U.S. Department of Justice

Tax Division

Washington, D.C. 20530

LJW:TJS:SBeaty
5-16-4646
2014200647

September 2, 2015

Mark E. Matthews
Scott D. Michel
Caplin & Drysdale
1 Thomas Circle, NW
Suite 1100
Washington, DC 20005

Re: Schroder & Co. Bank AG
DOJ Swiss Bank Program – Category 2
Non-Prosecution Agreement

Dear Messrs. Matthews and Michel,

Schroder & Co. Bank AG ("Schroder Bank") submitted a Letter of Intent on December 23, 2013, to participate in Category 2 of the Department of Justice's Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks, as announced on August 29, 2013 (hereafter "Swiss Bank Program"). This Non-Prosecution Agreement ("Agreement") is entered into based on the representations of Schroder Bank in its Letter of Intent and information provided by Schroder Bank pursuant to the terms of the Swiss Bank Program. The Swiss Bank Program is incorporated by reference herein in its entirety in this Agreement.[1] Any violation by Schroder Bank of the Swiss Bank Program will constitute a breach of this Agreement.

On the understandings specified below, the Department of Justice will not prosecute Schroder Bank for any tax-related offenses under Titles 18 or 26, United States Code, or for any monetary transaction offenses under Title 31, United States Code, Sections 5314 and 5322, in connection with undeclared U.S. Related Accounts held by Schroder Bank during the Applicable Period (the "conduct"). Schroder Bank admits, accepts, and acknowledges responsibility for the conduct set forth in the Statement of Facts attached hereto as Exhibit A and agrees not to make any public statement contradicting the Statement of Facts. This Agreement does not provide any protection against prosecution for any offenses except as set forth above, and applies to Schroder Bank and does not apply to any other entities or to any individuals. Schroder Bank expressly

[1] Capitalized terms shall have the meaning ascribed to them in the Swiss Bank Program.

understands that the protections provided under this Agreement shall not apply to any acquirer or successor entity unless and until such acquirer or successor formally adopts and executes this Agreement. Schroder Bank enters into this Agreement pursuant to the authority granted by its Board of Directors in the form of a Board Resolution (a copy of which is attached hereto as Exhibit B).

In recognition of the conduct described in this Agreement and in accordance with the terms of the Swiss Bank Program, Schroder Bank agrees to pay the sum of $10,354,000 as a penalty to the Department of Justice ("the Department"). This shall be paid directly to the United States within seven (7) days of the execution of this Agreement pursuant to payment instructions provided to Schroder Bank. This payment is in lieu of restitution, forfeiture, or criminal fine against Schroder Bank for the conduct described in this Agreement. The Department will take no further action to collect any additional criminal penalty from Schroder Bank with respect to the conduct described in this Agreement, unless the Tax Division determines Schroder Bank has materially violated the terms of this Agreement or the Swiss Bank Program as described on pages 5-6 below. Schroder Bank acknowledges that this penalty payment is a final payment and no portion of the payment will be refunded or returned under any circumstance, including a determination by the Tax Division that Schroder Bank has violated any provision of this Agreement. Schroder Bank agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to the penalty amount or the calculation thereof, or file any other action or motion, or make any request or claim whatsoever, seeking to collaterally attack the payment or calculation of the penalty. Schroder Bank agrees that it shall not assist any others in filing any such claims, petitions, actions, or motions. Schroder Bank further agrees that no portion of the penalty that Schroder Bank has agreed to pay to the Department under the terms of this Agreement will serve as a basis for Schroder Bank to claim, assert, or apply for, either directly or indirectly, any tax deduction, any tax credit, or any other offset against any U.S. federal, state, or local tax or taxable income.

The Department enters into this Agreement based, in part, on the following Swiss Bank Program factors:

(a) Schroder Bank's timely, voluntary, and thorough disclosure of its conduct, including:

- how its cross-border business for U.S. Related Accounts was structured, operated, and supervised (including internal reporting and other communications with and among management);
- the name and function of the individuals who structured, operated, or supervised the cross-border business for U.S. Related Accounts during the Applicable Period;
- how Schroder Bank attracted and serviced account holders; and
- an in-person presentation and documentation, properly translated, supporting the disclosure of the above information and other information that was requested by the Tax Division;

(b) Schroder Bank's cooperation with the Tax Division, including conducting an internal investigation and making presentations to the Tax Division on the status and findings of the internal investigation;

(c) Schroder Bank's production of information about its U.S. Related Accounts, including:

