UNITED STATES OF AMERICA

BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

In the Matter of

AGRICULTURAL BANK OF CHINA

Beijing, People’s Republic of China

and

AGRICULTURAL BANK OF CHINA

NEW YORK BRANCH

New York, New York

Docket Nos. 16-018-B-FB

 16-018-B-FBR

Cease and Desist Order Issued Upon Consent Pursuant to the

Federal Deposit Insurance Act, as amended WHEREAS, Agricultural Bank of China, Beijing, People’s Republic of China (the “Bank”) is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7));

WHEREAS, the Bank conducts operations in the United States through a branch in New York, New York (the “Branch”) for which the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor;

 WHEREAS, the most recent examination of the Branch conducted by the Federal Reserve Bank of New York (the “Reserve Bank”) identified significant deficiencies 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 U.S. Department of the Treasury (31 C.F.R. Chapter X); and the requirements of Regulation K of the 2 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”);

WHEREAS, it is the common goal of the Board of Governors, the Reserve Bank, 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 Board of Governors have mutually agreed to enter into this consent Cease and Desist Order (the “Order”) and

WHEREAS, on September 23, 2016, the board of directors of the Bank, at a duly

constituted meeting, adopted a resolution authorizing and directing President Zhao Huan and General Manager Yu Ming 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 pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818), 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, pursuant to sections 8(b)(1) and (4) of

3 the FDI Act (12 U.S.C. §§ 1818(b)(1) and 1818(b)(4)), the Bank and the Branch shall cease and desist and 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 a written plan to enhance oversight, by the management of the Bank and Branch, of the Branch’s compliance with the BSA/AML Requirements 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 Reserve Bank. 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 and the

OFAC Regulations;

(b) measures to improve the management information systems reporting of the Branch’s compliance with the BSA/AML Requirements and the OFAC Regulations to senior management of the Bank and the Branch;

(c) measures to ensure BSA/AML issues are appropriately tracked, escalated, and reviewed by the Branch’s senior management;

(d) 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 and the OFAC Regulations possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities;

4 (e) allocation of adequate staffing levels and resources to ensure the Branch’s compliance with this Agreement, the BSA/AML Requirements, and the OFAC Regulations; and

(f) a direct line of communication between the Branch’s BSA/AML compliance officer and the board of directors or committee thereof.

BSA/AML Compliance Program

 2. Within 60 days of this Order, the Bank and the Branch shall jointly submit a

written revised BSA/AML compliance program for the Branch acceptable to the Reserve Bank.

The revised program, at a minimum, shall provide for:

 (a) a system of internal controls reasonably designed to ensure compliance

with the BSA/AML Requirements;

(b) controls reasonably designed to ensure compliance with all requirements

relating to correspondent accounts for foreign financial institutions, including, but not limited to,

affiliates;

(c) a comprehensive BSA/AML risk assessment that identifies and considers

all products and services of the Branch, customer types, including, but not limited to, politically

exposed persons, and geographic location, 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;

5 (e) identification of management information systems used to achieve

compliance with the BSA/AML Requirements and a timeline to review key systems to ensure they

are configured to mitigate BSA/AML risks;

 (f) internal controls to ensure that the data received by the Branch’s BSA/AML

monitoring system is complete and interpretable by the system;

(g) comprehensive and timely independent testing for the Branch’s compliance

with applicable BSA/AML Requirements; and

(h) effective, ongoing training of all personnel including targeted training for

personnel with compliance-related responsibilities, in all aspects of the BSA/AML Requirements

and internal policies and procedures.

Customer Due Diligence

3. Within 60 days of this Order, the Bank and the Branch shall jointly submit a

written revised customer due diligence program for the Branch acceptable to the Reserve Bank.

At a minimum, the program shall include:

 (a) a revised methodology for determining risk ratings to account holders that

considers factors such as type of customer, type of products and services, and geographic

location;

(b) policies, procedures, and controls to ensure that foreign correspondent

accounts, including, but not limited to affiliates, are accorded the appropriate due diligence, and

where necessary, enhanced due diligence; and

 (c) 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 profile

6 reflects the current information, and if applicable, documenting rationales for any revisions made

to the customer risk rating.

Suspicious Activity Monitoring and Reporting

4. Within 60 days of this Order, the Bank and the Branch shall jointly submit a

written program reasonably designed to 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 Reserve Bank. 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 and

trade finance related transactions;

(ii) adequate escalation of information about potentially suspicious

activity through appropriate levels of management; and

7 (iii) maintenance of sufficient documentation with respect to the

investigation and analysis of potentially suspicious activity, including the resolution and

escalation of concerns;

 (d) a timeline to review key systems and to remediate deficiencies; and

 (e) measures to ensure BSA/AML issues are appropriately tracked, escalated

and reviewed by the Branch’s senior management.

Transaction Review

5. (a) Within 30 days of this Order, the Bank and the Branch shall engage an

independent third party acceptable to the Reserve Bank 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

suspicious activity involving high risk customers or transactions at, by, or through the 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

third party’s findings (the “Transaction Review Report”).

