

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF INDIANA DEPARTMENT OF

FINANCIAL INSTITUTIONS

INDIANAPOLIS, INDIANA

\_\_\_\_\_  
In the Matter of )

PEOPLES BANK )  
MUNSTER, INDIANA )

(Insured Nonmember State Commercial Bank) )  
\_\_\_\_\_)

CONSENT ORDER

FDIC-23-0032b

Peoples Bank, Munster, Indiana (“Bank”), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, including those related to the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, and regulations implementing the Bank Secrecy Act, including, 12 U.S.C. § 1818(s), 12 C.F.R. Part 326, Subpart B, and 31 C.F.R. Chapter X (hereinafter collectively, the “Bank Secrecy Act” or “BSA”), and of its right to a hearing on the charges under 12 U.S.C. § 1818(b), and Indiana Code §§ 28-11-4 *et seq.*, regarding hearings before the Indiana Department of Financial Institutions (“DFI”), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“STIPULATION”) with representatives of the Federal Deposit Insurance Corporation (“FDIC”) and the DFI, dated \_\_\_\_\_, 2023, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or

unsound banking practices and violations of law or regulation relating to the Bank Secrecy Act, the Bank consented to the issuance of a CONSENT ORDER (“ORDER”) by the FDIC.

The FDIC considered the matter and determined that it had reason to believe the Bank had engaged in unsafe or unsound practices related to the Bank Secrecy Act and therefore accepted the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Indiana Code §§ 28-11-4, *et seq.*, have been satisfied, the FDIC and the DFI HEREBY ORDER that the Bank, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

**REVISED WRITTEN AML/CFT PROGRAM**

1. Within ninety (90) days from the effective date of this ORDER, the Bank’s Board of Directors (“Board”) shall develop, adopt, and implement a revised written Anti-Money Laundering / Combating the Financing of Terrorism (“AML/CFT”) program (“Revised AML/CFT Program”), which fully meets all applicable requirements of 12 C.F.R. § 326.8, and which is designed to, among other things, assure and maintain full compliance with the BSA and the rules and regulations issued pursuant thereto by the Bank. The Board shall provide the Regional Director of the FDIC’s Chicago Regional Office (“Regional Director”) and the DFI with a copy of the Revised AML/CFT Program for review. Thereafter, the revised program and its implementation shall be prepared and conducted in a manner acceptable to the DFI and the Regional Director, as determined at subsequent examinations and/or visitations of the Bank. At a minimum, the revised program shall:

(a) Require the Bank to develop, adopt, and implement a revised, effective written policy designed to ensure full compliance with all provisions of the BSA;

(b) Require the Bank to develop a revised system of internal controls to assure full compliance with the BSA rules and regulations issued pursuant thereto, including policies and procedures to detect and monitor all transactions to assure the identification and proper reporting of all known or suspicious criminal activity, money laundering activity, or violations of the BSA;

(c) Continue to designate a senior bank official to be responsible for the Bank's AML/CFT Program. This designated senior official shall be in a position, and have the authority, to make and enforce policies with respect to BSA compliance, and to assure that full and complete corrective action is taken regarding previously identified violations and deficiencies. This senior bank official shall have the necessary knowledge and expertise to effectively oversee the Bank's program commensurate with the level of risk in the Bank's operations. The designated senior official shall have direct access to the Board for reporting on BSA compliance;

(d) Provide for revised, written and detailed guidelines regarding the administration of new business account activity, including the solicitation, opening, initial risk assessment, and ongoing monitoring of all such accounts for suspicious activity and the filing of all required reports resulting therefrom;

(e) Establish revised due diligence practices and written guidelines for all customers that are commensurate with the level of money laundering and terrorist financing risk posed by each customer;

(f) Establish revised due diligence practices and written guidelines for monitoring high risk business accounts that fully address all deficiencies and recommendations noted in the February 27, 2023 Joint FDIC/DFI Report of Examination ("ROE"); and

(g) Provide for accurate and comprehensive risk assessment for the bank's AML/CFT Program and Office of Foreign Assets Control ("OFAC") compliance procedures, which fully take into account the nature of the Bank's operations including, but not limited to types of customers, products, services, and geographical location.