- the total number of U.S. Related Accounts and the maximum dollar value, in the aggregate, of the U.S. Related Accounts that (i) existed on August 1, 2008; (ii) were opened between August 1, 2008, and February 28, 2009; and (iii) were opened after February 28, 2009;

- the total number of accounts that were closed during the Applicable Period; and

- upon execution of the Agreement, as to each account that was closed during the Applicable Period, (i) the maximum value, in dollars, of each account, during the Applicable Period; (ii) the number of U.S. persons or entities affiliated or potentially affiliated with each account, and further noting the nature of the relationship to the account of each such U.S. person or entity or potential U.S. person or entity (e. g. , a financial interest, beneficial interest, ownership, or signature authority, whether directly or indirectly, or other authority); (iii) whether it was held in the name of an individual or an entity; (iv) whether it held U.S. securities at any time during the Applicable Period; (v) the name and function of any relationship manager, client advisor, asset manager, financial advisor, trustee, fiduciary, nominee, attorney, accountant, or other individual or entity functioning in a similar capacity known by Schroder Bank to be affiliated with said account at any time during the Applicable Period; and (vi) information concerning the transfer of funds into and out of the account during the Applicable Period, including (a) whether funds were deposited or withdrawn in cash; (b) whether funds were transferred through an intermediary (including but not limited to an asset manager, financial advisor, trustee, fiduciary, nominee, attorney, accountant, or other third party functioning in a similar capacity) and the name and function of any such intermediary; (c) identification of any financial institution and domicile of any financial institution that transferred funds into or received funds from the account; and (d) identification of any country to or from which funds were transferred; and

(d) Schroder Bank's retention of a qualified independent examiner who has verified the information Schroder Bank disclosed pursuant to II. D. 2 of the Swiss Bank Program.

Under the terms of this Agreement, Schroder Bank shall: (a) commit no U.S. federal offenses; and (b) truthfully and completely disclose, and continue to disclose during the term of this Agreement, consistent with applicable law and regulations, all material information described in Part II. D. 1 of the Swiss Bank Program that is not protected by a valid claim of privilege or work product with respect to the activities of Schroder Bank, those of its parent company and its affiliates, and its officers, directors, employees, agents, consultants, and others, which information can be used for any purpose, except as otherwise limited in this Agreement.

Notwithstanding the term of this Agreement, Schroder Bank shall also, subject to applicable laws or regulations: (a) cooperate fully with the Department, the Internal Revenue Service, and any other federal law enforcement agency designated by the Department regarding all matters related to the conduct described in this Agreement; (b) provide all necessary information and assist the United States with the drafting of treaty requests seeking account information of U.S. Related Accounts, whether open or closed, and collect and maintain all records that are potentially responsive to such treaty requests in order to facilitate a prompt response; (c) assist the Department or any designated federal law enforcement agency in any investigation, prosecution, or civil proceeding arising out of or related to the conduct covered by this Agreement by providing logistical and technical support for any meeting, interview, federal grand jury proceeding, or any federal trial or other federal court proceeding; (d) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, director, employee, agent, or consultant of Schroder Bank at any meeting or interview or before a federal grand jury or at any federal trial or other federal court proceeding regarding matters arising out of or related to the conduct covered by this Agreement; (e) provide testimony of a competent witness as needed to enable the Department and any designated federal law enforcement agency to use the information and evidence obtained pursuant to Schroder Bank's participation in the Swiss Bank Program; (f) provide the Department, upon request, consistent with applicable law and regulations, all information, documents, records, or other tangible evidence not protected by a valid claim of privilege or work product regarding matters arising out of or related to the conduct covered by this Agreement about which the Department or any designated federal law enforcement agency inquires, including the translation of significant documents at the expense of Schroder Bank; and (g) provide to any state law enforcement agency such assistance as may reasonably be requested in order to establish the basis for admission into evidence of documents already in the possession of such state law enforcement agency in connection with any state civil or criminal tax proceedings brought by such state law enforcement agency against an individual arising out of or related to the conduct described in this Agreement.

Schroder Bank further agrees to undertake the following:

1. Schroder Bank agrees, to the extent it has not provided complete transaction information pursuant to Part II. D. 2. b. vi of the Swiss Bank Program, and set forth in subparagraph (c) on pages 2-3 of this Agreement, because the Tax Division has agreed to specific dollar threshold limitations for the initial production, Schroder Bank will promptly provide the entirety of the transaction information upon request of the Tax Division.

