

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

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Written Agreement by and among )	
)	
MITSUBISHI UFJ FINANCIAL GROUP, INC. )	Docket Nos. 06-028-WA/RB-FH
Tokyo, Japan )	06-028-WA/RB-FB
)	06-028-WA/RB-FBR
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. )	
Tokyo, Japan )	
)	
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. )	
NEW YORK BRANCH )	
New York, New York )	
)	
FEDERAL RESERVE BANK OF )	
SAN FRANCISCO )	
San Francisco, California )	
)	
FEDERAL RESERVE BANK OF NEW YORK )	
New York, New York )	
)	
and )	
)	
NEW YORK STATE BANKING DEPARTMENT )	
New York, New York )	
_____ )	

WHEREAS, Mitsubishi UFJ Financial Group, Inc., Tokyo, Japan (“MUFG”), the holding company for The Bank of Tokyo-Mitsubishi UFJ, Ltd., Tokyo, Japan (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”) (collectively, the “MUFG Organization”) are taking steps to address deficiencies relating to compliance by the New York Branch 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 “Board of Governors”) (12 C.F.R. §§ 211.24(f) and 211.24(j)); and those of the New York State Banking Department (the “Department”) (3 N.Y.C.R.R. Part 300);

WHEREAS, the New York Branch provides significant 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 a high volume of U.S. dollar funds transfer clearing business, and examiners have identified compliance and risk management deficiencies at the New York Branch in these operational areas;

WHEREAS, the MUFG Organization is taking steps to enhance due diligence policies and procedures relating to the New York Branch’s correspondent banking and funds transfer clearing operations and is addressing risks associated with these lines of business, including legal and reputational risks;

WHEREAS, it is the common goal of the Board of Governors, the Federal Reserve Bank of San Francisco, the Federal Reserve Bank of New York, the Department, and the MUFG Organization to ensure that the MUFG Organization fully addresses 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 12, 2006, the boards of directors of MUFG and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing

Mr. Nobuo Kuroyanagi, President and Chief Executive Officer of MUFG and President of the Bank, to enter into this Written Agreement (the “Agreement”) on behalf of MUFG and the Bank, and Mr. Kyota Omori, Chief Executive Officer for the Americas, to enter into the Agreement on behalf of the New York Branch, and consenting to compliance by MUFG, 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 applicable provision of this Agreement.

NOW, THEREFORE, the Federal Reserve Bank of San Francisco, the Federal Reserve Bank of New York, the Department (collectively, the “Supervisors”), MUFG, 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 jointly 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.

**Management Review and Oversight**

2. (a) Within 120 days of this Agreement, the board of directors of the Bank shall direct and oversee a review of the effectiveness of the New York Branch’s corporate governance, control infrastructure, and business line accountability with respect to BSA/AML compliance (the “Management Review”). The purposes of this review shall be to enhance MUFG’s and the Bank’s oversight of the New York Branch’s BSA/AML compliance program and to ensure the adequate staffing by qualified and trained personnel that is required for an

effective control environment. The Management Review shall, at a minimum, address, consider, and include with respect to the New York Branch's BSA/AML compliance function:

(i) the duties and responsibilities of each officer and staff member regarding BSA/AML compliance, including: reporting lines within the New York Branch and to MUFG and the Bank, and business lines accountability; and

(ii) a plan to train, recruit, hire, or appoint, as necessary, additional officers and staff with the requisite ability, experience, and other qualifications to competently perform their assigned duties.

(b) At the conclusion of the Management Review, the Bank shall submit a written report to the Supervisors that includes the findings and conclusions of the Management Review, and a description of specific actions that the MUFG Organization proposes to take, or has taken, to strengthen the management and oversight of the New York Branch's BSA/AML compliance program.

(c) Within 30 days after the submission of the written report required by paragraph 2(b), the MUFG Organization shall implement measures designed to ensure appropriate oversight of the New York Branch's BSA/AML compliance program, including, but not limited to, periodic management information reports sufficient to enable MUFG and Bank management to assess the adequacy and effectiveness of the BSA/AML control infrastructure and compliance with applicable laws and regulations.

