DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") with respect to COMPL-2015-562300 is made by and between the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and Wells Fargo Bank, N.A. and its subsidiaries and affiliates worldwide (referred to hereafter as "Respondent" or "Wells Fargo").

I. PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

Wells Fargo is a national bank with its home office in Sioux Falls, South Dakota. Wells Fargo is the primary bank subsidiary of Wells Fargo & Company, a leading multinational financial services company headquartered in San Francisco, California. Wells Fargo offers a full range of banking services, including commercial and consumer banking, wealth management, and other financial services permissible for a national bank.

II. APPARENT VIOLATIONS

Between approximately December 27, 2010 and December 7, 2015, Wells Fargo provided a software system developed by Wells Fargo's predecessor, Wachovia Bank ("Wachovia"), and associated services to a European bank ("Bank A") that used the software to process 124 transactions involving sanctioned parties or jurisdictions, totaling the USD equivalent of approximately $532,068,794. None of the payments associated with these transactions were processed by Wells Fargo or any other U.S. bank. Accordingly, Wells Fargo engaged in apparent violations of the Iranian Transactions and Sanctions Regulations (ITSR), 31 C.F.R. § 560.208, the now-repealed Sudanese Sanctions Regulations (SSR), 31 C.F.R. § 538.206,[1] and the Syrian Sanctions Regulations ("SySR"), 31 C.F.R. § 542.210. These transactions are hereafter referred to as the "Apparent Violations."

OFAC determined that Wells Fargo voluntarily self-disclosed the Apparent Violations and that the Apparent Violations constitute an egregious case.

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[1] Effective October 12, 2017, pursuant to Executive Order 13761 (as amended by Executive Order 13804), U.S. persons are no longer prohibited from engaging in transactions that were previously prohibited solely under the SSR. Consistent with the revocation of these sanctions, OFAC removed the SSR from the Code of Federal Regulations on June 29, 2018. However, the revocation of these sanctions does not affect past, present, or future OFAC enforcement investigations or actions related to any apparent violations of the SSR arising from activities that occurred prior to October 12, 2017.

III. FACTUAL STATEMENT

Wells Fargo Inherits Wachovia's Trade Insourcing Relationships, Including the "Eximbills" Platform

When Wells Fargo acquired Wachovia in 2008, it inherited Wachovia's trade insourcing relationships, including a relationship with a particular European bank ("Bank A"). The trade insourcing platform included two versions — one where Wells Fargo (previously Wachovia) processed trade transactions on behalf of the customer ("Comprehensive") and one where it provided the software to the customer and the customer managed the transaction itself ("Hosted"). The trade insourcing software solutions operated on a software platform called "Eximbills." Wachovia provided both types of platforms to Bank A. The Hosted version of the software enabled Bank A to manage certain of its own trade finance instruments (such as letters of credit) on behalf of its clients, as opposed to Wells Fargo processing the trade transactions on its behalf with the Comprehensive platform. In May 2006, after consulting with outside counsel, Wachovia and Bank A clarified in an agreement that Bank A had the primary responsibility to screen for OFAC sanctions issues related to transactions processed on its Hosted versions of the Eximbills platform. Wachovia and Bank A also agreed that Bank A would refrain from processing transactions with OFAC sanctioned jurisdictions or entities (e.g., a trade finance transaction involving Iran) through its Hosted versions of Eximbills, and instead Bank A would use its own, separate systems, not provided by Wachovia, to manage such transactions.

Around May 2007, Bank A sought to switch to a single platform for all of its trade finance services, including those involving sanctioned jurisdictions and persons. A mid-level manager (and a small number of other employees) within Wachovia's legacy Global Trade Services ("GTS") business unit — a relatively small unit that managed the trade services relationship with Bank A — believed that accommodating Bank A's desire for a single platform was important to preserve and expand the relationship between Wachovia and Bank A.

Wachovia Customizes a Hosted Version of Eximbills for Bank A

Accordingly, Wachovia, at the direction of this mid-level manager, specially designed a customized version of Eximbills for Bank A to "host" on Bank A's own systems, in part so that Bank A could use Eximbills to handle international trade finance instruments involving OFAC-sanctioned jurisdictions and persons. Around July 2008, Wachovia and Bank A modified the relevant agreements to reflect this development, and Bank A began using this modified Hosted version of Eximbills to handle such transactions.

As part of Wachovia's development of this Hosted Eximbills platform, Wachovia sought to eliminate the involvement of Wachovia personnel in non-OFAC-compliant transactions. For example, Wachovia created a mechanism in the software program such that if Bank A inadvertently sent a transaction involving a sanctioned jurisdiction or person to Wachovia's Comprehensive version of Eximbills, the program would redirect the transaction to Bank A to process through the Hosted version of Eximbills. Seven of the apparent violations arose through this process. Nonetheless, Bank A's use of the Hosted Eximbills platform continued to rely on

Wachovia's (and then Wells Fargo's) technology infrastructure at the bank's branch in Hong Kong and data facility in North Carolina to manage the 124 non-OFAC-compliant transactions.