2. Schroder Bank agrees to close as soon as practicable, and in no event later than two years from the date of this Agreement, any and all accounts of recalcitrant account holders, as defined in Section 1471(d)(6) of the Internal Revenue Code; has implemented, or will implement, procedures to prevent its employees from assisting recalcitrant account holders to engage in acts of further concealment in connection with closing any account or transferring any funds; and will not open any U.S. Related Accounts except on conditions that ensure that the account will be declared to the United States and will be subject to disclosure by Schroder Bank.

3. Schroder Bank agrees to use best efforts to close as soon as practicable, and in no event later than the four-year term of this Agreement, any and all U.S. Related Accounts classified as "dormant" in accordance with applicable laws, regulations and guidelines, and will provide periodic reporting upon request of the Tax Division if unable to close any dormant accounts within that time period. Schroder Bank will only provide banking or securities services in connection with any such "dormant" account to the extent that such services are required pursuant to applicable laws, regulations and guidelines. If at any point contact with the account holder(s) (or other person(s) with authority over the account) is re-established, Schroder Bank will promptly proceed to follow the procedures described above in paragraph 2.

4. Schroder Bank agrees to retain all records relating to its U.S. cross-border business, including records relating to all U.S. Related Accounts closed during the Applicable Period, for a period of ten (10) years from the termination date of the this Agreement.

With respect to any information, testimony, documents, records or other tangible evidence provided to the Tax Division pursuant to this Agreement, the Tax Division provides notice that it may, subject to applicable law and regulations, disclose such information or materials to other domestic governmental authorities for purposes of law enforcement or regulatory action as the Tax Division, in its sole discretion, shall deem appropriate.

Schroder Bank's obligations under this Agreement shall continue for a period of four (4) years from the date this Agreement is fully executed. Schroder Bank, however, shall cooperate fully with the Department in any and all matters relating to the conduct described in this Agreement, until the date on which all civil or criminal examinations, investigations, or proceedings, including all appeals, are concluded, whether those examinations, investigations, or proceedings are concluded within the four-year term of this Agreement.

It is understood that if the Tax Division determines, in its sole discretion, that: (a) Schroder Bank committed any U.S. federal offenses during the term of this Agreement; (b) Schroder Bank or any of its representatives have given materially false, incomplete, or misleading testimony or information; (c) the misconduct extended beyond that described in the Statement of Facts or disclosed to the Tax Division pursuant to Part II. D. 1 of the Swiss Bank Program; or (d) Schroder Bank has otherwise materially violated any provision of this Agreement or the terms of the Swiss Bank Program, then (i) Schroder Bank shall thereafter be subject to prosecution and any applicable penalty, including restitution, forfeiture, or criminal fine, for any federal offense of which the Department has knowledge, including perjury and obstruction of justice; (ii) all statements made by Schroder Bank's representatives to the Tax Division or other designated law enforcement agents, including but not limited to the appended Statement of Facts, any testimony given by Schroder Bank's representatives before a grand jury or other tribunal whether prior to or subsequent to the signing of this Agreement, and any leads therefrom, and any documents provided to the Department, the Internal Revenue Service, or designated law enforcement authority by Schroder Bank shall be admissible in evidence in any criminal proceeding brought against Schroder Bank and relied upon as evidence to support any penalty on Schroder Bank; and (iii) Schroder Bank shall assert no claim under the United States

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Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or documents or any leads therefrom should be suppressed.

Determination of whether Schroder Bank has breached this Agreement and whether to pursue prosecution of Schroder Bank shall be in the Tax Division's sole discretion. The decision whether conduct or statements of any current director, officer or employee, or any person acting on behalf of, or at the direction of, Schroder Bank, will be imputed to Schroder Bank for the purpose of determining whether Schroder Bank has materially violated any provision of this Agreement shall be in the sole discretion of the Tax Division.

In the event that the Tax Division determines that Schroder Bank has breached this Agreement, the Tax Division agrees to provide Schroder Bank with written notice of such breach prior to instituting any prosecution resulting from such breach. Within thirty (30) days of receipt of such notice, Schroder Bank may respond to the Tax Division in writing to explain the nature and circumstances of such breach, as well as the actions that Schroder Bank has taken to address and remediate the situation, which explanation the Tax Division shall consider in determining whether to pursue prosecution of Schroder Bank.

In addition, any prosecution for any offense referred to on page 1 of this Agreement that is not time-barred by the applicable statute of limitations on the date of the announcement of the Swiss Bank Program (August 29, 2013) may be commenced against Schroder Bank, notwithstanding the expiration of the statute of limitations between such date and the commencement of such prosecution. For any such prosecutions, Schroder Bank waives any defenses premised upon the expiration of the statute of limitations, as well as any constitutional, statutory, or other claim concerning pre-indictment delay and agrees that such waiver is knowing, voluntary, and in express reliance upon the advice of Schroder Bank's counsel.

