

ARTICLE I

COMPTROLLER'S FINDINGS

The Comptroller finds, and the Bank neither admits nor denies, the following:

- (1) The Chief Investment Office ("CIO") conducted various trades on behalf of the Bank.
- (2) Part of these trades involved a credit derivatives trading strategy.
- (3) During the first quarter of 2012, the CIO's credit derivatives trading strategy significantly increased the CIO's risk as measured by the Bank's Value at Risk ("VaR") model. This increase in risk resulted in breaches of the limits established for the CIO.
- (4) During this period, the Bank implemented a new VaR model, which had the effect of significantly reducing the CIO's VaR measurement. While the process for measuring VaR changed, the VaR limits established under the previous model were retained. As a result, the CIO continued to increase its risk without continuing to exceed the VaR limits.
- (5) During this period, the CIO's credit derivatives trading strategy began to suffer substantial losses, and additional risk limits were breached.
- (6) During this period, the CIO substantially increased the size of its credit derivatives positions. The Bank's risk and other controls failed, and reporting was not adequate. The CIO was able to increase its positions and risk, and ultimately losses, without sufficiently effective intervention by the Bank's control groups.
- (7) During the second quarter 2012, the CIO's credit derivatives trading strategy suffered additional substantial losses, and further losses were possible due to the CIO's large positions in credit derivative products.

(8) To the present, losses attributable to the CIO's credit derivatives trading strategy have exceeded \$6 billion.

(9) The OCC has engaged in several targeted examinations of the Bank and the CIO. The OCC's examination findings establish that the Bank has deficiencies in its internal controls and has engaged in unsafe or unsound banking practices and violations of 12 C.F.R. Part 3, Appendix B (Market Risk Management Amendment) with respect to the credit derivatives trading strategies, activities and positions employed by the CIO on behalf of the Bank. The deficiencies and unsafe and unsound practices include the following:

- (a) The Bank's oversight and governance of the credit derivatives trading conducted by the CIO were inadequate to protect the Bank from material risks in those trading strategies, activities and positions;
- (b) The Bank's risk management processes and procedures for the credit derivatives trading conducted by the CIO did not provide an adequate foundation to identify, understand, measure, monitor and control risk;
- (c) The Bank's valuation control processes and procedures for the credit derivatives trading conducted by the CIO were insufficient to provide a rigorous and effective assessment of valuation;
- (d) The Bank's internal audit processes and procedures related to the credit derivatives trading conducted by the CIO were not effective; and
- (e) The Bank's model risk management practices and procedures were inadequate to provide adequate controls over certain of the Bank's market risk and price risk models.

(10) The Bank has committed to taking necessary and appropriate steps to remedy the deficiencies, unsafe or unsound practices and violations of law or regulation identified by the OCC, and has committed to and is engaged in completing remediation.

ORDER

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. §1818(b), the Comptroller hereby ORDERS that:

ARTICLE II

COMPLIANCE COMMITTEE

(1) The Board shall appoint and maintain a Compliance Committee of at least three (3) directors, of which a majority may not be employees or officers of the Bank or any of its subsidiaries or affiliates. The Compliance Committee may also include one or more directors of the Bank's holding company as one or more of the required directors, if acceptable to the Examiner in Charge for Large Bank Supervision ("Examiner-in-Charge"). At formation and thereafter in the event of a change in the membership, the names of the members of the Compliance Committee shall be submitted to the Examiner-in-Charge. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's compliance with the provisions of this Order. The Compliance Committee shall meet at least monthly and maintain minutes of its meetings.

(2) Within ninety (90) days of the effective date of this Order, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail the actions taken to comply with each Article of this Order, and the results and status of those actions.

(3) The Board shall forward a copy of the Compliance Committee’s report, with any additional comments by the Board, to the Deputy Comptroller for Large Bank Supervision (“Deputy Comptroller”) and the Examiner-in-Charge within ten (10) days of receiving such report.

ARTICLE III

COMPREHENSIVE ACTION PLAN

(1) Within sixty (60) days of the effective date of this Order, the Bank shall submit to the Deputy Comptroller and Examiner-in-Charge for review and written determination of no supervisory objection an acceptable plan containing a complete description of the actions that are necessary and appropriate to achieve compliance with Articles IV through VIII of this Order (“Action Plan”). The Board shall approve the submission and cause the Bank to submit the Action Plan to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller asks the Bank to revise the Action Plan, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the Action Plan to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection.