Potential Sanctions Compliance Concerns Raised Internally within Wells Fargo

There is no indication that Wachovia's or Wells Fargo's senior management either directed or had actual knowledge of Bank A's use of the Hosted Eximbills platform to engage in transactions with OFAC-sanctioned jurisdictions and persons. A lack of clear communications within Wachovia resulted in different interpretations about whether OFAC prohibitions would be implicated by Wachovia's provision of the Hosted Eximbills platform to Bank A. Regardless, Wells Fargo's senior management should reasonably have known that Bank A was using the Hosted Eximbills platform to engage in transactions with OFAC-sanctioned jurisdictions and persons.

For example, after Wells Fargo acquired Wachovia in 2008, Wells Fargo personnel raised on multiple occasions, including to senior management, the potential sanctions-related risks arising from the trade insourcing relationships it inherited from Wachovia. Nonetheless, there was no regular or systematic process in place at Wells Fargo to periodically review Bank A's use of Eximbills to confirm that it was appropriately screening Hosted trade instruments for OFAC compliance. Accordingly, it was not until December 2015 — nearly seven years after Bank A began using the specially designed Hosted version of Eximbills to process transactions involving sanctioned jurisdictions and persons — that senior management at Wells Fargo stopped Bank A from using Eximbills for such transactions.

Although a 2009 risk assessment of the trade insourcing business did not identify particular sanctions risks associated with the Hosted insourcing model, emails between the legacy Wachovia GTS business unit's personnel and the relevant Wells Fargo compliance and legal teams raised questions about Wells Fargo's compliance obligations related to Bank A's Hosted Eximbills platform. Around 2010–2011, as Wells Fargo began integrating the legacy Wachovia trade services businesses, Wells Fargo compliance and legal personnel reviewed the trade insourcing business, including by retaining a third-party consultant to review certain relevant anti-money laundering and sanctions controls. This review did not identify any sanctions compliance risks specific to the Hosted insourcing business, but one of the consultant's main conclusions was that contracts with insourcing clients contained inconsistent anti-money laundering and sanctions compliance clauses, a finding that prompted Wells Fargo to begin the process of reviewing and standardizing its insourcing contracts. In 2012, in connection with the effort to address some of these concerns, Wells Fargo's legal personnel recognized potential parallels between transactions underlying a major OFAC sanctions enforcement action issued that year[2] and how Hosted insourcing customers could potentially use Eximbills. Accordingly, Wells Fargo's legal personnel wanted to ensure those customers had agreements requiring them to comply with U.S. sanctions laws and regulations.

By December 2012, different personnel within Wells Fargo independently had concluded that it would be appropriate to review the potential sanctions risks associated with the trade insourcing

[2] https://home.treasury.gov/system/files/126/06122012_ing.pdf.

business more thoroughly. Around 2013, following another major OFAC sanctions enforcement case,[3] potential sanctions compliance risks associated with Hosted insourcing began receiving attention from senior management, including, for example, the new head of Wells Fargo's International Trade Services group (the business that merged with Wachovia's GTS business line), who raised compliance questions about Hosted insourcing on the Eximbills platform. These discussions resulted in an internal working group comprising compliance, legal, and business representatives, including some legacy Wachovia personnel previously involved in developing the Hosted Eximbills platform for Bank A who understood the purpose of its customized functionality.

These personnel did not inform other members of the group that the original contract with Bank A had been amended in 2008 in order to address Bank A's request that the functionality include, in part, the ability to manage non-OFAC-compliant trade instruments. The working group recognized potential facilitation-related concerns under OFAC regulations but assessed the Hosted product to be relatively low-risk given that it was offered to only three foreign banks in non-sanctioned jurisdictions. Recognizing that some risk existed, however, the working group developed a plan to (i) strengthen sanctions compliance language in the relevant contracts, (ii) obtain periodic certifications that the foreign banks were not placing potentially non-OFAC-compliant items on Eximbills, and (iii) periodically audit the foreign banks' Eximbills data.

The business line representatives of the working group kept relevant senior management personnel, including the head of the unit that oversaw the relationships with foreign financial institutions, informed of these developments. However, the working group's plan was never implemented because the recommendations were rolled into a larger project that was reviewing the trade outsourcing/insourcing business at a more holistic level. This resulted in Bank A continuing to process non-OFAC-compliant transactions on the Hosted Eximbills platform for at least two more years as the holistic review of the overall trade finance technology business was being conducted.