It is understood that the terms of this Agreement, do not bind any other federal, state, or local prosecuting authorities other than the Department. If requested by Schroder Bank, the Tax Division will, however, bring the cooperation of Schroder Bank to the attention of such other prosecuting offices or regulatory agencies.

It is further understood that this Agreement and the Statement of Facts attached hereto may be disclosed to the public by the Department and Schroder Bank consistent with Part V. B of the Swiss Bank Program.

This Agreement supersedes all prior understandings, promises and/or conditions between the Department and Schroder Bank. No additional promises, agreements, and conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by both parties.

LARRY J. WSZALEK
Acting Deputy Assistant Attorney General

9.3.15
DATE

THOMAS J. SAWYER
Senior Counsel for International Tax Matters

3 September 2015
DATE

SEAN BEATY
GREGORY S. SEADOR
Trial Attorneys
Tax Division, U.S. Department of Justice

9/3/2015
DATE

AGREED AND CONSENTED TO:
SCHRODER & CO. BANK AG

ADRIAN NÖSBERGER
Chief Executive Officer

SEPTEMBER 2, 2015
DATE

OLIVER OEXL
General Counsel

SEPTEMBER 2, 2015
DATE

APPROVED:

MARK E. MATTHEWS
SCOTT D. MICHEL
Caplin & Drysdale

September 2, 2015
DATE

EXHIBIT A TO SCHRODER & CO. BANK AG
NON-PROSECUTION AGREEMENT

STATEMENT OF FACTS

Introduction

1. Schroder & Co. Bank AG ("Schroder Bank" or the "Bank") was founded in 1967, and is organized under the laws of Switzerland and headquartered in Zurich. It received its Swiss banking license in March 1970. Since 1984, the Bank has had a branch in Geneva. At all times the Bank has been wholly owned through intermediate companies by Schroders plc, the listed holding company for the Schroder Group which undertakes institutional and mutual fund asset management and wealth management activities.

2. Prior to 2000, the Bank was engaged in commercial banking, capital markets, private banking, and institutional asset management activities. From 2000, the Bank has been engaged in private banking, wealth management, and other related financial services as well as institutional asset management activities (until December 2009 when the activity was transferred to another Schroder Group company).

3. As of June 30, 2015, the Bank had 210 employees (on a full time equivalent basis) and total assets under management of $6.7 billion.

4. The Bank has two wholly owned subsidiaries, Schroder Trust AG ("Schroder Trust") and Schroder Cayman Bank & Trust Company Ltd. ("Schroder Cayman"). Schroder Trust is domiciled in Geneva, Switzerland, and Schroder Cayman is domiciled in George Town, Grand Cayman.

5. Schroder Trust's function was and remains to act as a trustee and as a council or board member of foundations, and corporate bodies, and to administer, act as protector, and provide support for trusts, foundations, and other corporate bodies, including in some cases acting as an account signatory for such entities holding an account with the Bank. The primary focus for the provision of these services has been on European clients of the Bank. It has occasionally provided its services in conjunction with Schroder Cayman.

6. Schroder Cayman provides services to its clients such as the creation and support of trusts, foundations, and other corporate bodies, and in some cases acting as an account signatory for such entities holding an account with the Bank. The primary focus for the provision of these services has been on clients who were not U.S. persons (often based in Latin America). In addition, Schroder Cayman has also offered banking services to a small number of the Bank's account holders. Schroder Cayman has a wholly-owned subsidiary incorporated in the Cayman Islands, Corporate Services Limited, which has acted as a corporate director for corporate bodies administered by Schroder Trust and Schroder Cayman and provided administration services to those corporate bodies.

7. The Bank is in the process of closing the operations of Schroder Trust and Schroder Cayman.

U.S. Income and Tax Reporting Obligations

8. U.S. citizens, resident aliens, and legal permanent residents have an obligation to report all income earned from foreign bank accounts on their tax returns and to pay the taxes due on that income. Since tax year 1976, U.S. citizens, resident aliens, and legal permanent residents have had an obligation to report to the U.S. Internal Revenue Service ("IRS") on the Schedule B of a U.S. Individual Income Tax Return, Form 1040, whether that individual had a financial interest in, or signature authority over, a financial account in a foreign country in a particular year by checking "Yes" or "No" in the appropriate box and identifying the country where the account was maintained.

