



An Introduction to Our Compliance and Regulatory Consulting Services

January 2017

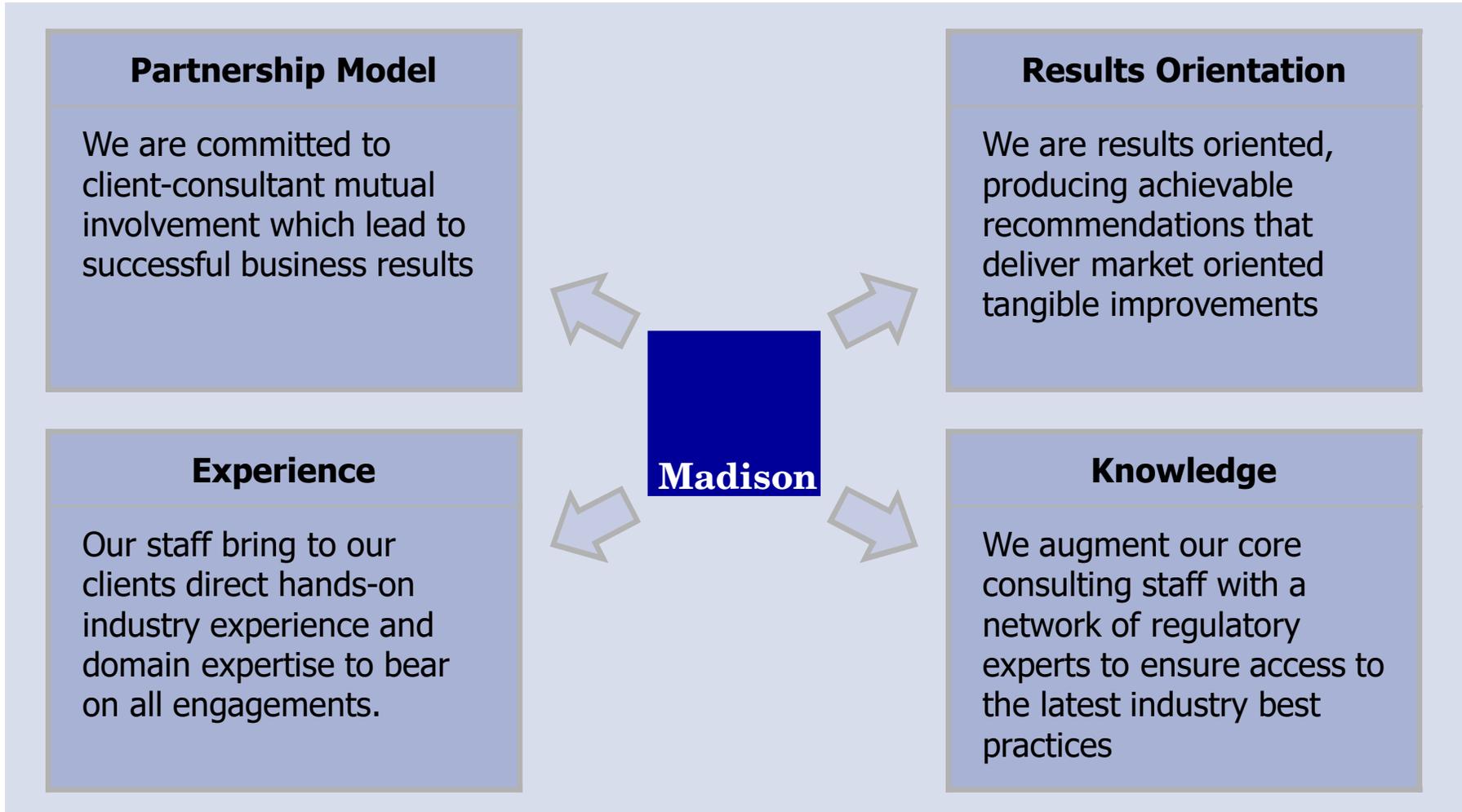


Who We Are

| | |
|---|---|
| Experience | <ul style="list-style-type: none">▶ Established in 1995, Madison is a management consulting firm that provides issue-based, value-added advisory services and hands-on implementation services to financial institutions. |
| Financial Services Specialists | <ul style="list-style-type: none">▶ Our clients include global banks, brokerages, insurance carriers and asset management firms in the global top tier of their chosen markets and products. |
| Services | <ul style="list-style-type: none">▶ Madison believes that advisory and implementation are inextricably linked. We operate 3 practice areas, offering realistic recommendations that meet the client's business objectives and are deliverable and achievable based on our extensive implementation services experience. |
| Compliance and Regulatory Consulting | <ul style="list-style-type: none">▶ Implementation of management structures and policies▶ Response to regulatory actions including Dodd Frank Implementation work▶ Preparation for a regulatory examinations and executive orders |
| Business and Operations Consulting | <ul style="list-style-type: none">▶ Strategy execution based on current market requirements▶ Market and competitive strategies development▶ Operating model and business process redesign▶ Risk and controls |
| Resourcing Services | <ul style="list-style-type: none">▶ Project implementation - project managers and business analysts▶ Temporary operational resources - interim managers, operations specialists, finance/accounting▶ Compliance/regulatory - supervisory managers, researchers, document specialists, staff augmentation, regulatory advisors |