 (b) Based on the Reserve Bank’s evaluation of the results of the Transaction

Review, the Reserve Bank may direct the Bank and the Branch to engage the independent third

party to conduct a review of the types of transactions described in paragraph 5(a) for additional

time periods.

 6. Within 10 days of the engagement of the independent third party, but prior to the

commencement of the Transaction Review, the Bank and the Branch shall jointly submit to the

Reserve Bank for approval an engagement letter that sets forth:

 (a) the scope of the Transaction Review;

8 (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

Transaction Review Report;

 (e) a commitment that the Transaction Review Report and any drafts thereof

will be provided to the Reserve Bank at the same time that the report or draft is provided to the

Bank and the Branch; and

 (f) a commitment that supporting material and drafts associated with the final

Transaction Review and the Transaction Review Report will be made available to the Reserve

Bank upon request.

 7. The Bank and the Branch shall provide to the Reserve Bank a copy of the

Transaction Review Report and any drafts thereof at the same time that the report is provided to

the Bank and the Branch.

 8. Throughout the Transaction 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.

Office of Foreign Assets Control Compliance

 9. Within 60 days of this Order, the Bank and the Branch shall jointly submit a

written plan to enhance the Bank’s compliance with the OFAC Regulations acceptable to the

Reserve Bank, including, but not limited to, enhanced OFAC screening procedures for foreign

correspondent accounts and trade finance related transactions, documentation of alert review and

9 disposition, an improved methodology for assessing OFAC risks, and enhanced policies and

procedures to ensure compliance with the OFAC Regulations.

Internal Audit

 10. Within 60 days of this Order, the Bank and the Branch shall jointly submit a

written revised internal audit program for the Branch acceptable to the Reserve Bank that shall,

at a minimum, provide for:

(a) completion, at least annually, of a written, board of directors approved,

risk-based audit plan that encompasses all appropriate areas of audit coverage;

(b) timely escalation and resolution of audit findings and follow-up reviews to

ensure completion of corrective measures; and

(c) comprehensive tracking and reporting of the status and resolution of audit

and examination findings to the Bank’s board of directors.

Primary Contact

 11. Within 10 days of this Order, the Bank and the Branch shall designate an officer

to be responsible for coordinating and submitting to the Reserve Bank the written programs, and

engagement letter required under the terms of this Order.

Approval, Implementation, and Progress Reports

12. (a) The Bank and the Branch shall jointly submit the written plans and

programs that are acceptable to the Reserve Bank within the applicable time periods set forth in

paragraphs 1, 2, 3, 4, 9, and 10 of this Order. Each plan and 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. An independent third party acceptable to the Reserve Bank

shall be retained in accordance with the Reserve Bank’s requirements by the Bank and the

10 Branch within the time periods set forth in paragraph 5(a) of this Order. The engagement letter

shall be submitted to the Reserve Bank within the time period set forth in paragraph 6 of this

Order.

(b) Within 10 days of acceptance by the Reserve Bank, the Bank and the

Branch shall adopt the plans and the programs. Upon adoption, the Bank and the Branch shall

implement the plans and the programs and thereafter fully comply with them.

(c) During the term of this Order, the approved plans, programs, and

engagement letter shall not be amended or rescinded without the prior written approval of the

Reserve Bank.

13. Within 30 days after the end of each quarter following the date of this Order, the

Bank and the Branch shall submit to the Reserve Bank written progress reports detailing the

form and manner of all actions taken to secure compliance with the provisions of this Order and

the results thereof. The Reserve Bank may, in writing, discontinue the requirement for progress

reports or modify the reporting schedule.

Notices

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

(a) Mr. F. Christopher Calabia

Senior Vice President

Federal Reserve Bank of New York

33 Liberty Street

New York, New York 10045

(b) Mr. Zhao Huan

President

Agricultural Bank of China

No. 69 Jianguomen Nei Avenue

Dongcheng District

Beijing, Peoples Republic of China, 100005

11 (c) Mr. Yu Ming

General Manager

Agricultural Bank of China

New York Branch

277 Park Avenue, 30th Floor

New York, New York 10172

Miscellaneous

15. Notwithstanding any provision of this Order to the contrary, the Reserve Bank

may, in its sole discretion, grant written extensions of time to the Bank and the Branch to comply

with any provision of this Order.

16. The provisions of this Order shall be binding on the Bank and the Branch, and

each of their institution-affiliated parties, as defined in sections 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.

17. Each provision of this Order shall remain effective and enforceable until stayed,

modified, terminated, or suspended in writing by the Reserve Bank.

 18. The provisions of this Order shall not bar, estop, or otherwise prevent the Board

of Governors, the Reserve Bank, 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 Board of Governors of the Federal Reserve System effective this 28th day

of September, 2016.

AGRICULTURAL BANK OF CHINA BOARD OF GOVERNORS OF THE

 FEDERAL RESERVE SYSTEM

By: /s/ Zhao Huan By: /s/ Robert deV. Frierson

 Zhao Huan Robert deV. Frierson

 President Secretary of the Board

AGRICULTURAL BANK OF CHINA

 NEW YORK BRANCH

By: /s/ Yu Ming

 Yu Ming

 General Manager