9. Since 1970, U.S. citizens, resident aliens, and legal permanent residents who have had a financial interest in, or signature authority over, one or more financial accounts in a foreign country with an aggregate value of more than $10,000 at any time during a particular year were required to file with the Department of the Treasury a Report of Foreign Bank and Financial Accounts, FinCEN Form 114, formerly known as Form TD F 90-22.1 (the "FBAR").

10. An "undeclared account" is a financial account owned by an individual subject to U.S. tax and maintained in a foreign country that has not been reported by the individual account owner to the U.S. government on an income tax return and/or an FBAR.

11. Since 1935, Switzerland has maintained laws that ensure the secrecy of client relationships at Swiss banks. Swiss law prohibits the disclosure of identifying information without client authorization, especially to foreign governments. These are Swiss criminal laws breach of which may be punished by imprisonment. Because of the secrecy guarantee that they created, these Swiss criminal provisions facilitated the effectiveness of certain clients not disclosing their Swiss bank accounts to U.S. authorities.

12. In 2008, Swiss bank UBS AG ("UBS") publicly announced that it was the target of a criminal investigation by the IRS and the United States Department of Justice and that it would be exiting its relationships with and no longer accepting certain U.S. clients. On February 18, 2009, the Department of Justice and UBS filed a deferred prosecution agreement in the Southern District of Florida in which UBS admitted that its cross-border banking business used Swiss privacy laws to aid and assist U.S. clients in opening and maintaining undeclared accounts. Since 2008, several other Swiss banks have publicly announced that they were or are the targets of similar criminal investigations and that they would likewise be exiting relationships with and not accepting certain U.S. clients. These cases have been closely monitored by banks operating in Switzerland, including Schroder Bank, since at least August 2008.

Schroder Bank's U.S. Related Accounts

13. During the Applicable Period (which commenced on August 1, 2008),[1] Schroder Bank had 243 U.S. Related Accounts with assets under management of approximately $506 million. These included both declared and undeclared accounts. Of those 243 accounts, 180 U.S. Related Accounts (with assets under management of $360.5 million) are now closed accounts, with the balance including accounts that were U.S. tax compliant or which have participated in one of the IRS approved disclosure programs. As of August 1, 2008, U.S. Related Accounts represented approximately 4.7% of the Bank's total assets under management.

14. During the Applicable Period, Schroder Trust provided one or more services to 25 U.S. Related Accounts with aggregate assets under management of $80 million, approximately 10% of the Bank's U.S. Related Accounts and 15% of assets under management of U.S. Related Accounts. Schroder Trust acted as trustee in relation to four of the 25 U.S. Related Accounts; for one it acted as a member of the board of a foundation; and for 17 U.S. Related Accounts it acted as a member of the board of the company that was the account holder at the Bank. In relation to two U.S. Related Accounts it acted as protector, and in relation to one it acted as signatory only. Corporate Services Limited acted as a director in relation to 13 U.S. Related Accounts with Schroder Trust.

15. During the Applicable Period, Schroder Cayman provided one or more services to 16 U.S. Related Accounts with assets under management of $82 million, approximately 7% of the Bank's U.S. Related Accounts and 15% of assets under management of U.S. Related Accounts. Schroder Cayman acted as trustee in relation to seven of the 16 U.S. Related Accounts for which it provided services. In respect of the remaining nine, it acted as corporate director either directly (one) or through Corporate Services Limited (eight).

16. Schroder Trust and Schroder Cayman provided services in respect of clients introduced from around the world, treating non-U.S. Related Account Holders and U.S. Related Account Holders alike.

Schroder Bank's Activities with Respect to U.S. Related Accounts

17. At all relevant times, Schroder Bank has provided private banking, wealth management, and other related financial services, as described above, to clients from numerous countries, with an emphasis on Swiss and European clients. The Bank has not had a branch or representative office in the U.S. or a U.S. marketing strategy, U.S. desk, or U.S. team. Private bankers (referred to as "relationship managers") in Zurich and Geneva served as the primary contact with the Bank's clients. The Bank introduced a written policy on cross-border client service in 2012.

[1] Capitalized terms not otherwise defined in this Statement of Facts have the meanings set forth in the Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks, issued on August 29, 2013 (the "Swiss Bank Program") or in the Agreement between the United States of America and Switzerland for Cooperation to Facilitate the Implementation of FATCA, dated February 14, 2013 (the "FATCA Agreement").