(2) The Action Plan shall address, at a minimum:

(a) Financial resources to develop and implement the plans required under this Order, and ensure that the trading strategies, activities and positions for the account of the Bank (“Covered Trading”) are conducted in a manner consistent with safe and sound banking practices;

- (b) Organizational structure, managerial resources, and staffing to support the plans required under this Order, and ensure that Covered Trading is consistent with safe and sound banking practices;
- (c) Ensure the adequacy of staffing levels relative to existing and/or future Covered Trading, and that such staffing is sufficient to identify, understand, measure, monitor and control the risks associated with Covered Trading; and
- (d) Oversight and governance to ensure adherence to safe and sound banking practices with respect to Covered Trading, and the need to identify, understand, measure, monitor and control the risks associated with those trading strategies, activities and positions, and the provisions of this Order.

(3) The Action Plan shall specify timelines for completion of each of the requirements of Articles IV through VIII of this Order. The timelines in the Action Plan shall be consistent with any deadlines set forth in this Order.

(4) Upon receiving written notice of no supervisory objection from the Deputy Comptroller, the Board shall promptly adopt the Action Plan and direct and cause the Bank to implement and thereafter adhere to the Action Plan. Following implementation of the Action Plan, the Bank shall not take any action that will cause a significant deviation from, or material change to the Action Plan, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

(5) The Board shall ensure that the Bank achieves and thereafter maintains compliance with this Order, including, without limitation, successful implementation of the Action Plan. The Board shall further ensure that, upon implementation of the Action Plan, the

Bank achieves and maintains effective risk management and controls over its Covered Trading, as well as associated oversight and governance, valuation processes, information systems, audit, model development and implementation, and related functions. In each instance in this Order in which the Board is required to ensure adherence to, or undertake to perform certain obligations, it is intended to mean that the Board shall:

- (a) Authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) Require the timely reporting by Bank management of such actions directed by the Board to be taken under this Order and the results of such actions;
- (c) Require that the reporting by Bank management is timely, adequate and accurate; and
- (d) Remedy non-compliance with any Article of this Order by requiring timely and appropriate corrective action.

ARTICLE IV

BOARD AND MANAGEMENT OVERSIGHT AND GOVERNANCE

(1) Within ninety (90) days of the effective date of this Order, the Bank shall submit an acceptable written plan to ensure that the Board has appropriate oversight and governance of Covered Trading (“Oversight and Governance Plan”). The Board shall approve the submission and cause the Bank to submit the Oversight and Governance Plan to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the

Deputy Comptroller asks the Bank to revise the Oversight and Governance Plan, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the Oversight and Governance Plan to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection.

(2) The Oversight and Governance Plan shall provide for Board oversight of the Bank's development and implementation of internal processes to appropriately manage material risks to the Bank with respect to Covered Trading, and shall at a minimum:

- (a) Require evaluation of Covered Trading across the Bank to ensure that controls, risk limits and reporting are appropriate for and accurately reflect the underlying nature of the strategies, activities and positions, and all risks are fully identified, understood, measured, monitored and controlled;
- (b) Ensure that risk management and finance staff have the knowledge, skills, resources and Board and senior management support to effectively question or challenge, in areas appropriate to their areas of responsibility:
 - (i) Trading strategies, activities and positions; and
 - (ii) Shortcomings in the control infrastructure;
- (c) Ensure that internal audit staff have the knowledge, skills, resources and Board and senior management support to effectively assess whether Covered Trading is consistent with Bank policy;
- (d) Ensure that material differences between risk management, valuation, and control processes for similar trading practices across all lines of business at the Bank and the Bank's holding company are understood and each process at the Bank is appropriate and effective;

- (e) Develop and implement an effective forum in the Bank for the evaluation and critique of the Bank's trading activity and issues, based on an understanding of trading activity across lines of business at the Bank and the Bank's holding company;
- (f) Ensure that structural risk management trading strategies are authorized by senior management, are periodically reviewed by the Board, are clearly defined, articulated and measurable, have appropriate reporting, limits and risk management in place, and are consistent with the Bank's risk appetite;
- (g) Ensure that the Bank timely, fully and accurately reports material issues to the OCC and responds to OCC requests for information; and
- (h) Ensure that the Bank timely, fully and effectively remediates all matters requiring attention identified by the OCC.