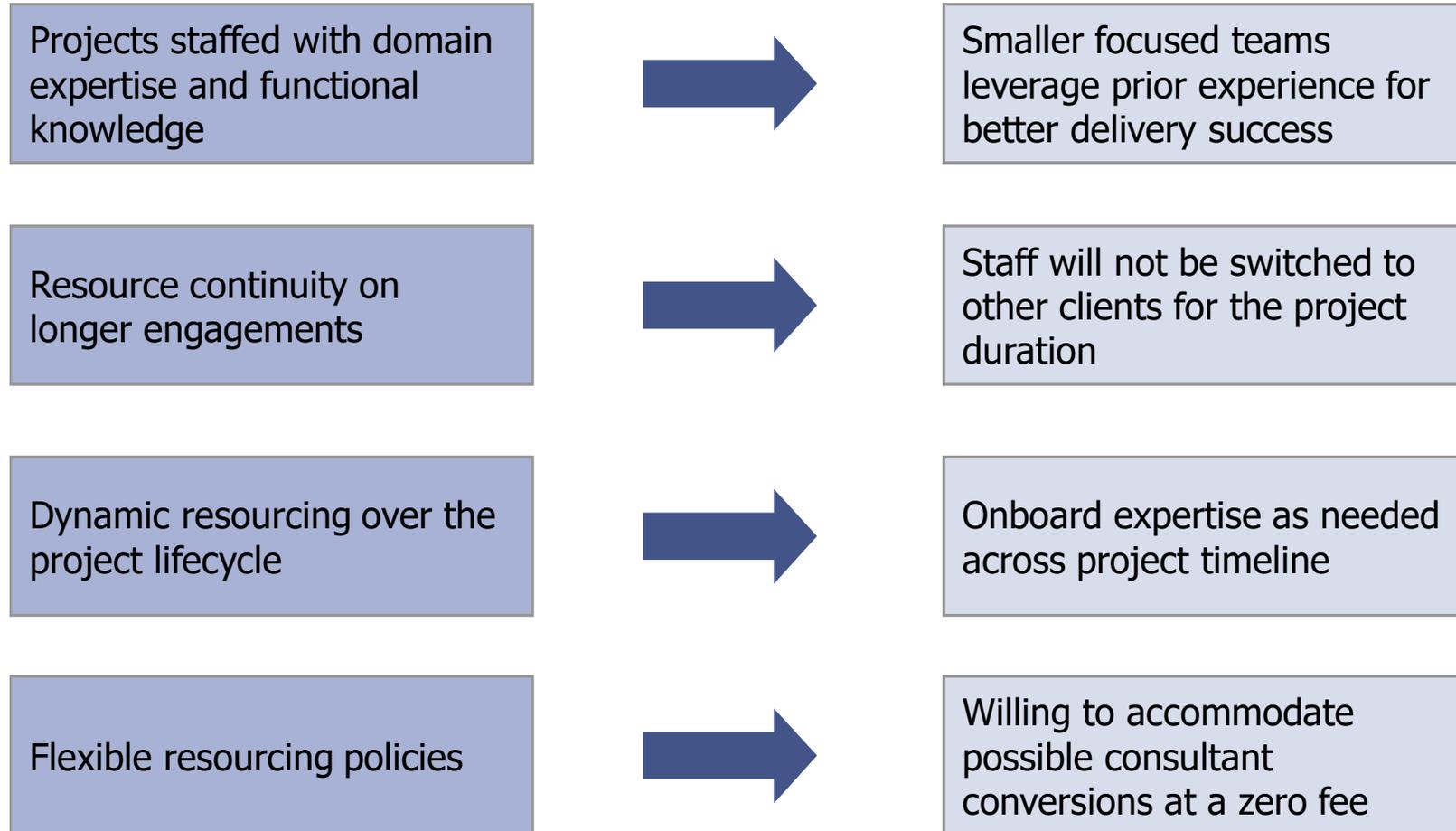
How We Operate

Madison uses a collaborative approach with our clients, bringing domain knowledge, business expertise and tested models to bear to issues yielding results-oriented, actionable solutions



Differentiation

What differentiates Madison from other consulting firms is the resourcing model used on projects





Compliance and Regulatory Services



Compliance and Regulatory Services – What We Offer

| Governance | Compliance Programs | Client Documentation | Compliance Systems |
|--|--|---|---|
| <ul style="list-style-type: none">➤ Development of a Governance Blueprint and Structure➤ Provide effective oversight across all business and product lines, customer segments, operating areas➤ Maintain effective communications between the Bank and regulators➤ Evaluate impact of Dodd Frank regulations on various Bank business lines | <ul style="list-style-type: none">➤ Review current compliance programs and technology Develop Risk Assessments for both client and products➤ Well versed in all BSA/AML, OFAC, SEC, FINRA, FATCA regulations➤ Development of Policies, processes, and procedures and business requirements➤ Provide resources to scope, manage and execute regulatory enforcement actions | <ul style="list-style-type: none">➤ Develop Client Identification Programs➤ Establish models to effectively risk rate all customer segments➤ Implement Client documentation programs. Work to develop global bank client standards including tax requirements➤ Provide resources to scope, manage and execute client redocumentation efforts➤ Perform QA and independent testing for CIP and other BSA/AML activities | <ul style="list-style-type: none">➤ Perform evaluation and selection of vendor compliance systems➤ Implement or improve the effectiveness of compliance systems:➤ Implement and calibrate new surveillance rules properly designed to target specific business, product and customer segments➤ Recalibration of surveillance rules to minimize the incidence of false positive alerts➤ Data and results testing<ul style="list-style-type: none">➤ Calibration➤ QA |



Compliance and Regulatory Services – What Differentiates Us

Madison blends both regulatory experience and business domain expertise to effectively assist clients to implement robust Compliance Programs.

- ▶ Madison leverages where possible tried and tested tools and models to jump start activities. Timing and delivery are set to strict standards by the Regulators, Madison will work with its clients to leverage its tool set to provide the most comprehensive and affordable solutions.
- ▶ Madison has experience meeting with and representing Banks with a variety of regulators including the Federal Reserve Bank, OCC, SEC and various state regulators.
- ▶ Recommendations are developed to improve the effectiveness of the Compliance Program that take into consideration the Bank's product lines and customer segments, and make sense and are workable from a business perspective.
- ▶ Madison's project goals are always to develop and implement sustainable processes for the bank