18. During the Applicable Period, the Bank provided a variety of standard and traditional Swiss banking services that assisted some U.S. taxpayers to evade their U.S. tax obligations, file false federal income tax returns with the Internal Revenue Service ("the IRS"), and otherwise not declare accounts held at the Bank to the IRS. These services included:

a. Opening and operating accounts with a number or code identifier, thus reducing the ability of U.S. authorities to identify the accounts as belonging to U.S. taxpayers;

b. Opening accounts for trusts, foundations or other corporate bodies with U.S. beneficiaries or U.S. beneficial owners;

c. Accepting instructions from account holders to hold bank statements and other mail relating to their accounts at the Bank's offices in Switzerland, rather than send them to the U.S. taxpayers located in the United States, thus allowing documents reflecting the existence of the accounts to remain outside the United States, beyond the reach of U.S. tax authorities, and protected by Swiss banking secrecy laws; and

d. Processing cash withdrawals in amounts exceeding $100,000 or the Swiss franc equivalent. In the case of at least three U.S. Related Accounts, a series of withdrawals that in aggregate exceeded $1,000,000 were made. In addition, while proceeds in connection with account closures were mainly paid by wire transfers, at least 26 U.S. Related Account Holders received cash or checks in amounts exceeding $100,000 on closure of their accounts, including in at least three cases in excess of $1,000,000.

19. At certain times prior to and during the Applicable Period, the Bank also undertook or arranged for the following actions with regard to U.S. Related Accounts held for trusts, foundations or other corporate bodies with U.S. beneficiaries or U.S. beneficial owners, many of which actions assisted some U. S. taxpayers in concealing their accounts from the IRS:

a. Opening accounts for trusts and companies owned by trusts, foundations, and other corporate bodies established and incorporated under the laws of the British Virgin Islands, the Cayman Islands, Panama, Liechtenstein, and other non-U.S. jurisdictions, where the beneficiary or beneficial owner named on the Form A was a U.S. citizen or resident. In addition, a small number of accounts were opened for U.S. limited liability companies ("LLCs") with U.S. citizens or residents as members, and for U.S. LLCs with non-U.S. persons as members;

b. Accepting from some entity account holders tax forms certifying non-U.S. person status (Forms W8-BEN) that were inconsistent with the identity of the persons understood to be the true beneficial owners of the accounts;

c. Communicating directly with the beneficial owner(s) of some accounts of trusts, foundations or corporate bodies concerning the deposit, withdrawal and transfer of funds held in those accounts;

d. Arranging for the issuance of credit cards to the beneficial owner(s) of some such accounts that appear in some cases to have been used for personal expenses, such credit cards being charged to these accounts;

e. Executing instructions received from the beneficial owner(s) of some such accounts to withdraw funds in cash in a series of transactions; and

f. Executing instructions received from the beneficial owners of some accounts of trusts, foundations or corporate bodies to transfer funds upon account closure to accounts at the Bank or at other Swiss banks, or to banks or entities in other countries.

20. Prior to the Bank's management reviewing the Bank's policy concerning U.S. Related Accounts in 2008, which led to the remedial measures described below, the Bank did not require its relationship managers to obtain documentation from U.S. Related Account Holders evidencing their U.S. tax compliance. This had the effect of enabling some U.S. taxpayers to maintain undeclared accounts at the Bank.

21. In the period between August 1, 2008 and June 30, 2009, the Bank opened eight U.S. Related Accounts with funds received from UBS, which was then under investigation by the U.S. government, with aggregate assets under management totalling about $7 million.

22. Between 2004 and 2008, four Bank employees travelled to the U.S. on certain occasions in connection with the Bank's business with respect to U.S. Related Accounts. Such trips were prohibited in March 2009 and ceased thereafter, apart from limited exceptions. Since then, visits to the U.S. by the Bank's employees have been limited to stopovers in the U.S. for travel to destinations outside the U.S. (for example, Latin America or the Cayman Islands) or for other purposes in connection with the Bank's general investment activities unrelated to the servicing of U.S. Related Accounts.

23. Certain U.S. and non-U.S. law firms, family offices, and external asset managers introduced U.S. Related Accounts to the Bank. Mostly prior to, but extending into, the Applicable Period, a number of individuals, foundations, trusts, and other corporate bodies, including some U.S. Related Account Holders, opened accounts at the Bank as a result of introductions made by a partner at a U.S. law firm. The partner of the U.S. law firm worked together with other parties, including in many instances one or more Liechtenstein lawyers, to establish such entities, some of which were organized as charities. Some transfers from these entities were made to or for entities that do not appear to have had a charitable purpose. The Bank paid some of the entities fee retrocessions for the introduction of clients.

24. The Bank held 32 U.S. Related Accounts for account holders advised by external asset managers, typically in Switzerland. Some external asset managers who regularly referred

clients to the Bank received fee retrocessions, but none was specifically incentivized for introducing U.S. Related Accounts.