(3) The Oversight and Governance Plan shall include compensation processes that take into account relevant factors, including, but not limited to, adverse risk outcomes and control deficiencies.

(4) The Oversight and Governance Plan shall require that all Covered Trading complies with all applicable laws, rules and regulations, require the prompt correction of any noncompliance occurring in the future, and include provisions for notification to the Examiner-in-Charge.

(5) Upon receiving written notice of no supervisory objection from the Deputy Comptroller, the Board shall promptly adopt the Oversight and Governance Plan and direct and cause the Bank to implement and thereafter adhere to the Oversight and Governance Plan. Following implementation of the Oversight and Governance Plan, the Bank shall not take any

action that will cause a significant deviation from, or material change to the Oversight and Governance Plan, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

(6) The Bank shall not permit any other party, including but not limited to the Bank's holding company, to perform any act on behalf of the Bank which is the subject of this Order, unless the Bank requires that party to perform such act in the manner and under safeguards and controls as least as stringent as required by the Bank under the terms of this Order as implemented by the Bank.

ARTICLE V

RISK MANAGEMENT PLAN

(1) Within ninety (90) days of the effective date of this Order, the Bank shall submit an acceptable written plan to ensure appropriate risk management and control functions for Covered Trading ("Risk Management Plan"). The Board shall approve the submission and cause the Bank to submit the Risk Management Plan to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller asks the Bank to revise the Risk Management Plan, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the Risk Management Plan to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection.

(2) The Risk Management Plan shall ensure that adequate reporting of the Bank's Covered Trading is made to all appropriate recipients, and is sufficient to disclose the nature and extent of risk taking, and shall at a minimum:

- (a) Ensure that material risk exposure, strategies, activities and positions are clearly identified and reported to all appropriate recipients;
- (b) Ensure that business reviews cover material changes in strategy;
- (c) Ensure that material risks are accurately reported to all appropriate recipients; and
- (d) Ensure that material changes in strategies, activities and positions are reported to all appropriate recipients.

(3) The Risk Management Plan shall ensure that risk management and control function processes over Covered Trading are effective as business risks change and evolve, and shall at a minimum:

- (a) Ensure that risk management and control function staffing is appropriate based upon the size and complexity of the Bank's Covered Trading;
- (b) Ensure that risk management and control function staff are appropriately engaged in oversight based on the level of risk in Covered Trading;
- (c) Ensure that the Bank's risk management and control function staff are informed of any material differences between risk management, valuation and control processes for similar trading practices across lines of business at the Bank and the Bank's holding company;
- (d) Ensure that limits and advisory limits are adequate to identify and protect the Bank against unacceptable levels of risk;
- (e) Ensure that the sophistication of limits and advisory limits is appropriate for the level of complexity in Covered Trading;

- (f) Ensure that the basis for any exceptions to limits or advisory limits is understood, discussed, documented and reported to all appropriate recipients;
- (g) Ensure that the cause of limit or advisory limit breaches is understood, discussed, documented and reported to all appropriate recipients;
- (h) Ensure that exceptions to limits and permitted limit breaches are authorized by the appropriate official, understood, discussed, documented and reported to all appropriate recipients; and
- (i) Ensure that the risks undertaken in an activity are consistent with the stated purpose and any exceptions are understood, discussed, documented and reported to all appropriate recipients.

(4) Upon receiving written notice of no supervisory objection from the Deputy Comptroller, the Board shall promptly adopt the Risk Management Plan and direct and cause the Bank to implement and thereafter adhere to the Risk Management Plan. Following implementation of the Risk Management Plan, the Bank shall not take any action that will cause a significant deviation from, or material change to the Risk Management Plan, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

ARTICLE VI

VALUATION CONTROL PLAN

(1) Within ninety (90) days of the effective date of this Order, the Bank shall submit an acceptable written plan to ensure that appropriate valuation controls are in place for the

Covered Trading (“Valuation Control Plan”). The Board shall approve the submission and cause the Bank to submit the Valuation Control Plan to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller asks the Bank to revise the Valuation Control Plan, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the Valuation Control Plan to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection.