In July 2014, an internal audit report found that the insourcing business line needed corrective action because the agreements with various clients were negotiated individually, which resulted in inconsistencies. However, Wells Fargo's internal audit team did not specifically review the Hosted Eximbills platform business because the audit team relied on the relevant business line's self-assessment that the software platform was not high risk.

Wells Fargo Suspends Bank A's Access to Eximbills

Finally, in late 2015, during a business review of the Bank A insourcing relationship conducted as part of the broader review of the trade insourcing business, which included the implementation of the three-point plan, it was discovered that Bank A may have been processing trade instruments on the Hosted version of Eximbills involving sanctioned jurisdictions and persons since 2008. The issue was immediately escalated to senior management, and Wells Fargo promptly suspended Bank A's access to Eximbills, voluntarily disclosed the matter to OFAC, and commenced a comprehensive investigation.

[3] https://home.treasury.gov/system/files/126/121211_HSBC_posting.pdf.

IV. TERMS OF SETTLEMENT

OFAC and Respondent agree as follows:

1. In consideration of the undertakings of Respondent in paragraph 2 below, OFAC agrees to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations arising under the legal authorities that OFAC administers.

2. In consideration of the undertakings of OFAC in paragraph 1 above, Respondent agrees and represents:

   A. Within fifteen (15) days of the date Respondent receives the unsigned copy of this Agreement, to:

      (i) sign, date, and email to: [redacted], Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220; and

      (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of **$30,000,000**. Respondent's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing **COMPL-2015-562300**. Unless otherwise arranged with the U.S. Department of the Treasury's Bureau of the Fiscal Service, Respondent must either: (1) indicate payment by electronic funds transfer, by checking the box on the signature page of this Agreement; or (2) enclose with this Agreement the payment by cashier's or certified check or money order.

   B. To waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.

   C. **Compliance Commitments:** Respondent has terminated the conduct described above and has established and agrees to maintain for at least five years following the date this Agreement is executed, sanctions compliance measures that are designed to minimize the risk of recurrence of similar conduct in the future. Specifically, OFAC and Respondent understand that the following compliance commitments have been made:

a. **Management Commitment:**

i. Respondent commits that senior management has reviewed and approved Respondent's sanctions compliance program.

ii. Respondent commits to ensuring that its compliance unit(s) is (are) delegated sufficient authority and autonomy to deploy its policies and procedures in a manner that effectively controls Respondent's sanctions risk.

iii. Respondent commits to ensuring that its compliance unit(s) receives (receive) adequate resources — including in the form of human capital, expertise, information technology, and other resources, as appropriate — that are relative to Respondent's breadth of operations, target and secondary markets, and other factors affecting its overall risk profile.

iv. Respondent commits to ensuring that senior management promotes a "culture of compliance" throughout the organization.

v. Respondent's senior management commits to implementing necessary measures to reduce the risk of recurrence of apparent violations in the future.

b. **Risk Assessment:**

i. Respondent conducts an OFAC risk assessment in a manner, and with a frequency, that adequately accounts for potential risks. Such risks could be posed by its clients and customers, products, services, supply chain, intermediaries, counterparties, transactions, or geographic locations, depending on the nature of the organization.

ii. Respondent has developed a methodology to identify, analyze, and address the particular risks. The risk assessments will be updated to account for the conduct and root causes of any apparent violations or systemic deficiencies identified by Respondent during the routine course of business, for example, through a testing or audit function.

c. **Internal Controls:**

i. Respondent has designed and implemented written policies and procedures outlining its sanctions compliance program. These policies and procedures are relevant to the organization, capture Respondent's day-to-day operations and procedures, are easy to follow, and designed to prevent employees from engaging in misconduct.

ii. Respondent has implemented internal controls that adequately address the results of its sanctions risk assessment and profile. These internal controls should enable Respondent to clearly and effectively identify, interdict, escalate, and report to appropriate personnel within the organization transactions and activity that may be prohibited by OFAC. To the extent information technology solutions factor into Respondent's internal controls, Respondent has selected and calibrated the solutions in a manner that is appropriate to address Respondent's risk profile and compliance needs, and Respondent routinely tests the solutions to ensure effectiveness.

iii. Respondent commits to enforcing the policies and procedures it implements as part of its sanctions compliance internal controls through internal or external audits.

iv. Respondent commits to ensuring that its OFAC-related recordkeeping policies and procedures adequately account for its requirements pursuant to the sanctions programs administered by OFAC.

v. Respondent commits to ensuring that, upon learning of a weakness in its internal controls pertaining to sanctions compliance, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.