(h) Require all Suspicious Activity Reports ("SARs") to be timely and comprehensively prepared in full compliance with all applicable requirements of 12 C.F.R. § 353.

(i) Provide for formal case management processes and procedures that clearly define BSA Department staff roles in regards to researching and clearing alerts. Management must ensure alerts are reviewed promptly and thoroughly, escalated to case, or cleared with sufficient justification in accordance with applicable suspicious activity reporting requirements.

#### **QUALIFIED AML/CFT MANAGEMENT**

2. (a) During the life of this ORDER and thereafter, the Bank shall have and retain management qualified to oversee all aspects of the Bank's AML/CFT Program and to ensure compliance with all applicable laws and regulations related thereto. Each member of management with responsibilities relating to 12 C.F.R. § 326.8, or the Treasury Department's Financial Recordkeeping Regulations, 31 C.F.R. Chapter X, shall have the qualifications commensurate with his or her duties and responsibilities under those regulations.

(b) Within forty-five (45) days from the effective date of this ORDER, the Board shall ensure that the Bank continues to retain a qualified BSA Officer who has the necessary training, time, resources, and authority to enforce policies and procedures and ensure full compliance with the Bank's AML/CFT Program. The BSA Officer shall be evaluated to determine whether he or she continues to possess the ability, experience, training, and other necessary qualifications required to perform present and anticipated duties, including adherence

to the Bank's AML/CFT Program, the requirements of the outstanding regulations, and the provisions of this ORDER.

### **AML/CFT STAFFING**

3. Within ninety (90) days from the effective date of this ORDER, the Bank shall analyze and assess the Bank's staffing needs in order to provide for an adequate number of qualified staff for the Bank's BSA department that is commensurate with the nature of the institution's AML/CFT risks, including provisions for succession of BSA responsibilities. The BSA department staff shall be evaluated to determine whether these individuals possess the ability, experience, training and other necessary qualifications required to perform present and anticipated duties, including adherence to the Bank's AML/CFT Program, the requirements of the BSA, and the provisions of this ORDER. The outcome of this review must be documented and presented to the Board of Directors with the Board's review notated in meeting minutes.

### **AML/CFT TRAINING PROGRAM**

4. (a) Within forty-five (45) days from the effective date of this ORDER, the Board shall identify staff positions and personnel whose duties, assignments, and responsibilities call for knowledge of the compliance requirements of the BSA, the Bank's AML/CFT Program, including BSA staff, frontline staff, and other staff as applicable.

(b) Within ninety (90) days from the effective date of the ORDER, the bank shall develop a revised, comprehensive training program that shall have a general component for all directors and staff and specific components that are tailored to the needs of specific positions. Required training shall be conducted by qualified staff and/or independent contractors and shall include training in all aspects of regulatory and internal policies and procedures related to the BSA, and shall provide specific training with regards to suspicious activity monitoring, ensuring that OFAC scans are conducted on new customers, due diligence and monitoring of high-risk

customers. Additionally, the training program should provide for the BSA Officer and staff to obtain periodic specialized training as appropriate to obtain adequate AML/CFT knowledge and keep up-to-date on emerging risks. The revised training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

(c) The revised, comprehensive training program shall be approved by the Board and forwarded to the Regional Director and the DFI along with the next progress report required by paragraph 13 of this ORDER due following the Board's approval.

### **SUSPICIOUS ACTIVITY REPORTING**

5. Within one hundred and eighty (180) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised written program for monitoring and reporting suspicious activity from the point of initial detection to the disposition of the investigation, which fully meets all applicable requirements of 12 C.F.R. § 353, and is designed to, among other things, assure and maintain full compliance by the Bank with FDIC Rules regarding monitoring and reporting suspicious activity.