(2) The Valuation Control Plan shall provide for adequate standards and valuation processes to ensure a rigorous and effective valuation assessment of the fair value of assets and liabilities with respect to Covered Trading, and shall at a minimum:

- (a) Articulate and implement well-defined policies and processes to ensure an effective assessment of fair value and consistent valuation marks, and shall clearly state valuation control’s:
 - (i) Roles and responsibilities;
 - (ii) Testing procedures, methodologies and frequency;
 - (iii) Communication channels;
 - (iv) Escalation procedures consistent with the Valuation Governance Forum;
 - (v) Approvals required to effect changes to price and rate testing and fair value adjustments (“FVA”) methodologies; and
 - (vi) Reporting and monitoring of overall price testing and FVA results;
- (b) Ensure that price and variance threshold tests are appropriate for the activity and are regularly reviewed, approved and updated;

- (c) Ensure that the hierarchy of selecting independent valuation sources are formally documented, consistently used, and appropriately applied for valuation purposes;
- (d) Ensure that, at intervals specified in the Valuation Control Plan, the Bank performs comparisons of valuations thresholds between lines of business across the Bank and that the Bank compares its valuation thresholds with those at the Bank's holding company;
- (e) Ensure that reviews of valuation testing results are conducted at least monthly and are fully documented;
- (f) Review exception-based collateral reconciliation reports sufficient to identify material valuation discrepancies and potential front office mismarks;
- (g) Ensure the calculation and utilization of key valuation metrics including, at a minimum:
 - (i) Statistics summarizing valuation testing results;
 - (ii) Statistics summarizing challenges by front office traders to valuation testing results; and
 - (iii) Pricing adjustments related to offline valuations and approximately loaded transactions;
- (h) Ensure that valuation control reporting is sufficiently detailed and standardized to inform management of material values, trends, valuation differences and potential issues, and includes, at a minimum:
 - (i) Details of material adjustments to valuations;

- (ii) Detailed explanations of changes from the prior month;
 - (iii) Confidence levels;
 - (iv) Historical trends of key valuation adjustment metrics;
 - (v) Commentary on key valuation issues and significant control gaps in the independent valuation testing framework; and
 - (vi) Remedial action plans, timelines for remediation and status updates;
- (i) Ensure that appropriate adjustments are taken for profits and losses recorded on the basis of un-reviewed or unapproved models used for valuation purposes;
 - (j) Ensure that all spreadsheets used for price testing and FVA are risk-tiered, specifically considering spreadsheet model complexity and all associated risks due to the quality of inputs, data feeds, links and inputs to and from other spreadsheets, implementation methods and operational risks;
 - (k) Ensure, based on risk-tiering, that all spreadsheets used for price testing and FVA are tested and validated for robust design and accuracy, and evaluated for appropriate compensating controls by an appropriate party, who may not be a developer or user of the spreadsheet; and
 - (l) Ensure that all spreadsheets are formally documented and file-versioned, and provide details of changes implemented to formulas, macros, and queries, and include procedures for proper usage.

(3) Upon receiving written notice of no supervisory objection from the Deputy Comptroller, the Board shall promptly adopt the Valuation Control Plan and direct and cause the

Bank to implement and thereafter adhere to the Valuation Control Plan. Following implementation of the Valuation Control Plan, the Bank shall not take any action that will cause a significant deviation from, or material change to the Valuation Control Plan, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

ARTICLE VII

INTERNAL AUDIT

(1) Within ninety (90) days of the effective date of this Order, the Bank shall submit an acceptable written plan to ensure that the internal audit program adequately addresses Covered Trading (“Internal Audit Plan”). The Board shall approve the submission and cause the Bank to submit the Internal Audit Plan to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller asks the Bank to revise the Internal Audit Plan, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the Internal Audit Plan to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection.