vi. Respondent has clearly communicated the sanctions compliance program's policies and procedures to all relevant staff, including personnel within the sanctions compliance function, as well as relevant gatekeepers and business units operating in high-risk areas (e.g., customer acquisition, payments, sales, etc.) and to external parties performing sanctions compliance responsibilities on behalf of Respondent.

vii. Respondent has appointed personnel to integrate the sanctions compliance program's policies and procedures into Respondent's daily operations. This process includes consultations with relevant business units and confirms that Respondent's employees understand the policies and procedures.

d. **Testing and Audit:**

i. Respondent commits to ensuring that the testing or audit function is accountable to senior management, is independent of the audited activities and functions, and has sufficient authority, skills, expertise, resources, and authority within the organization.

ii. Respondent commits to ensuring that it employs testing or audit procedures appropriate to the level and sophistication of its sanctions compliance program and that this function, whether deployed internally or by an

external party, reflects a comprehensive and objective assessment of Respondent's sanctions-related risks and internal controls.

iii. Respondent commits to ensuring that, upon learning of a confirmed negative testing result or audit finding pertaining to its sanctions compliance program, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.

e. **Training:**

i. Respondent commits to ensuring that its OFAC-related training program provides adequate information and instruction to employees and, as appropriate, stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support Respondent's sanctions compliance efforts.

ii. Respondent commits to providing OFAC-related training with a scope that is appropriate for the products and services it offers; the customers, clients, and partner relationships it maintains; and the geographic regions in which it operates.

iii. Respondent commits to providing OFAC-related training with a frequency that is appropriate based on its OFAC risk assessment and risk profile and, at a minimum, at least once a year to all relevant employees.

iv. Respondent commits to ensuring that, upon learning of a confirmed negative testing result or audit finding, or other deficiency pertaining to its sanctions compliance program, it will take immediate and effective action to provide training to relevant personnel.

v. Respondent's training program includes easily accessible resources and materials that are available to all applicable personnel.

f. **Annual Certification:** On an annual basis, for a period of five years, starting from 180 days after the date the Agreement is executed, a senior-level executive or manager of Respondent will submit a certification to OFAC confirming that Respondent has implemented and continued to maintain the sanctions compliance measures as committed above.

D. Should OFAC determine, in the reasonable exercise of its discretion, that Respondent appears to have materially breached its obligations or made any material misrepresentations under Subparagraph C (Compliance Commitments) above, OFAC shall provide written notice to Respondent of the alleged breach or misrepresentations and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to determine that no material breach or

misrepresentations has occurred or that any breach or misrepresentation has been cured.

E. In the event OFAC determines that a material breach of, or misrepresentation in, this Agreement has occurred due to a failure to perform the Compliance Commitments, OFAC will provide notice to Respondent of its determination and whether OFAC is re-opening its investigation. The statute of limitations applying to the Apparent Violations shall be deemed tolled until a date 180 days following Respondent's receipt of notice of OFAC's determination that a breach of, or misrepresentation in, this Agreement has occurred.

F. Should the Respondent engage in any violations of the sanctions laws and regulations administered by OFAC — including those that are either apparent or alleged — OFAC may consider Respondent's sanctions history, or its failure to employ an adequate sanctions compliance program or appropriate remedial measures, associated with this Agreement as a potential aggravating factor consistent with the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A.

3. This Agreement does not constitute a final agency determination that a violation has occurred and shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations.

4. This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil monetary penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.

5. OFAC may, in its sole discretion, post on OFAC's website this entire Agreement and/or issue a public statement about the factors of this Agreement, including the identity of any entities involved, the settlement amount, and a brief description of the Apparent Violations.

6. The certifications to OFAC required under this Agreement shall be submitted to OFAC by email at OFAC_Compliance_Certification@treasury.gov, addressed to Assistant Director, Sanctions Compliance and Evaluation Division, Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

7. This Agreement consists of ten pages and expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's enforcement matter involving the Apparent Violations. No other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.

8. This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

Respondent accepts the terms of this Agreement on this 21st day of March, 2023

Signature

Kyle G. Hranicky

Respondent's Printed Name (or in the case of an entity, the name of Respondent's Duly Authorized Representative)

SEVP, Wells Fargo Bank, N.A.

Printed Title of Respondent's Duly Authorized Representative and Name of Entity (if applicable)

☐ Please check this box if you have not enclosed payment with this Agreement and will instead be paying or have paid by electronic funds transfer (see paragraph 2(A)(ii) and the EFT Instructions enclosed with this Agreement).

Date: March 22, 2023

Andrea M. Gacki

Digitally signed by Andrea M. Gacki
Date: 2023.03.22 10:23:07 -04'00'

Andrea M. Gacki
Director
Office of Foreign Assets Control