Compliance and Regulatory Services – Resourcing Advantage

- ▶ Madison's project staffing model is highly flexible
 - ▶ Small 1-5 person projects to large scale 20-75+ person projects
 - ▶ Short term 3-4 month duration projects to long term multi-year duration projects.
- ▶ Madison provides more competitive pricing while using more experienced resources to deliver the same or better results
- ▶ Madison permits consultant conversions to ensure continuity and sustainability



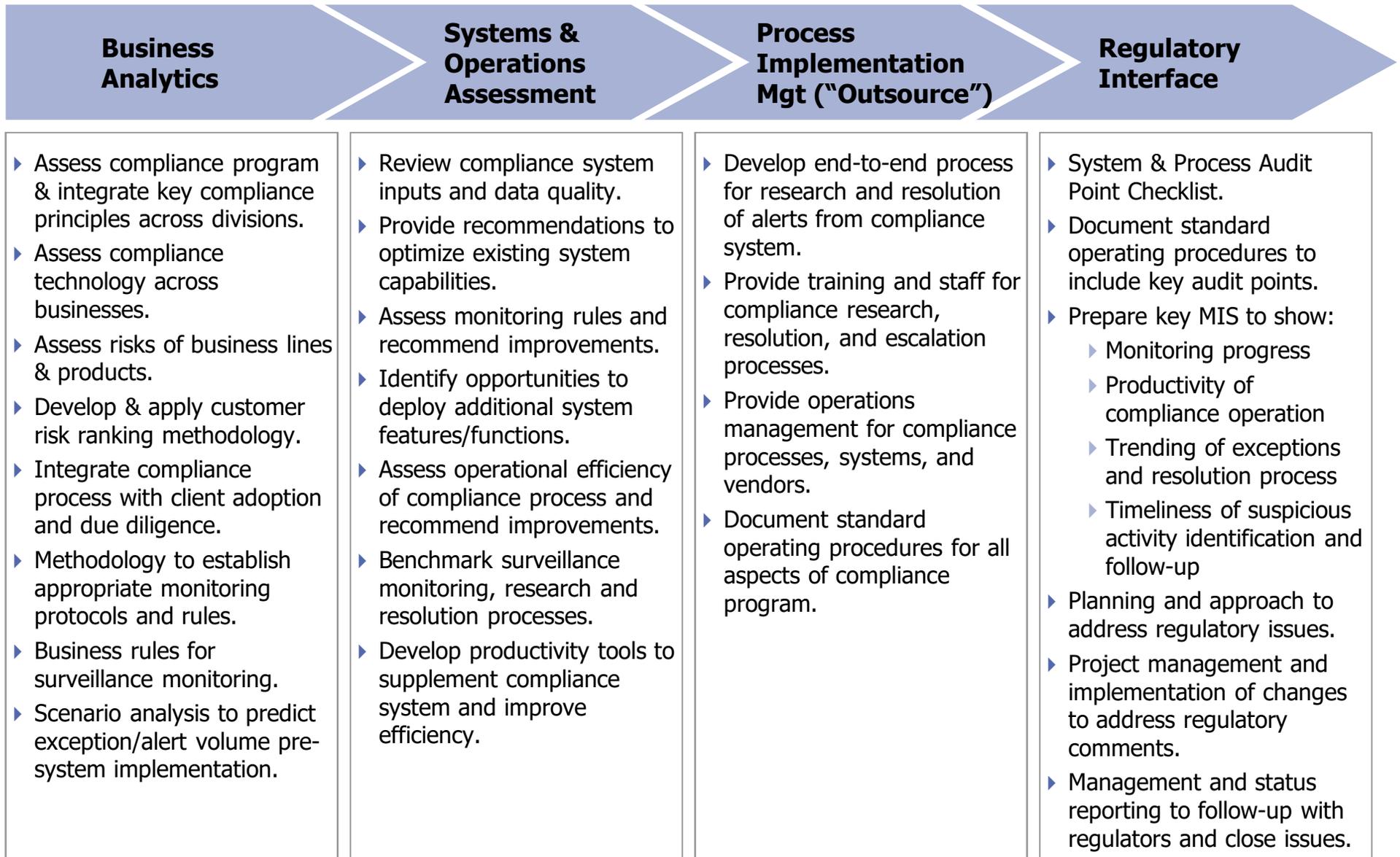
Sample Service – Response to Regulatory Actions

Madison can provide consulting and resource assistance in some or all facets of the enforcement action process.