(2) The Internal Audit Plan shall provide standards for audit processes and ensure effective audit coverage with respect to Covered Trading, and shall at a minimum:

- (a) Require appropriate audit strategies to guide the approach, execution and escalation processes;
- (b) Ensure identification and escalation of significant control issues in a timely manner;

- (c) Ensure identification and adequate audit coverage of material increases in risk and changes in Covered Trading in a timely manner;
- (d) Ensure the active and consistent participation in Bank audits of personnel with sufficient expertise and firm-wide experience to identify significant issues at the Bank, including material variations in controls across lines of business at the Bank, and material variations in controls from those at the Bank's holding company;
- (e) Develop a formal process for sharing, as appropriate, significant audit, regulatory and emerging issues across the audit department;
- (f) Require consistently and adequately documented support for all aspects of the audit process, including, but not limited to, audit planning, selection of control testing, selection of samples, audit work reviews and conclusions;
- (g) Ensure that all material concerns and potential concerns identified during the audit process including, but not limited to, risk measurements and risk limits, are adequately addressed in a timely manner;
- (h) Ensure that any corrective action fully addresses the underlying cause of identified material concerns or potential concerns;
- (i) Establish appropriate and timely corrective action based on the level of risk severity;
- (j) Require appropriate evaluation of controls related to Covered Trading; and
- (k) Provide for appropriate senior management oversight of the audit process consistent with independence requirements.

(3) The Board shall ensure that corrective actions are undertaken promptly to remedy deficiencies cited in audit reports and audit self-assessments, and that auditors maintain a written record describing those actions.

(4) Upon receiving written notice of no supervisory objection from the Deputy Comptroller, the Board immediately shall adopt the Internal Audit Plan and direct and cause the Bank to implement and thereafter adhere to the Internal Audit Plan. Following implementation of the Internal Audit Plan, the Bank shall not take any action that will cause a significant deviation from, or material change to the Internal Audit Plan, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

ARTICLE VIII

MODEL RISK MANAGEMENT

(1) Within ninety (90) days of the effective date of this Order, the Bank shall submit an acceptable written plan to ensure appropriate control over the market risk and price risk models of the Bank (“Model Risk Management Plan”). The Board shall approve the submission and cause the Bank to submit the Model Risk Management Plan to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller asks the Bank to revise the Model Risk Management Plan, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the Model Risk Management Plan to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection.

(2) The Model Risk Management Plan shall ensure adequate standards for model development, implementation and use, and shall at a minimum:

- (a) Ensure compliance with:
 - (i) Model-related standards set forth in 12 C.F.R. Part 3, Appendix B, and other applicable laws and regulations;
 - (ii) *OCC Bulletin 2011-12, Supervisory Guidance on Model Risk Management* and other applicable supervisory guidance; and
 - (iii) Bank policies, procedures and directives;
- (b) Ensure the identification and tracking of all models requiring regulatory or Bank approval and all models subject to supervisory guidance;
- (c) Require the adoption of templates to ensure that all material aspects of a model are sufficiently documented prior to submission to the model review group;
- (d) Prevent the inappropriate use of un-reviewed or unapproved models;
- (e) Prevent the implementation of disapproved models, unless use of the model is authorized in writing by a senior management official pursuant to a documented exception process;
- (f) Ensure that for all un-reviewed or unapproved models, the Bank:
 - (i) Identifies the un-reviewed or unapproved model on a comprehensive list;
 - (ii) Develops an associated action plan to address issues associated with using such models in a timely manner; and
 - (iii) Where appropriate, applies a conservative capital treatment approved by the OCC until validation is completed and issues associated with using such models are addressed;

- (g) Prevent the implementation, modification or use of an approved model in a manner materially inconsistent with the approval and ensure that a qualified individual is responsible for compliance, unless use of the model in a manner materially inconsistent with its approval is authorized in writing by a senior management official pursuant to a documented exception process;
- (h) Require periodic gap analyses, not less frequently than annually, to identify any model not in conformance with this Article and ensure prompt corrective action;
- (i) Ensure that the VaR model development process is adequate, which shall at a minimum:
 - (i) Provide for adequate and well-qualified staff with clearly defined mandates, roles and responsibilities and application of a consistent approach;
 - (ii) Require complete documentation, including but not limited to, evaluation and discussion of conceptual soundness, assumptions and limitations, and adequate support for testing and analysis; and
 - (iii) Require a VaR model inventory that includes details regarding technology employed, data feeds, implementation procedures and operational controls;
- (j) Ensure that the model review process includes an independent review of all models used in measuring market risk and price risk, which shall at a minimum:

