showing within the designated time period shall be presumptive evidence of SHBA's breach. Upon a finding that a breach of this Consent Order has occurred, the Department has all the remedies available to it under the New York Banking and Financial Services Laws, and any other applicable laws, and may use any evidence available to the Department in any ensuing hearings, notices, or orders.

Notices

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

For the Department:

Sarah Walls
Assistant Deputy Superintendent
Consumer Protection and Financial Enforcement
New York State Department of Financial Services
One State Street
New York, NY 10004

For Shinhan Bank America:

Mr. Ji Young Yook
Shinhan Bank America
475 Park Avenue South, 4th Floor
New York, New York 10016

Miscellaneous

32. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

33. This Consent Order may not be altered, modified, or changed unless in writing and signed by the parties hereto.

34. This Consent Order constitutes the entire agreement between the Department and SHBA and supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Consent Order.

35. Each provision of this Consent Order shall remain effective and enforceable against SHBA, its successors, and assigns, until stayed, modified, suspended, or terminated by the Department.

36. In the event that one or more provisions contained in this Consent Order shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Consent Order.

37. 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 this Consent Order.

38. Nothing in this Consent Order shall be construed to prevent any consumer or any other third party from pursuing any right or remedy at law.

39. This Consent Order may be executed in one or more counterparts and shall become effective when such counterparts have been signed by each of the parties hereto (the "Effective Date").

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IN WITNESS WHEREOF, the parties have caused this Consent Order to be signed on
the dates set forth below.

**NEW YORK STATE DEPARTMENT OF
FINANCIAL SERVICES**

SHINHAN BANK AMERICA

By: /s/ Cynthia M. Reed
CYNTHIA M. REED
Senior Assistant Deputy Superintendent
Consumer Protection and Financial
Enforcement

September 28, 2023

By: /s/ Ji Young Yook
JI YOUNG YOOK
President and Chief Executive Officer
Shinhan Bank America

September 28, 2023

By: /s/ Kathryn A. Taylor
KATHRYN A. TAYLOR
Senior Assistant Deputy Superintendent
Consumer Protection and Financial
Enforcement

September 28, 2023

By: /s/ Alison L. Passer
ALISON L. PASSER
Deputy Director
Consumer Protection and Financial
Enforcement

September 28, 2023

By: /s/ Kevin R. Puvalowski
KEVIN R. PUVALOWSKI
Acting Executive Deputy Superintendent
Consumer Protection and Financial
Enforcement

September 28, 2023

THE FOREGOING IS HEREBY APPROVED. IT IS SO ORDERED.

/s/ Adrienne A. Harris
ADRIENNE A. HARRIS
Superintendent of Financial Services

September 29, 2023