25. Certain of the Bank's relationship managers with responsibility for U.S. Related Accounts either knew or had reason to know that some U.S. Related Account Holders were not in U.S. tax compliance. For example, in December 2008 an account holder at UBS contacted a relationship manager at the Bank indicating that he wished to transfer his account to the Bank, and the Bank subsequently opened an account for that account holder. In another instance, in 2009, a relationship manager was aware that a U.S. Related Account Holder did not want to disclose his account to the IRS and was looking for banks in countries outside Switzerland to hold his assets.

26. In another instance, in 2009, the Bank opened three new accounts for a non-U.S. insurance company, with respect to three insurance policies the holders of which were U.S. persons (so-called "insurance wrapper" accounts). These accounts received the check proceeds from the closure by the Bank of three substantially identical accounts opened for the same insurance company where the U.S. persons had been identified as the underlying beneficiaries on Form A. These three insurance wrapper accounts enabled these three U.S. persons to conceal their respective beneficial interest in the assets held at the Bank.

27. The Bank was aware that U.S. taxpayers had a legal duty to report to the IRS and pay taxes on the basis of all of their income, including income earned in accounts maintained at the Bank. Nonetheless, during the Applicable Period the Bank opened, serviced and profited from accounts in connection with the conduct described above. Certain of the Bank's relationship managers, and therefore the Bank, either knew or had reason to know it was likely that some U.S. Related Account Holders were maintaining undeclared accounts at the Bank in violation of U.S. law.

28. While using the services described above, and with the knowledge that Swiss banking secrecy laws would prevent the Bank from disclosing their identities to the IRS, some of the Bank's U.S. Related Account Holders failed to report their accounts to the IRS on their income tax returns and/or FBARs.

Qualified Intermediary Agreement and Its Role in Non-Compliant U.S. Related Accounts

29. In 2001, the Bank entered into a Qualified Intermediary Agreement ("QI Agreement") with the IRS. The Qualified Intermediary regime provided a comprehensive framework for U.S. information reporting and tax withholding by a non-U.S. financial institution relating to U.S. securities. The QI Agreement was designed to help ensure that, with respect to U.S. securities held in an account at the Bank, non-U.S. persons were subject to the proper U.S. withholding tax rates and that U.S. persons were properly paying U.S. tax.

30. The QI Agreement took account of the fact that the Bank, like other Swiss banks, was prohibited by Swiss law from disclosing the identity of an account holder. In general, if a U.S. account holder wanted to trade in U.S. securities and avoid mandatory U.S. tax withholding,

the agreement required the Bank to obtain the consent of the account holder to disclose the client's identity to the IRS.

31. Pursuant to its interpretation of the terms of the QI Agreement, the Bank's view was that the QI Agreement did not apply to (a) account holders who were not trading in U.S. based securities, and (b) accounts that were held in the name of a non-U.S. based entity. As a result, the Bank did not put in place arrangements to ensure the filing of IRS Forms 1099 for a number of U.S. Related Accounts.

32. Until June 2009, and consistent with Swiss banking practice generally, the Bank's policies allowed U.S. persons to decline to sign an IRS Form W-9 on the basis that they did not and would not own U.S. securities or related assets. Such account holders had the option to sell all U.S. securities and to instruct the Bank not to disclose their identity to the IRS or, if they wished not to sell their U.S. assets, to instruct the Bank not to disclose their identity to the IRS and to apply a 31% withholding tax on the income derived from such U.S. assets. While there were no instances in which the option to apply such a withholding tax was selected by any U.S. Related Account Holders, the Bank had reason to know that certain U.S. persons during the Applicable Period used trusts, foundations, and other corporate bodies to avoid reporting under the IRS Qualified Intermediary Program.

33. The Bank, like other Swiss banks, continued in the Applicable Period to service U.S. customers in this way without disclosing their identity to the IRS.

Remedial Measures

34. In 2008, the Bank's management undertook a thorough review of the Bank's position with respect to U.S. Related Account Holders to improve and enhance its controls over accounts, account documentation, and tax compliance in that regard. Recognizing that certain accounts had been opened under prior policies, including certain U.S. taxpayer accounts that might not have been disclosed to the IRS, the Bank instituted a legacy account remediation project. This led to a series of steps being undertaken by the Bank.