- (i) Require model tiering that specifically considers model complexity and all material associated risks due to the quantity of inputs, inputs derived from other models, implementation methods and operational risk;
 - (ii) Require a rigorous assessment of the quality and suitability of all material model components including inputs from other models and data feeds;
 - (iii) Prevent undue reliance on the model developer's input;
 - (iv) Provide model review staff with explicit authority and the ability to provide credible challenges to model developers;
 - (v) Ensure that any material issues or deficiencies are appropriately documented and addressed in a timely and substantive manner; and
 - (vi) Require a documented update or an independent model review when a model's methodology is materially changed sufficient to permit auditing of the changes;
- (k) Integrate and enhance the VaR model technology framework, which shall at a minimum:
- (i) Ensure that the model infrastructure provides flexibility and scalability with appropriate governance, controls and change control management;
 - (ii) Ensure that the Bank's technology framework includes appropriate controls and detailed reporting capabilities that takes into account

- legal entities, lines of business and the Bank's consolidated holding company; and
- (iii) Ensure that the Bank has documented mitigating controls for those components of VaR and data feeds that are not part of the Bank's Market Risk Infrastructure framework and related repositories; and
- (l) Ensure that VaR model implementation and governance processes are adequate, which shall at a minimum:
- (i) Ensure that all material operational risks associated with model usage are addressed and that documentation details the methods employed to minimize these risks;
 - (ii) Implement procedures and compensating controls to ensure that proper safeguards are in place prior to production release including, but not limited to, situations where manual intervention is necessary to invoke a model including, but not limited to, spreadsheet based models or spreadsheet based data feeds;
 - (iii) Ensure that documentation fully addresses technology change control requirements and information security concerns;
 - (iv) Require model approval sign-off by the appropriate model control officer attesting to the controls in this paragraph and include such attestation in the control self-assessment for the line of business;
 - (v) Require model performance testing that considers the control processes in this paragraph including documented reviews during post implementation monitoring; and

- (vi) Implement standardized governance processes for VaR model implementation and controls that includes, but is not limited to, processes for data soundness.

(3) Upon receiving written notice of no supervisory objection from the Deputy Comptroller, the Board shall promptly adopt the Model Risk Management Plan and direct and cause the Bank to implement and thereafter adhere to the Model Risk Management Plan. Following implementation of the Model Risk Management Plan, the Bank shall not take any action that will cause a significant deviation from, or material change to the Model Risk Management Plan, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

ARTICLE IX

APPROVAL, IMPLEMENTATION AND REPORTS

(1) The Bank shall submit the written plans, programs, policies and procedures required by this Order for review and determination of no supervisory objection to the Deputy Comptroller and the Examiner-in-Charge within the applicable time periods set forth in Articles IV through VIII. The Board shall approve the submission and cause the Bank to submit the plans, programs, policies and procedures to the Deputy Comptroller and Examiner-in-Charge for prior written determination of no supervisory objection. In the event the Deputy Comptroller asks the Bank to revise the plans, programs, policies or procedures, the Bank shall promptly make, and the Board shall approve, necessary and appropriate revisions and resubmit the materials to the Deputy Comptroller and Examiner-in-Charge for review and determination of no supervisory objection. Upon receiving written notice of no supervisory objection from the

Deputy Comptroller, the Board shall promptly adopt the plans, programs, policies and procedures and direct and cause the Bank to implement and thereafter adhere to the plans, programs, policies and procedures. Following implementation of the plans, programs, policies and procedures, the Bank shall not take any action that will cause a significant deviation from, or material change to the plans, programs, policies and procedures, unless and until the Bank has received prior written notice of no supervisory objection from the Deputy Comptroller.

(2) During the term of this Order, the Bank shall revise the required plans, programs, policies and procedures as necessary to incorporate new, or changes to, applicable legal requirements and supervisory guidelines following the procedures above.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plans, programs, policies and procedures required by this Order.

