

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING
SPRINGFIELD, ILLINOIS

Written Agreement by and among

BANK OF MONTREAL
Montreal, Canada

BMO FINANCIAL CORP.
Wilmington, Delaware

BANK OF MONTREAL CHICAGO BRANCH
Chicago, Illinois

FEDERAL RESERVE BANK OF CHICAGO
Chicago, Illinois

and

ILLINOIS DEPARTMENT OF FINANCIAL AND
PROFESSIONAL REGULATION
DIVISION OF BANKING
Springfield, Illinois

Docket Nos. 13-005-WA/RB-FB
13-005-WA/RB-HC
13-005-WA/RB-FBR

2013-DB-05

WHEREAS, Bank of Montreal, Montreal Canada ("Bank of Montreal"), is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)) that conducts operations in the United States through various entities (the "U.S. Operations");

WHEREAS, Bank of Montreal's U.S. Operations include a branch, the Bank of Montreal Chicago Branch, Chicago, Illinois (the "Chicago Branch"); other branches and nonbank subsidiaries; and BMO Financial Corp., Wilmington, Delaware ("BFC"), a registered bank

holding company, which owns BMO Harris Bank, National Association, Chicago, Illinois (the “Bank”), another insured depository institution, and nonbank subsidiaries;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal banking agency supervisor of BFC and the Chicago Branch;

WHEREAS, the Illinois Department of Financial and Professional Regulation, Division of Banking (the “IDFPR”) is the appropriate state supervisor of the Chicago Branch;

WHEREAS, BFC has adopted a firmwide compliance risk management program for its U.S. subsidiaries, including the Bank, and for the U.S. branches of Bank of Montreal designed to identify and manage compliance risks across Bank of Montreal’s U.S. Operations related to compliance with all applicable laws, rules, and regulations relating to anti-money laundering (“AML”), including compliance with the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the U.S. Department of Treasury (31 C.F.R. Chapter X); Regulation K of the Board of Governors (12 C.F.R. §§ 211.24(f) and 211.24(j)); and the AML regulations issued by the appropriate federal supervisors for BFC, the Bank, the Chicago Branch, and other U.S. Operations of Bank of Montreal (collectively, “BSA/AML Requirements”);

WHEREAS, the Bank has entered into a Formal Agreement with the Office of the Comptroller of the Currency (the “OCC”) designed to remedy deficiencies in the Bank’s BSA/AML compliance program;

WHEREAS, the most recent examination of the Chicago Branch, conducted by the Federal Reserve Bank of Chicago (the “Reserve Bank”) and the IDFPR, disclosed deficiencies in the Chicago Branch’s risk management and compliance with BSA/AML Requirements;

WHEREAS, BFC oversees the suspicious activity monitoring functions of the Chicago Branch and the Bank;

WHEREAS, the Reserve Bank reviewed and assessed the effectiveness of BFC's firmwide compliance risk management program and identified deficiencies, and, as also evidenced by the deficiencies in the Bank's and Chicago Branch's BSA/AML compliance programs, determined that BFC lacked effective systems of governance and internal controls to adequately oversee the activities of Bank of Montreal's U.S. Operations with respect to legal, compliance, and reputational risks related to compliance with BSA/AML Requirements;

WHEREAS, Bank of Montreal, BFC, the Board of Governors, and the Reserve Bank have the common goals that BFC operates in compliance with all applicable federal and state laws, rules, and regulations regarding BSA/AML, and that BFC implements an effective compliance risk management program for BSA/AML that is commensurate with BFC's compliance risk profile;

WHEREAS, Bank of Montreal, the Chicago Branch, the Board of Governors, the Reserve Bank, and the IDFPR have the common goals that the Chicago Branch operates in compliance with all applicable federal and state laws, rules, and regulations regarding BSA/AML, and that the Chicago Branch implements an effective compliance risk management program for BSA/AML that is commensurate with the Chicago Branch's compliance risk profile;

WHEREAS, on April 26, 2013, the boards of directors of Bank of Montreal and BFC adopted resolutions authorizing and directing Simon Fish and Ellen Costello to enter into this Written Agreement (the "Agreement") on behalf of Bank of Montreal, BFC, and the Chicago Branch, and consenting to compliance with each and every applicable provision of this Agreement by Bank of Montreal, BFC, the Chicago Branch, and their institution-affiliated

parties, as defined in sections 3(u) and 8(b)(3) and (4) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3) and (4)).