- ▶ Work closely with the client to develop a detailed work plan to respond to each regulatory action item.
 - ▶ Perform the necessary reviews to determine governance and accountability, infrastructure, operational processes, staffing, and documentation gaps, and validation of those gaps with regulators
 - ▶ Define the execution actions required to achieve the target defined environment, and timetables.
- ▶ Establishment of governance structure and model to ensure effective compliance oversight of all business and product lines, operating areas, and customer segments.
- ▶ Development of customer identification programs
 - ▶ Define a client risk rating model based on key factors including customer type, geography, and products
 - ▶ Establish documentation standards that meet legal and regulatory due diligence standards
- ▶ Ensure effectiveness of surveillance program – rules, policies, processes, procedures
- ▶ Offer assistance to meet any look back requirements defined by the enforcement action
 - ▶ Provide independent testing of historical transactions against regulatory monitoring standards.
 - ▶ Supply research resources to review of all activities identified as potential exceptions
 - ▶ Perform Quality Review and program reporting to meet independent review requirements
- ▶ Provide PMO resources and resources to prepare written progress reports and presentations for review with the regulators

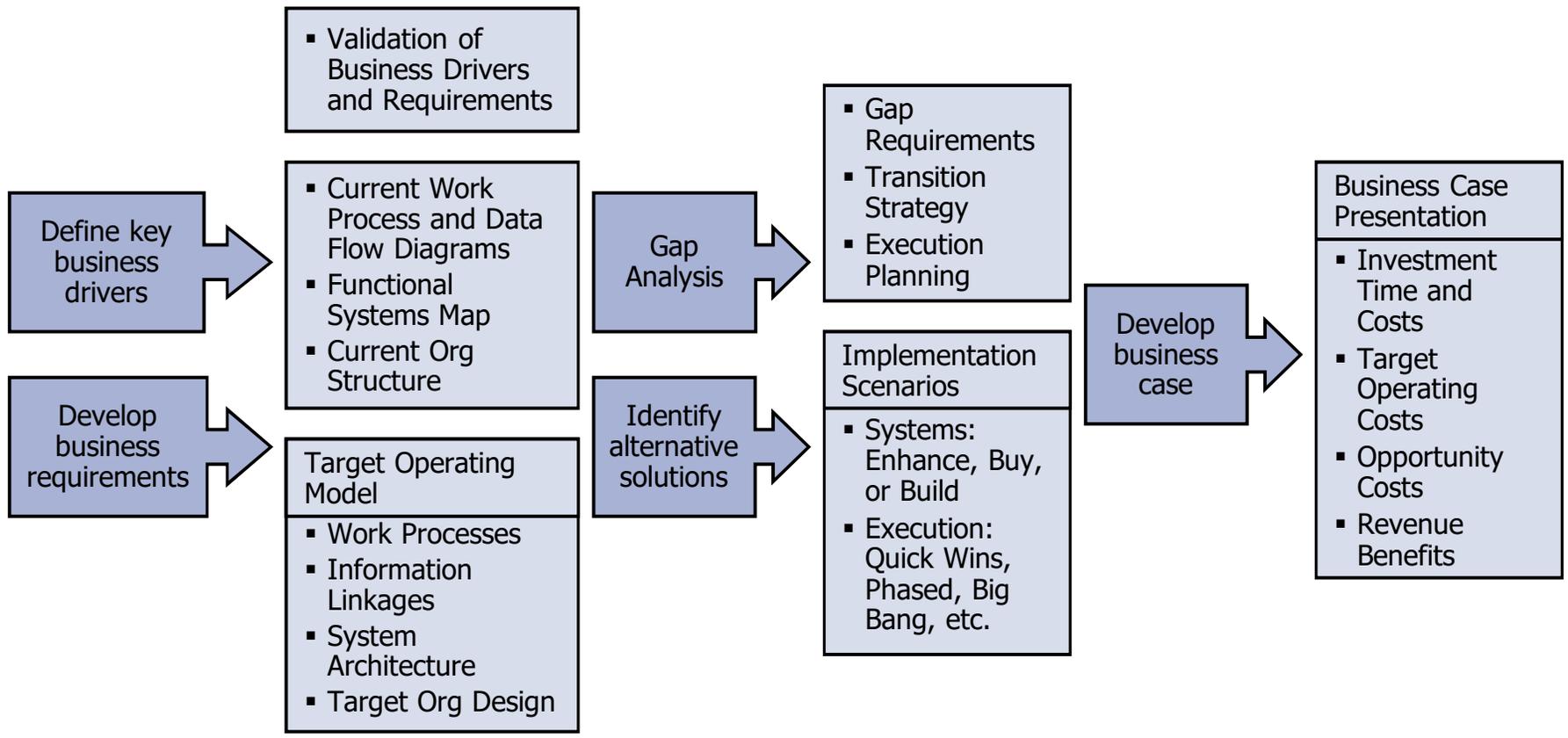


Sample Service – Compliance and Regulatory Advisory

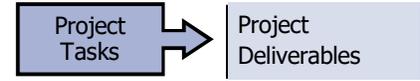


Sample Service – Compliance/Risk Management Model Redesign

Develop a target compliance/risk model with regulatory recommendations which can be initiated for a variety of purposes – financial reporting, cost management, risk management, scalability, product realignment, customer realignment and/or business strategy, entity operating model.



◆ Weeks 1 - 4 ◆ Weeks 5 - 6 ◆ Weeks 7 - 8 ◆





Sample Backgrounds and Assignments



Sample Backgrounds – Compliance Services

| | |
|---------------------------------------|---|
| Compliance Advisory | Performed compliance risk assessment by identifying core compliance obligations, mapping core compliance obligations to reporting entities, and assessing compliance risks based on existing and planned controls. Ensured compliance with applicable federal regulations by establishing policies, procedures, and risk assessment processes. Focused on developing operational risk infrastructure and enhancing reporting for regulatory supervision purpose. |