(4) Within thirty (30) days after the end of each calendar quarter following the effective date of this Order, the Bank shall submit to the OCC a written progress report detailing the form and manner of all actions taken to secure compliance with the provisions of this Order and the results thereof. The progress report shall include information sufficient to validate compliance with this Order. The OCC may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

(5) All communication regarding this Order shall be sent to:

Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

and

Scott N. Waterhouse
Examiner-in-Charge
National Bank Examiners
1166 Avenue of the Americas, 21st Floor
New York, NY 10036

or such other individuals or addresses as directed by the OCC.

ARTICLE X

OTHER PROVISIONS

(1) Although this Order requires the Bank to submit certain actions, plans, programs, policies and procedures for the review or prior written determination of no supervisory objection by the Deputy Comptroller and the Examiner-in-Charge, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) This Order constitutes a settlement of the cease and desist proceeding against the Bank contemplated by the Comptroller, based on the unsafe or unsound practices and violations of law or regulation described in the Comptroller's Findings set forth in Article I of this Order. The OCC releases and discharges the Bank from all potential liability for a cease and desist order that has been or might have been asserted by the OCC based on the practices and violations described in the Comptroller's Findings set forth in Article I of the Order, to the extent known to the OCC as of the effective date of the Order. Provided, however, that nothing in the Stipulation or this Order shall prevent the Comptroller from instituting other enforcement actions against the

Bank or any of its institution-affiliated parties, including, without limitation, assessment of civil money penalties, based on the findings set forth in this Order, or any other findings, and nothing in the Stipulation or this Order shall preclude or affect any right of the OCC to determine and ensure compliance with the terms and provisions of the Stipulation or this Order.

(4) This Order is and shall become effective upon its execution by the Comptroller, through his authorized representative whose hand appears below. The Order shall remain effective and enforceable, except to the extent that, and until such time as, any provision of this Order shall be amended, suspended, waived, or terminated in writing by the Comptroller.

(5) Any time limitations imposed by this Order shall begin to run from the effective date of this Order, as shown below, unless the Order specifies otherwise. The time limitations may be extended in writing by the Deputy Comptroller for good cause upon written application by the Board. Any request to extend any time limitation shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the time limitation, and shall be accompanied by relevant supporting documentation. The Deputy Comptroller's decision regarding the request is final and not subject to further review.

(6) The terms and provisions of this Order apply to the Bank and its subsidiaries, even though those subsidiaries are not named as parties to this Order. The Bank shall integrate any strategies, activities and positions of a subsidiary into its plans, policies, programs and processes required by this Order. The Bank shall ensure that its subsidiaries comply with all terms and provisions of this Order.

(7) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States. Without limiting the foregoing, nothing in this Order shall prevent any action against the Bank or its institution-affiliated parties by a

bank regulatory agency, the United States Department of Justice, or any other law enforcement agency.

(8) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 14th day of January, 2013.

_____/s/_____
Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

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In the Matter of:)	
)	AA-EC-13-01
JPMorgan Chase Bank, N.A.)	
Columbus, Ohio)	
)	
)	
)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), based upon information derived from the exercise of his regulatory and supervisory responsibilities, intends to issue a cease and desist order to JPMorgan Chase Bank, N.A., Columbus, Ohio (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices and violations of law, rule or regulation in the Bank’s trading activities;

WHEREAS, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, the Bank, through its duly elected and acting Board of Directors (collectively referred to as the “Board”), has agreed to execute this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), that is accepted by the Comptroller, through his duly authorized representative;

NOW, THEREFORE, in consideration of the above premises, it is stipulated by the Bank that:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

CONSENT

(1) The Bank, without admitting or denying any wrongdoing, consents and agrees to issuance of the accompanying Consent Order by the Comptroller.

(2) The terms and provisions of the Consent Order apply to JPMorgan Chase Bank, N.A., Columbus, Ohio and all its subsidiaries, even though those subsidiaries are not named as parties to the Consent Order.

(3) The Bank consents and agrees that the Consent Order shall be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), will become effective upon its execution by the Comptroller through his authorized representative, and will be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(b).