NOW, THEREFORE, the Reserve Bank, the IDFPR, Bank of Montreal, BFC, and the Chicago Branch hereby agree as follows:

Source of Strength

1. The boards of directors of Bank of Montreal and BFC shall take appropriate steps to fully utilize Bank of Montreal and BFC's financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Formal Agreement and any other supervisory action taken by the OCC.

Board Oversight

2. Within 90 days of this Agreement, BFC's board of directors shall submit to the Reserve Bank an acceptable written plan to strengthen board oversight of BFC's compliance risk management program with regard to compliance with BSA/AML Requirements. The plan shall describe the actions that the board of directors will take to improve BFC's compliance risk management with regard to BSA/AML Requirements, including, but not limited to, measures to ensure that compliance risk is effectively managed across BFC, including within and across business lines, support units, legal entities, and jurisdictions in which BFC and its subsidiaries and affiliates operate. The plan shall, at a minimum, address, consider, and include:

(a) Funding for personnel, systems, and other resources needed to operate a compliance risk management program that is commensurate with the compliance risk profile of

the organization and that fully addresses the organization's compliance risks on a timely and effective basis;

(b) measures to ensure adherence to approved compliance policies, procedures, and standards; and

(c) steps to improve the information and reports that will be regularly reviewed by the board of directors including, compliance risk assessments, and the status and results of measures taken, or to be taken, by senior officers to remediate outstanding compliance issues and to comply with this Agreement.

BSA/AML Compliance Program Review

3. Within 60 days of this Agreement, BFC shall complete a review of the effectiveness of the BSA/AML compliance program adopted by BFC (the "BSA/AML Review") and prepare a written report of findings and recommendations (the "BSA/AML Report"). The BSA/AML Review shall, at a minimum, address, consider, and include:

(a) The structure and composition of BFC's compliance program, including any committees, and a determination of the optimum structure and composition needed to provide adequate oversight of BFC's compliance risk management program;

(b) the authority of the U.S. BSA/AML officer and training of compliance staff;

(c) the duties and responsibilities of the head of compliance for each business line and legal entity, with respect to BSA/AML compliance functions, including the reporting lines within BFC and from each of BFC's business lines and legal entities to the chief U.S. BSA/AML official, and between BFC and its affiliates;

(d) staffing needs in relation to the organization's compliance risk profile, and management succession planning for key compliance positions;

(e) communication of BSA/AML-related roles and responsibilities across the organization; and

(f) consistency with the Board of Governors' guidance regarding Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles, dated October 16, 2008 (SR 08-8).

Enhanced BSA/AML Compliance Program

4. Within 90 days of this Agreement, the board of directors of BFC shall submit to the Reserve Bank a copy of the BSA/AML Report and an acceptable written enhanced BSA/AML firmwide program that incorporates the findings and recommendations of the BSA/AML Report and describes the specific actions that will be taken, including timelines for completion, to ensure compliance with BSA/AML Requirements. The enhanced program shall, at a minimum, include:

(a) Enhanced written policies, procedures, and compliance risk management standards;

(b) a comprehensive risk assessment process;

(c) adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, and periodic re-evaluation of resources and staffing needs;

(d) measures to ensure compliance and improve accountability within all business lines and legal entities and their respective compliance functions; and

(e) procedures to require the escalation of significant matters related to compliance risks to appropriate U.S. senior officers and the U.S. board of directors.

Chicago Branch

BSA/AML Compliance

5. Within 90 days of this Agreement, Bank of Montreal and the Chicago Branch shall submit to the Reserve Bank and the IDFPFR an acceptable written plan to improve the Chicago Branch's compliance with all applicable BSA/AML Requirements. The plan 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 plan shall include:

- (a) Improvements to the Chicago Branch's system of internal controls designed 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 foreign financial institutions;
- (d) adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, to implement and maintain an effective program for compliance by the Chicago Branch with all applicable BSA/AML Requirements and internal policies and procedures; and
- (e) effective training for all appropriate branch personnel, and appropriate personnel of affiliates that perform BSA/AML compliance-related functions for the Chicago Branch, in all aspects of BSA/AML Requirements and internal policies and procedures, and updating of training on a regular basis.