| Regulatory Advisory | <ul style="list-style-type: none">• Over 30 years of experience advising financial institution; General Counsel of a prestigious financial institutions• Former Senior Attorney in the Legal Department of the Federal Reserve Bank of New York; Served as Corporate Secretary and Associate General Counsel of a global financial institution, interacting with federal and state regulatory authorities on all regulatory issues and proposals. |
| Project Managers | AML/BSA/Tax Project Managers, overseeing both large and small research team to remediate transactions for both large and mid-size banks. Responsibilities included developing database and reports to compile and present business performance metrics to senior bank executives, and ensuring all policies and procedures are properly implemented |
| Investigators/Analyst | Analyze wire transfers to determine business purpose of transactions, conduct comprehensive research to establish company profiles of correspondent banking clients and counterparties, and maintain case management database. Perform quality assurance to ensure adherence to documentation procedures. Prepared field inquiries, analyzed responses, and drafted Suspicious Activity Reports (SARs). |
| Client Documentation Project Managers | Program managed the remediation of client documentation to meet US Patriot Act and Enhanced Due Diligence regulatory requirements. Dimensioned project and resource needs, organized research team and implemented the project workflows. Developed case tracking and management reporting tool for use during the project, established research process, documented policies and procedures to reflect updated process, oversaw case review team, interfaced with business managers to devise approach for resolving gaps. Provided MIS and recommendations for best practices to senior executives. |
| KYC Specialists | Experienced onboarding specialists to remediate KYC records to meet bank's corporate standards. Work with bankers as required by the bank to collect required documentation, perform enhanced due diligence where required, complete source of wealth narratives and corroboration, perform negative news searches and complete corresponding responses, compile account activity data, complete AML summary risk narratives. |
| Surveillance System Project Managers | Established the professional services division for a large AML system vendor including infrastructure, guidelines, procedures and methodology responsible for all integration and deployment work for all vendor products. Oversaw effective project management and implementation of all client implementations. |