(a) The written procedures shall address, at a minimum, the following: reports, logs, and other records used to monitor suspicious account activity, such as automated reports (cash aggregation, large fluctuations of account balances, insufficient and overdrawn accounts, kiting suspect), funds transfers (domestic and international), monetary instrument sales, subpoenas, FinCEN § 314(a) requests, and all SARs and currency transaction reports ("CTRs") that have been filed.

(b) The written procedures shall also require a consistent and repeatable process for periodic reviews of system alert parameters, including procedures for reviewing and

documenting any system changes, such as changes to the alert parameter settings and any settings that automatically purge any suspicious activity alerts.

(c) The written procedures shall require that responsible BSA personnel review all current and expanded reports on an established, fixed timeframe, including an established timeframe and documentation requirement for the clearing of alerts generated by the Bank's automated suspicious activity monitoring system. Secondary reviews should be conducted and determinations made within a fixed, reasonable time period, and the dates on which the review and determination were made shall be documented, including decisions not to file a SAR. All SARs shall be filed within thirty (30) days of the determination being made and shall be completed with sufficient detail in the narrative and completion of all items (a) through (m) in Section V of the form.

#### **CUSTOMER DUE DILIGENCE PROGRAM**

6. Within thirty (30) days from the effective date of this ORDER, the Bank shall implement the Board-approved Customer Due Diligence (CDD) program. The CDD program shall be implemented in a manner acceptable to the Regional Director and the DFI as determined at subsequent examinations and/or visitations of the Bank. The implementation of the CDD program shall, at a minimum, include:

(a) An ongoing risk-focused assessment of the Bank's customer base and records to ensure that personnel can reasonably detect suspicious activity and determine which customers require additional due diligence necessary for those bank-identified high-risk customers;

(b) Obtaining and documenting CDD information and the CDD Questionnaire for consumer and business accounts;

(c) Obtaining and documenting CDD information on independently owned or operated automated teller machine (“IOATM”) customers;

(d) Assigning a risk rating to the Bank’s customers, including consumer accounts, based on the potential risk posed by the customer’s activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customers;

(e) Maintaining an accurate and updated list of all moderate- and high-risk customers;

(f) Obtaining, analyzing, documenting, and maintaining sufficient effective suspicious activity monitoring, including documentation of normal and expected transactions of the customers;

(g) Documenting the analysis conducted under the CDD process and resolving issues when insufficient or inaccurate information is obtained;

(h) Monitoring procedures required for each category under the risk ratings and periodic, risk-based monitoring of customer relationships to determine whether the original risk profile remains accurate;

(i) Obtaining information to complete the ongoing customer due diligence reviews on the specific high-risk customers detailed in the ROE;

(j) Identifying and timely and accurately reporting known or suspected criminal activity, as required by the SAR provision of 12 C.F.R. § 353; and

(k) Holding employees accountable for adherence to the CDD program.

#### **ONGOING MONITORING / ENHANCED DUE DILIGENCE**

7. Within thirty (30) days from the effective date of this ORDER, the Bank shall enforce adherence to the internally designated Enhanced Due Diligence (EDD) procedures. The



enforcement of the EDD procedures shall be conducted in a manner acceptable to the Regional Director and the DFI as determined at subsequent examinations and/or visitations of the Bank.

The enforcement of the EDD procedures shall, at a minimum, include:

(a) Performing ongoing reviews of internally designated moderate- and high-risk customers in accordance with the EDD procedures;

(b) Performing ongoing reviews of internally designated moderate- and high-risk customers identified during the suspicious activity monitoring process in accordance with the EDD procedures.

### **CORRECTION OF VIOLATIONS**

8. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall take all steps necessary to eliminate or correct all BSA violations of law and regulations as detailed in the ROE. The Bank shall also file SARs on any suspicious transactions identified in the ROE. In addition, the Bank shall adopt procedures to ensure future compliance with all applicable laws, rules, and regulations.

### **OTHER AML/CFT PROGRAM WEAKNESSES**

9. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall correct all AML/CFT Program weaknesses identified in the ROE.