(4) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b), and not as

a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(5) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute this Stipulation.

(6) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(7) The Consent Order constitutes a settlement of the cease and desist proceeding against the Bank contemplated by the Comptroller, based on the unsafe or unsound practices and violations of law or regulation described in the Comptroller's Findings set forth in Article I of the Consent Order. The OCC releases and discharges the Bank from all potential liability for a cease and desist order that has been or might have been asserted by the OCC based on the practices and violations described in the Comptroller's Findings set forth in Article I of the Consent Order, to the extent known to the OCC as of the effective date of the Order. Provided, however, that nothing in this Stipulation or the Consent Order shall prevent the Comptroller from instituting other enforcement actions against the Bank or any of its institution-affiliated parties, including, without limitation, assessment of civil money penalties, based on the findings set forth in the Consent Order, or any other findings, and nothing in the Consent Order shall preclude or affect any right of the OCC to determine and ensure compliance with the terms and provisions of this Stipulation or the Consent Order.

(8) The terms and provisions of this Stipulation and the Consent Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Consent Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Consent Order.

ARTICLE III

WAIVERS

- (1) The Bank, by executing this Stipulation and consenting to the Consent Order, waives:
- (a) Any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) Any and all procedural rights available in connection with the issuance of the Consent Order;
 - (c) Any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. §§ 1818(b) and (h), and 12 C.F.R. Part 19;
 - (d) Any and all rights to seek any type of administrative or judicial review of the Consent Order;
 - (e) Any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or the Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;

- (f) Any and all rights to assert this proceeding, this Stipulation, consent to the issuance of the Consent Order, and/or the issuance of the Consent Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity; and
- (g) Any and all rights to challenge or contest the validity of the Consent Order.

ARTICLE IV

ELIGIBLE BANK – OTHER PROVISIONS

- (1) As a result of the Consent Order:
 - (a) The Bank is an “eligible bank” pursuant to 12 C.F.R. § 5.3(g)(4) for the purposes of 12 C.F.R. Part 5 regarding rules, policies and procedures for corporate activities, unless otherwise informed in writing by the OCC;
 - (b) The Bank is not subject to the limitation of 12 C.F.R. § 5.51(c)(6)(ii) for the purposes of 12 C.F.R. § 5.51 requiring OCC approval of a change in directors and senior executive officers, unless otherwise informed in writing by the OCC;
 - (c) The Bank is not subject to the limitation on golden parachute and indemnification payments provided by 12 C.F.R. § 359.1(f)(1)(ii)(C) and 12 C.F.R. § 5.51(c)(6)(ii), unless otherwise informed in writing by the OCC;

- (d) The Bank’s status as an “eligible bank” remains unchanged pursuant to 12 C.F.R. § 24.2(e)(4) for the purposes of 12 C.F.R. Part 24 regarding community and economic development, unless otherwise informed in writing by the OCC; and
- (e) The Consent Order shall not be construed to be a “written agreement, order, or capital directive” within the meaning of 12 C.F.R. § 6.4, unless the OCC informs the Bank otherwise in writing.

ARTICLE V

CLOSING

(1) The provisions of this Stipulation and the Consent Order shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

(2) Nothing in this Stipulation or the Consent Order shall preclude any proceedings brought by the Comptroller to enforce the terms of the Consent Order, and nothing in this Stipulation or the Consent Order constitutes, nor shall the Bank contend that it constitutes, a release, discharge, compromise, settlement, dismissal or resolution of any actions, or in any way affects any actions, that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

(3) The terms of this Stipulation, including this paragraph, and of the Consent Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of JPMorgan Chase Bank, N.A., Columbus, OH, have hereunto set their hands on behalf of the Bank.

/s/
Frank J. Bisignano

1/14/13
Date

/s/
James S. Crown

1/14/13
Date

/s/
James Dimon

1/14/13
Date

/s/
Laban P. Jackson, Jr.

1/14/13
Date

/s/
Marianne Lake

1/14/13
Date

Accepted by:

THE COMPTROLLER OF THE CURRENCY

By: /s/
Sally G. Belshaw
Deputy Comptroller for Large Bank Supervision
Office of the Comptroller of the Currency

1/14/13
Date