Suspicious Activity Reporting and Customer Due Diligence

6. Within 90 days of this Agreement, Bank of Montreal, BFC, and the Chicago

Branch shall submit to the Reserve Bank and the IDFPR an acceptable written enhanced customer due diligence program designed to reasonably ensure the identification and timely, accurate, and complete reporting by the Chicago 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. At a minimum, the program shall include:

- (a) The scope and frequency of transaction monitoring;
- (b) a methodology for assigning risk levels to the Chicago Branch's customer base, including correspondent account holders, that considers factors such as type of customer, type of product or service, and geographic location;
- (c) appropriate risk-based customer due diligence with respect to all customers and, as applicable, enhanced due diligence procedures;
- (d) 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;
- (e) a timetable to implement improvements to suspicious activity monitoring systems and processes; and
- (f) measures to ensure that transaction monitoring and suspicious activity reporting functions that are outsourced to third-parties, including affiliates, are performed to meet regulatory requirements.

Progress Reports

7. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of Bank of Montreal, BFC and the Chicago Branch, or an

authorized committee thereof, shall submit to the Reserve Bank and the IDFPR, as appropriate, written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement, a timetable and schedule to implement specific remedial actions to be taken, and the results thereof.

Approval and Implementation of Plans and Programs

8. (a) Bank of Montreal, BFC, and the Chicago Branch, as applicable, shall submit written plans and programs that are acceptable to the Reserve Bank and the IDFPR, as appropriate, within the applicable time periods set forth in paragraphs 2, 4, 5, and 6 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the IDFPR, Bank of Montreal, BFC and the Chicago Branch, as applicable, shall adopt the approved plans and programs. Upon adoption, BFC and the Chicago Branch, as applicable, shall promptly implement the approved plans and programs, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the IDFPR.

Communications

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

(a) Mr. James Nelson
Senior Vice President
Federal Reserve Bank of Chicago
230 S. LaSalle Street
Chicago, Illinois 60604

- (b) Mr. Scott D. Clarke
Assistant Director
Illinois Department of Financial and Professional Regulation
Division of Banking
320 West Washington Street, 5th Floor
Springfield, Illinois 62786
- (c) Ms. Ellen Costello
Bank of Montreal
First Canadian Place
100 King Street West
Toronto, Ontario M5X1A1
- (d) Ms. Ellen Costello
President and Chief Executive Officer
BMO Financial Corp.
111 West Monroe Street
Chicago, Illinois 60603
- (e) Ms. Ellen Costello
Bank of Montreal Chicago Branch
111 West Monroe Street
Chicago, Illinois 60603

Miscellaneous

10. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the IDFPR may, in their discretion, grant written extensions of time to Bank of Montreal, BFC, and the Chicago Branch to comply with any provision of this Agreement.

11. The provisions of this Agreement shall be binding on Bank of Montreal, BFC, the Chicago Branch, and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

12. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the IDFPR, as appropriate.

13. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the IDFPR, or any other federal or state agency from taking any other action affecting Bank of Montreal, BFC, the Chicago Branch, any other branch or nonbank subsidiary of Bank of Montreal or BFC, or any of their current or former institution-affiliated parties and their successors and assigns.

14. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818), and by the IDFPR in accordance with section 18 of the Foreign Banking Office Act (205 ILCS 645/18).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 29 day of April, 2013.

BANK OF MONTREAL

FEDERAL RESERVE BANK OF
CHICAGO

By: _____
Simon Fish
EVP and General Counsel

By: _____
James Nelson
Senior Vice President

BMO FINANCIAL CORP.

ILLINOIS DEPARTMENT OF
FINANCIAL AND PROFESSIONAL
REGULATION

By: _____
Ellen Costello
President and Chief Executive Officer

By: _____
Manuel Flores
Acting Secretary

BANK OF MONTREAL
CHICAGO BRANCH

By: _____
Simon Fish
EVP and General Counsel