### **Anti-Money Laundering Compliance**

3. 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 in accordance with applicable regulations;
- (c) controls designed to ensure compliance with all requirements relating to correspondent accounts for non-U.S. persons;
- (d) an assessment of legal and reputational risks associated with the New York Branch's correspondent banking and funds transfer clearing activities; and
- (e) management of the BSA/AML program by a qualified compliance officer, who is supported by adequate staffing levels and resources, and who is responsible for overseeing and monitoring compliance by the New York Branch with all applicable BSA/AML requirements and the institution's internal policies and procedures.

#### **Suspicious Activity Reporting and Customer Due Diligence**

4. 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 whose transactions and banking activities 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) independent validation of risk rankings for the New York Branch's existing accounts by a party independent of the New York Branch's business lines;
- (d) for each customer who requires 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) 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; 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 designed to ensure proper detection of all known or suspected violations of law and suspicious or unusual transactions and the 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 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 escalation of information about potentially suspicious activity through appropriate levels of management;

(iv) adequate procedures to ensure the timely and complete preparation and filing of Suspicious Activity Reports 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**

5. 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, 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 functions. 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) procedures to review the New York Branch's training programs to ensure that appropriate personnel possess the requisite knowledge to comply with the BSA, the rules and regulations issued thereunder, and all other applicable AML requirements;
- (c) procedures for the review of independent testing results by senior Bank and New York Branch management and escalation to the Bank's board of directors 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**

6. 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 relevant or appropriate 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**

7. (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 installation, 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 the outside consultant currently engaged by the Bank or another competent independent party 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.

### **Interim Transaction Monitoring Procedures**

8. Within 30 days of this Agreement, the Bank and the New York Branch shall jointly submit to the Supervisors acceptable written interim transaction monitoring procedures for the New York Branch that shall remain in effect until the outside consultant currently engaged by the Bank or another competent independent party confirms, through the performance of appropriate tests, that the new transaction monitoring system described in paragraph 7 is fully effective. These interim procedures shall be developed with the assistance of the outside consultant currently engaged by the Bank or another competent independent party and shall be designed to monitor the transactions of the New York Branch so that it can comply with applicable suspicious activity reporting requirements.

### **Transaction Review**

9. (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 that was conducted through the New York Branch's Financial Institutions and Emerging Markets Group during the time period between January 1, 2006 and the date of this Agreement 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") and to prepare a written report detailing the Independent Firm's findings (the "Independent Firm's Report").

(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, 2005 to December 31, 2005, with the scope and methodology for that time period to be determined in the same manner as described in paragraph 10 of this Agreement and to prepare a report detailing the findings of the additional review.

10. 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 the Independent Firm's Report; and

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

11. 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 at the same time that the report is provided to the Bank and the New York Branch.

12. 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**

13. (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 3, 4, 5, 6, 7, 8, and 10 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 9(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, policies, procedures, and engagement letter shall not be amended or rescinded without the prior written approval of the Supervisors.

14. Within 20 days after the end of each month following the date of this Agreement, the MUFG Organization 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

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

- (a) Mr. Kenneth R. Binning  
Director, Enforcement and Applications  
Federal Reserve Bank of San Francisco  
950 S. Grand Avenue  
Los Angeles, California 90015
- (b) Mr. Daniel Muccia  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
- (c) Mr. David Fredsall  
Deputy Superintendent  
New York State Banking Department  
One State Street  
New York, New York 10004
- (d) Mr. Yoshihiro Watanabe  
Senior Managing Director  
Mitsubishi UFJ Financial Group, Inc.  
2-7-1 Marunouchi, Chiyoda-ku  
Tokyo 100-8330, Japan  
  
Mr. Junichi Itoh  
Managing Director  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
2-7-1, Marunouchi, Chiyoda-ku  
Tokyo 100-8388, Japan
- (e) Mr. Kyota Omori  
Chief Executive Officer for the Americas  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
New York Branch  
1251 Avenue of the Americas  
New York, New York 10020

## **Miscellaneous**

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

17. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Supervisors.

18. Notwithstanding any provision of this Agreement, the Supervisors may, in their sole discretion, grant written extensions of time to the MUFG Organization to comply with any provision of this Agreement.

19. 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 MUFG, the Bank, the New York Branch, or any of their current or former institution-affiliated parties or their successors or assigns.