35. In March 2009, Schroder Bank imposed the travel ban to the U.S. referred to above. In June 2009, the Bank decided to terminate all relationships with U.S. Related Account Holders who would not provide a Form W-9. In July 2009, the Bank implemented this decision by sending a letter to (i) all clients resident in the U.S., with certain limited exceptions (*e.g.*, if the account was dormant), and (ii) all other clients having a U.S. connection who did not have a Form W-9 on file. U.S. Related Account Holders were asked to submit a Form W-9 within 60 days; the Bank terminated the accounts of those account holders who refused to do so (with exceptions granted, for example, only if the U.S. Related Accounts were dormant).

36. In the 2009 letter to those clients, Schroder Bank specifically recommended that those account holders who were non-compliant as to any U.S. tax obligations should consider participating in an IRS Offshore Voluntary Disclosure Program ("OVDP"). The Bank offered assistance such as providing copies of the necessary bank documents, including asset and income statements for prior years. Since 2009, aside from dormant accounts where the Bank was unable

to contact an account holder or accounts that are closed, nearly all of the Bank's non-compliant U.S. Related Account Holders elected to enter the OVDP and other IRS approved disclosure programs after being contacted by the Bank.

37. After the exit of U.S. Related Account Holders in 2009, the Bank accepted new U.S. Related Account Holders only if, among other things, they signed a Form W-9.

38. Since entering the Swiss Bank Program on December 23, 2013, Schroder Bank has cooperated fully with the Department. The Bank has conducted an internal investigation and provided comprehensive materials to the Department relating to the actions of the Bank before and during the Applicable Period and its U.S. Related Accounts. These materials included a detailed description of the business source of these accounts, the Bank's communications with account holders, and transactional information concerning the movement of funds in and out of these accounts. Further, the Bank has expended considerable efforts to encourage account holders to participate in the OVDP and other IRS approved disclosure programs, and the Bank has obtained waivers from numerous account holders to permit complete disclosures of account information and to facilitate the work of the Department and the IRS. The Bank has also assisted the Department of Justice in the formulation of requests for information under the 1996 Convention between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income for, among other things, the identities of U.S. account holders.

39. The Bank has conducted an extensive program to ensure its ongoing compliance with the U.S. Foreign Account Tax Compliance Act (FATCA).

EXHIBIT B TO NON-PROSECUTION AGREEMENT

Resolution of the Board of Directors of Schroder & Co. Bank AG

WHEREAS, Schroder & Co. Bank AG (the **Bank**) has participated in Category 2 of the Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks (the **U.S. Program**) announced on August 29, 2013 by the United States Department of Justice (the **DoJ**);

WHEREAS, the DoJ has confirmed to the Bank that it may enter into a Non-Prosecution Agreement (the **Agreement**) as a result of its compliance with the requirements set forth in the U.S. Program;

WHEREAS, the Bank's Board of Directors (the **Board**) has reviewed a draft of the Agreement, in the form tabled to the meeting, including a draft of the statement of facts to be attached as Exhibit A to the Agreement (the **Statement of Facts**); and

WHEREAS, the Bank's U.S. and Swiss counsel have advised the Board of the Bank's rights and obligations under, and the consequences of entering into, the Agreement;

At a duly convened meeting held on August 19, 2015, the Board unanimously resolved as follows:

1. that the entry by the Bank into the Agreement, substantially in the form as made available to the Board, and the payment by the Bank of a sum of USD 10,354,000 to the DOJ pursuant to the Agreement, are herewith approved;

2. that Adrian Noesberger and Oliver Oexl (each an **Authorized Signatory**) are hereby authorized, acting jointly, to execute and deliver the Agreement in the name and on behalf of the Bank, substantially in the form as reviewed by the Board, with such amendments as the Authorized Signatories may, acting jointly, approve;

3. that Scott D. Michel and/or Mark E. Matthews, of Caplin & Drysdale, Chartered, are hereby authorized to execute and deliver, as additional signatories (the **Additional Signatories**) and in their capacity as the Bank's U.S. counsel, the Agreement as executed by the Authorized Signatories;

4. that the Board hereby further authorizes, empowers and directs the Authorized Signatories, acting jointly, to take or cause to be taken any and all such further actions, to execute and deliver or cause to be executed and delivered all such other documents, certificates, instruments and agreements, and to make such filings, to incur and pay all such fees and expenses and to engage in all such acts, in the name and on behalf of the Bank, as each in his judgment determines to be necessary, desirable or advisable to carry out fully the intent and purposes of the foregoing resolutions; and

5. that all of the actions of the Authorized Signatories and the Additional Signatories are hereby ratified, confirmed, approved and adopted as actions on behalf of the Bank.

IN WITNESS WHEREOF, the Board has executed this resolution on 19th of August 2015.

Philip Mallinckrodt
Chairman of the Board of Directors

Michael Kiepert
Secretary of the Board of Directors