### **LOOK-BACK REVIEW**

10. (a) Within sixty (60) days of the effective date of this ORDER, the Bank shall develop a written plan detailing how it will conduct a review of deposit account and transaction activity for the time period beginning February 1, 2022, through the effective date of this ORDER, to ensure that all suspicious activity involving any accounts of, or transactions through, the Bank were properly identified and reported in accordance with all applicable BSA reporting requirements (Look-Back Review).

- (b) The plan for the Look-Back Review shall include, at a minimum:
  - (i) The scope of the review to be conducted, which shall specify the types of account and transactions to be reviewed;
  - (ii) The methodology for conducting the Look-Back Review, including any sampling procedures to be followed;
  - (iii) The resources and expertise to be dedicated to the Look-Back Review;
  - (iv) The anticipated date of completion of the Look-Back Review;
  - (v) A provision for unrestricted examiner access to any workpapers; and
  - (vi) A provision that the findings from the Look-Back Review will be presented directly to both the Bank's Audit Committee and the Board with the Board's review noted in the meeting minutes.

(c) The plan for the Look-Back Review, and the subsequent modifications thereof, shall be prepared and implemented in a manner acceptable to the Regional Director and the DFI. For this purpose, the draft plan shall be submitted to the Regional Director and the DFI for review and comment prior to implementation. After consideration of all such comments, and an adoption of any recommended changes, the Board shall approve the plan, which approval shall be recorded in the minutes of the Board meeting at which approved.

(d) Within thirty (30) days of receipt of written notice from the Regional Director and the DFI indicating acceptance of the plan, the Bank shall implement the plan and commence the Look-Back Review.

(e) Within thirty (30) days of implementing the plan and commencing the Look-Back Review and thereafter by the tenth (10th) day of each month while the Look-Back

Review is being conducted, the Bank shall provide to the Regional Director and the DFI a written report detailing the actions taken under the Look-Back Review and the results obtained since commencing the Look-Back Review or since the prior monthly report, whichever is applicable.

(f) Within thirty (30) days of completion of the Look-Back Review, the Bank shall provide a copy of the Look-Back Review report to the Regional Director and the DFI, including a list, specifying all outstanding matters or transactions identified by the Look-Back Review that have yet to be appropriately addressed, and detailing how and when these matters will be resolved in accordance with applicable law and regulation.

(g) Within thirty (30) days of completion of the Look-Back Review, the Bank shall file SARs on any suspicious transactions identified during the Look-Back Review.

(h) Within sixty (60) days of the Bank's receipt of the Look-Back Review, the Bank shall ensure that all matters or transactions identified as requiring further resolution are in fact resolved in accordance with applicable laws and regulations.

### **BOARD REPORTING**

11. While this ORDER is in effect, the Bank's BSA Officer shall provide monthly reports to the Board regarding compliance with this ORDER. The BSA Officer's report will also address any material findings or weaknesses noted in regulatory examination reports and BSA audit reports. Further, the report will include any relevant transactions identified through internal suspicious activity monitoring or discovered as part of the Bank's Look-Back review. The Board must ensure that the BSA Officer has the resources and support necessary to address these findings. Finally, the Board will be responsible for ensuring that any exceptions are addressed in a timely manner.

### **NOTIFICATION TO SHAREHOLDER**

12. Following the effective date of this ORDER, the Bank shall send to its holding company, as the Bank's sole shareholder, a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice of proxy statement preceding the Bank's next shareholder meeting.

### **PROGRESS REPORTS**

13. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Director of the DFI written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.

### **CLOSING PARAGRAPHS**

The effective date of this ORDER shall be the date of its issuance by the FDIC and the DFI. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the DFI.

Pursuant to delegated authority.

Dated: \_\_\_\_\_ November 7, 2023.

/s/ \_\_\_\_\_  
Larisa M. Collado  
Deputy Regional Director  
Chicago Regional Office  
Federal Deposit Insurance Corporation

/s/ \_\_\_\_\_  
Thomas C. Fite  
Director  
Indiana Department of Financial Institutions