Sample Compliance Assignments

| Assignment | Description |
|---|--|
| ▶ Enforcement action AML lookback project | <ul style="list-style-type: none">▶ Provided 75 person team to research lookback generated case files, working alongside “consultant of record”. Team performed all investigative research, case file documentation, SAR drafting, and final QA to review cases prior to closure or SAR filing approval▶ Provided management to oversee team and prepare ongoing MIS status reports for client.▶ Prepared client for regulator review meetings |
| ▶ Consent order KYC remediation project | <ul style="list-style-type: none">▶ Provided management team and client research team of 50 to uplift all the high risk client files to meet the bank’s new global standards drafted to meet consent order requirements. Clients included all regions including, US, Latin America, EMEA and Asia Pacific.▶ Developed and documented remediation process and procedures.▶ Developed status and metrics reporting to track progress and quality metrics by individual and team.▶ Prepared client for regulator review meetings |
| ▶ Perform compliance risk assessment | <ul style="list-style-type: none">▶ Performed risk assessment of compliance program for US division of international bank. Assessment covered BSA, AML, and OFAC risk exposures following the criteria defined by the FFIEC BSA/AML Examination Manual.▶ Performed independent review of CIP effectiveness, client risk ratings, and deployment assessment of transaction surveillance monitoring system.▶ Businesses in scope including capital markets, corporate banking, and cross border payables service. |
| ▶ Improve AML monitoring for a retail and private bank | <ul style="list-style-type: none">▶ Review historical results to determine changes to transaction surveillance system to improve effectiveness in identifying risks.▶ Perform sensitivity and calibration analysis to test recommended changes and validate improvement to system effectiveness. |
| ▶ Update policies and procedures to reflect current regulatory req’ts | <ul style="list-style-type: none">▶ Provided business experienced consultants to re-write policies and procedures that properly reflected the compliance activities required for a corporate banking business line. |
| ▶ Implementation of new compliance operations | <ul style="list-style-type: none">▶ Provided process design and training assistance for a new Level 1 AML alert operations unit.▶ Developed training materials and ran training sessions for a new client onboarding unit for a private banking / wealth management organization with an emphasis on KYC standards. |



Management Team



Management Team

Bernard Chen

Mr. Chen is a partner of the Madison Consulting Group. He oversees the management team and provides strategic direction to the company. Under his guidance, Madison has developed a strong investment management practice, with areas of expertise in investment process design, straight through processing, outsourcing, and client servicing. He began his financial services career at Bankers Trust Company as an internal management consultant. He then joined the bank's retirement services business where he worked as a product manager, and also headed the re-engineering efforts. He later joined the bank's investment management division as business manager for fixed income and also spent time as a high yield research analyst and as a lead project manager on a major portfolio management systems implementation. Prior to joining Bankers Trust Company, he worked in manufacturing management for General Electric. Mr. Chen holds a BS and MS in mechanical engineering from MIT and an MBA from Columbia Business School.

Annette Corbin

Ms. Corbin is a partner in the Madison Consulting Group. In addition to her consulting responsibilities, she acts as Madison's Chief Financial Officer. With over 20 years of operational, banking, and consulting experience, Ms. Corbin's areas of expertise include wealth management, private banking, and global cash management. She also runs the Anti-Money Laundering Compliance and Regulatory practice for firm. Much of this expertise is a result of her work as a business manager for the US Private Bank at Bankers Trust Company. She has spent her entire career in financial services. She began her career as a bank trainee at JP Morgan Chase working in Foreign Exchange and Institutional Banking. At Banker's Trust Company, she worked in the internal consulting group with her primary focus being in capital markets, global cash management, retirement & securities services and the credit business. Ms. Corbin holds a BS in economics and political science from St. Peter's College and an MBA from New York University Stern School of Business.

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